

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2021
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 1-3876

HOLLYFRONTIER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
2828 N. Harwood, Suite 1300
Dallas, Texas
(Address of principal executive offices)

75-1056913
(I.R.S. Employer Identification No.)

75201
(Zip Code)

(214) 871-3555

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock \$0.01 par value	HFC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

162,490,166 shares of Common Stock, par value \$.01 per share, were outstanding on July 30, 2021.

**HOLLYFRONTIER CORPORATION
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FORWARD-LOOKING STATEMENTS

References herein to HollyFrontier Corporation (“HollyFrontier”) include HollyFrontier and its consolidated subsidiaries. In accordance with the Securities and Exchange Commission’s (“SEC”) “Plain English” guidelines, this Quarterly Report on Form 10-Q has been written in the first person. In this document, the words “we,” “our,” “ours” and “us” refer only to HollyFrontier and its consolidated subsidiaries or to HollyFrontier or an individual subsidiary and not to any other person with certain exceptions. Generally, the words “we,” “our,” “ours” and “us” include Holly Energy Partners, L.P. (“HEP”) and its subsidiaries as consolidated subsidiaries of HollyFrontier, unless when used in disclosures of transactions or obligations between HEP and HollyFrontier or its other subsidiaries. This document contains certain disclosures of agreements that are specific to HEP and its consolidated subsidiaries and do not necessarily represent obligations of HollyFrontier. When used in descriptions of agreements and transactions, “HEP” refers to HEP and its consolidated subsidiaries.

This Quarterly Report on Form 10-Q contains certain “forward-looking statements” within the meaning of the federal securities laws. All statements, other than statements of historical fact included in this Form 10-Q, including, but not limited to, those under “Results of Operations,” “Liquidity and Capital Resources” and “Risk Management” in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those in Part II, Item 1 “Legal Proceedings” are forward-looking statements. Forward-looking statements use words such as “anticipate,” “project,” “expect,” “plan,” “goal,” “forecast,” “intend,” “should,” “would,” “could,” “believe,” “may,” and similar expressions and statements regarding our plans and objectives for future operations. These statements are 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. Unless specifically noted, all statements concerning our expectations for future results of operations are based on forecasts for our existing operations and do not include the potential impact of any future acquisitions. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that our expectations will prove to be correct. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in these statements. Any differences could be caused by a number of factors including, but not limited to:

- our ability to successfully close the pending Puget Sound refinery transaction, or, once closed, integrate the operation of the Puget Sound refinery with our existing operations;
- (i) our ability to successfully close the Sinclair acquisition, which requires receipt of approval from our stockholders and certain regulatory approvals (including clearance by antitrust authorities); (ii) disruption the Sinclair acquisition may cause to customers, vendors, business partners and our ongoing business; (iii) once closed, our ability to integrate the operations of Sinclair with our existing operations and fully realize the expected synergies of the Sinclair acquisition on the expected timeline; and (iv) legal proceedings that may be instituted against us or HEP following the announcement of the Sinclair acquisition.
- the extraordinary market environment and effects of the COVID-19 pandemic, including a significant decline in demand for refined petroleum products in markets that we serve;
- risks and uncertainties with respect to the actions of actual or potential competitive suppliers and transporters of refined petroleum products or lubricant and specialty products in our markets;
- the spread between market prices for refined products and market prices for crude oil;
- the possibility of constraints on the transportation of refined products or lubricant and specialty products;
- the possibility of inefficiencies, curtailments or shutdowns in refinery operations or pipelines, whether due to infection in the workforce or in response to reductions in demand;
- the effects of current and/or future governmental and environmental regulations and policies, including the effects of current and/or future restrictions on various commercial and economic activities in response to the COVID-19 pandemic;
- the availability and cost of our financing;
- the effectiveness of our capital investments and marketing strategies;
- our efficiency in carrying out and consummating construction projects, including our ability to complete announced capital projects, such as the conversion of the Cheyenne Refinery to a renewable diesel facility and the construction of the Artesia renewable diesel unit and pretreatment unit, on time and within capital guidance;
- our ability to timely obtain or maintain permits, including those necessary for operations or capital projects,
- our ability to acquire refined or lubricant product operations or pipeline and terminal operations on acceptable terms and to integrate any existing or future acquired operations;
- the possibility of terrorist or cyberattacks and the consequences of any such attacks;

- general economic conditions, including uncertainty regarding the timing, pace and extent of an economic recovery in the United States;
- continued deterioration in gross margins or a prolonged economic slowdown due to the COVID-19 pandemic which could result in an impairment of goodwill and/or additional long-lived asset impairments; and
- other financial, operational and legal risks and uncertainties detailed from time to time in our SEC filings.

Cautionary statements identifying important factors that could cause actual results to differ materially from our expectations are set forth in this Form 10-Q, including without limitation the forward-looking statements that are referred to above. You should not put any undue reliance on any forward-looking statements. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements set forth under the heading “Risk Factors” included in Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2020 and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 and in this Quarterly Report on Form 10-Q, and in conjunction with the discussion in this Form 10-Q in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Outlook” and “Liquidity and Capital Resources.” All forward-looking statements included in this Form 10-Q and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. 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.

DEFINITIONS

Within this report, the following terms have these specific meanings:

“**BPD**” means the number of barrels per calendar day of crude oil or petroleum products.

“**BPSD**” means the number of barrels per stream day (barrels of capacity in a 24 hour period) of crude oil or petroleum products.

“**Base oil**” is a lubricant grade oil initially produced from refining crude oil or through chemical synthesis that is used in producing lubricant products such as lubricating greases, motor oil and metal processing fluids.

“**Black wax crude oil**” is a low sulfur, low gravity crude oil produced in the Uintah Basin in Eastern Utah that has certain characteristics that require specific facilities to transport, store and refine into transportation fuels.

“**Cracking**” means the process of breaking down larger, heavier and more complex hydrocarbon molecules into simpler and lighter molecules.

“**Crude oil distillation**” means the process of distilling vapor from liquid crudes, usually by heating, and condensing the vapor slightly above atmospheric pressure turning it back to liquid in order to purify, fractionate or form the desired products.

“**FCC**,” or fluid catalytic cracking, means a refinery process that breaks down large complex hydrocarbon molecules into smaller more useful ones using a circulating bed of catalyst at relatively high temperatures.

“**LPG**” means liquid petroleum gases.

“**Lubricant**” or “**lube**” means a solvent neutral paraffinic product used in commercial heavy duty engine oils, passenger car oils and specialty products for industrial applications such as heat transfer, metalworking, rubber and other general process oil.

“**MMBTU**” means one million British thermal units.

“**Rack back**” represents the portion of our Lubricants and Specialty Products business operations that entails the processing of feedstocks into base oils.

“**Rack forward**” represents the portion of our Lubricants and Specialty Products business operations that entails the processing of base oils into finished lubricants and the packaging, distribution and sale to customers.

“**Refinery gross margin**” means the difference between average net sales price and average cost per barrel sold. This does not include the associated depreciation and amortization costs.

“**Renewable diesel**” means a diesel fuel derived from vegetable oils or animal fats that is produced through various processes, most commonly through hydrotreating, reacting the feedstock with hydrogen under temperatures and pressure in the presence of a catalyst.

“**RINs**” means renewable identification numbers and refers to serial numbers assigned to credits generated from renewable fuel production under the Environmental Protection Agency’s Renewable Fuel Standard (“RFS”) regulations, which require blending renewable fuels into the nation’s fuel supply. In lieu of blending, refiners may purchase these transferable credits in order to comply with the regulations.

“**Sour crude oil**” means crude oil containing quantities of sulfur greater than 0.4 percent by weight, while “**sweet crude oil**” means crude oil containing quantities of sulfur equal to or less than 0.4 percent by weight.

“**Vacuum distillation**” means the process of distilling vapor from liquid crudes, usually by heating, and condensing the vapor below atmospheric pressure turning it back to a liquid in order to purify, fractionate or form the desired products.

“**White oil**” is an extremely pure, highly-refined petroleum product that has a wide variety of applications ranging from pharmaceutical to cosmetic products.

“**WTI**” means West Texas Intermediate and is a grade of crude oil used as a common benchmark in oil pricing. WTI is a sweet crude oil and has a relatively low density.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HOLLYFRONTIER CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 2021	December 31, 2020
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents <i>(HEP: \$19,561 and \$21,990, respectively)</i>	\$ 1,398,280	\$ 1,368,318
Accounts receivable: Product and transportation <i>(HEP: \$14,749 and \$14,543, respectively)</i>	803,858	590,526
Crude oil resales	122,579	39,510
	926,437	630,036
Inventories: Crude oil and refined products	1,522,907	989,296
Materials, supplies and other <i>(HEP: \$1,041 and \$895, respectively)</i>	177,698	184,180
	1,700,605	1,173,476
Income taxes receivable	69,862	91,348
Prepayments and other <i>(HEP: \$4,286 and \$8,591, respectively)</i>	49,266	47,583
Total current assets	4,144,450	3,310,761
Properties, plants and equipment, at cost <i>(HEP: \$2,160,681 and \$2,119,295, respectively)</i>	7,633,297	7,299,517
Less accumulated depreciation <i>(HEP: \$(674,298) and \$(644,149), respectively)</i>	(2,873,658)	(2,726,378)
	4,759,639	4,573,139
Operating lease right-of-use assets <i>(HEP: \$70,922 and \$72,480, respectively)</i>	404,009	350,548
Other assets: Turnaround costs	303,707	314,816
Goodwill <i>(HEP: \$312,873 and \$312,873, respectively)</i>	2,293,544	2,293,935
Intangibles and other <i>(HEP: \$221,309 and \$224,430, respectively)</i>	654,684	663,665
	3,251,935	3,272,416
Total assets	\$ 12,560,033	\$ 11,506,864
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable <i>(HEP: \$25,773 and \$28,565, respectively)</i>	\$ 1,480,820	\$ 1,000,959
Income taxes payable	6,146	1,801
Operating lease liabilities <i>(HEP: \$3,815 and \$3,827, respectively)</i>	104,768	97,937
Accrued liabilities <i>(HEP: \$19,570 and \$29,518, respectively)</i>	421,037	274,459
Total current liabilities	2,012,771	1,375,156
Long-term debt <i>(HEP: \$1,362,570 and \$1,405,603, respectively)</i>	3,100,969	3,142,718
Noncurrent operating lease liabilities <i>(HEP: \$67,481 and \$68,454, respectively)</i>	327,838	285,785
Deferred income taxes <i>(HEP: \$451 and \$449, respectively)</i>	805,734	713,703
Other long-term liabilities <i>(HEP: \$45,755 and \$55,105, respectively)</i>	272,477	267,299
Equity:		
HollyFrontier stockholders' equity:		
Preferred stock, \$1.00 par value – 5,000,000 shares authorized; none issued	—	—
Common stock \$.01 par value – 320,000,000 shares authorized; 256,046,051 shares issued as of June 30, 2021 and December 31, 2020	2,560	2,560
Additional capital	4,225,032	4,207,672
Retained earnings	4,172,560	3,913,179
Accumulated other comprehensive income	9,653	13,462
Common stock held in treasury, at cost – 93,562,308 and 93,632,391 shares as of June 30, 2021 and December 31, 2020, respectively	(2,966,430)	(2,968,512)
Total HollyFrontier stockholders' equity	5,443,375	5,168,361
Noncontrolling interest	596,869	553,842
Total equity	6,040,244	5,722,203
Total liabilities and equity	\$ 12,560,033	\$ 11,506,864

Parenthetical amounts represent asset and liability balances attributable to Holly Energy Partners, L.P. ("HEP") as of June 30, 2021 and December 31, 2020. HEP is a variable interest entity.

See accompanying notes.

HOLLYFRONTIER CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Sales and other revenues	\$ 4,577,123	\$ 2,062,930	\$ 8,081,416	\$ 5,463,475
Operating costs and expenses:				
Cost of products sold (exclusive of depreciation and amortization):				
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	3,825,729	1,576,996	6,786,034	4,270,722
Lower of cost or market inventory valuation adjustment	(118,825)	(269,904)	(318,862)	290,560
	3,706,904	1,307,092	6,467,172	4,561,282
Operating expenses (exclusive of depreciation and amortization)	334,191	303,359	734,100	631,704
Selling, general and administrative expenses (exclusive of depreciation and amortization)	77,754	75,369	159,729	163,106
Depreciation and amortization	124,042	130,178	248,121	270,753
Long-lived asset impairment	—	436,908	—	436,908
Total operating costs and expenses	4,242,891	2,252,906	7,609,122	6,063,753
Income (loss) from operations	334,232	(189,976)	472,294	(600,278)
Other income (expense):				
Earnings of equity method investments	3,423	2,156	5,186	3,870
Interest income	1,029	1,506	2,060	5,579
Interest expense	(28,942)	(32,695)	(67,328)	(55,334)
Gain on tariff settlement	—	—	51,500	—
Gain on sales-type leases	—	33,834	—	33,834
Loss on early extinguishment of debt	—	—	—	(25,915)
Gain (loss) on foreign currency transactions	583	2,285	(734)	(1,948)
Other, net	7,927	1,572	9,817	3,422
	(15,980)	8,658	501	(36,492)
Income (loss) before income taxes	318,252	(181,318)	472,795	(636,770)
Income tax expense (benefit):				
Current	(9,175)	(65,607)	1,990	(77,047)
Deferred	132,660	34,696	93,188	(116,030)
	123,485	(30,911)	95,178	(193,077)
Net income (loss)	194,767	(150,407)	377,617	(443,693)
Less net income attributable to noncontrolling interest	25,917	26,270	60,550	37,607
Net income (loss) attributable to HollyFrontier stockholders	\$ 168,850	\$ (176,677)	\$ 317,067	\$ (481,300)
Earnings (loss) per share:				
Basic	\$ 1.03	\$ (1.09)	\$ 1.92	\$ (2.97)
Diluted	\$ 1.03	\$ (1.09)	\$ 1.92	\$ (2.97)
Average number of common shares outstanding:				
Basic	162,523	161,889	162,501	161,882
Diluted	162,523	161,889	162,501	161,882

See accompanying notes.

HOLLYFRONTIER CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 194,767	\$ (150,407)	\$ 377,617	\$ (443,693)
Other comprehensive income (loss):				
Foreign currency translation adjustment	2,088	11,710	(3,775)	(9,876)
Hedging instruments:				
Change in fair value of cash flow hedging instruments	475	1,513	(18,042)	(5,235)
Reclassification adjustments to net income (loss) on settlement of cash flow hedging instruments	4,949	5,401	18,824	(1,175)
Net unrealized gain (loss) on hedging instruments	5,424	6,914	782	(6,410)
Pension and other post-retirement benefit obligations:				
Actuarial loss on pension plans	—	—	—	(45)
Pension plans gain reclassified to net income	(104)	—	(205)	—
Actuarial gain on post-retirement healthcare plans	—	—	—	3
Post-retirement healthcare plans gain reclassified to net income	(837)	—	(1,675)	—
Retirement restoration plan loss reclassified to net income	9	—	18	—
Net change in pension and other post-retirement benefit obligations	(932)	—	(1,862)	(42)
Other comprehensive income (loss) before income taxes	6,580	18,624	(4,855)	(16,328)
Income tax expense (benefit)	1,585	4,250	(1,046)	(3,779)
Other comprehensive income (loss)	4,995	14,374	(3,809)	(12,549)
Total comprehensive income (loss)	199,762	(136,033)	373,808	(456,242)
Less noncontrolling interest in comprehensive income	25,917	26,270	60,550	37,607
Comprehensive income (loss) attributable to HollyFrontier stockholders	\$ 173,845	\$ (162,303)	\$ 313,258	\$ (493,849)

See accompanying notes.

HOLLYFRONTIER CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 377,617	\$ (443,693)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	248,121	270,753
Long-lived asset impairment	—	436,908
Lower of cost or market inventory valuation adjustment	(318,862)	290,560
Earnings of equity method investments, inclusive of distributions	—	(1,298)
Loss on early extinguishment of debt	—	25,915
Gain on sales-type leases	—	(33,834)
Gain on sale of assets	(5,423)	(357)
Deferred income taxes	93,188	(116,030)
Equity-based compensation expense	21,142	14,289
Change in fair value – derivative instruments	(3,531)	(9,377)
(Increase) decrease in current assets:		
Accounts receivable	(292,901)	281,011
Inventories	(204,708)	(764)
Income taxes receivable	21,314	(72,382)
Prepayments and other	(200)	9,704
Increase (decrease) in current liabilities:		
Accounts payable	467,203	(314,892)
Income taxes payable	4,097	(9,268)
Accrued liabilities	154,224	3,340
Turnaround expenditures	(51,926)	(49,248)
Other, net	(19,274)	27,965
Net cash provided by operating activities	490,081	309,302
Cash flows from investing activities:		
Additions to properties, plants and equipment	(275,125)	(98,996)
Additions to properties, plants and equipment – HEP	(57,716)	(30,740)
Proceeds from sale of assets	7,422	—
Investment in equity company - HEP	—	(2,400)
Distributions from equity method investments in excess of equity earnings	3,107	470
Net cash used for investing activities	(322,312)	(131,666)
Cash flows from financing activities:		
Borrowings under credit agreements	141,000	168,000
Repayments under credit agreements	(184,500)	(138,500)
Proceeds from issuance of senior notes - HEP	—	500,000
Redemption of senior notes - HEP	—	(522,500)
Purchase of treasury stock	(491)	(1,243)
Dividends	(57,663)	(114,430)
Distributions to noncontrolling interests	(38,188)	(51,008)
Contributions from noncontrolling interests	17,593	13,263
Payments on finance leases	(1,296)	(843)
Deferred financing costs	(14,500)	(8,714)
Other, net	(433)	456
Net cash used for financing activities	(138,478)	(155,519)
Effect of exchange rate on cash flow	671	(4,770)
Cash and cash equivalents:		
Increase for the period	29,962	17,347
Beginning of period	1,368,318	885,162
End of period	\$ 1,398,280	\$ 902,509
Supplemental disclosure of cash flow information:		
Cash (paid) received during the period for:		
Interest	\$ (68,328)	\$ (64,003)
Income taxes, net	\$ 22,996	\$ (4,738)
Increase in accrued and unpaid capital expenditures	\$ 7,544	\$ 4,588

See accompanying notes.

HOLLYFRONTIER CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(In thousands except per share data)

	HollyFrontier Stockholders' Equity					Non- controlling Interest	Total Equity
	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock		
Balance at December 31, 2020	\$ 2,560	\$ 4,207,672	\$ 3,913,179	\$ 13,462	\$ (2,968,512)	\$ 553,842	\$ 5,722,203
Net income	—	—	148,217	—	—	34,633	182,850
Dividends (\$0.35 declared per common share)	—	—	(57,663)	—	—	—	(57,663)
Distributions to noncontrolling interest holders	—	—	—	—	—	(19,977)	(19,977)
Other comprehensive loss, net of tax	—	—	—	(8,804)	—	—	(8,804)
Issuance of common stock under incentive compensation plans	—	56	—	—	(56)	—	—
Equity-based compensation	—	9,088	—	—	—	682	9,770
Purchase of treasury stock	—	—	—	—	(12)	—	(12)
Purchase of HEP units for restricted grants	—	—	—	—	—	(68)	(68)
Contributions from noncontrolling interests	—	—	—	—	—	9,747	9,747
Balance at March 31, 2021	\$ 2,560	\$ 4,216,816	\$ 4,003,733	\$ 4,658	\$ (2,968,580)	\$ 578,859	\$ 5,838,046
Net income	—	—	168,850	—	—	25,917	194,767
Distributions to noncontrolling interest holders	—	—	—	—	—	(18,211)	(18,211)
Other comprehensive income, net of tax	—	—	—	4,995	—	—	4,995
Issuance of common stock under incentive compensation plans	—	(2,629)	—	—	2,629	—	—
Equity-based compensation	—	10,845	—	—	—	527	11,372
Purchase of treasury stock	—	—	—	—	(479)	—	(479)
Purchase of HEP units for restricted grants	—	—	—	—	—	(2)	(2)
Contributions from noncontrolling interests	—	—	—	—	—	9,779	9,779
Other	—	—	(23)	—	—	—	(23)
Balance at June 30, 2021	\$ 2,560	\$ 4,225,032	\$ 4,172,560	\$ 9,653	\$ (2,966,430)	\$ 596,869	\$ 6,040,244

HollyFrontier Stockholders' Equity

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Non- controlling Interest	Total Equity
Balance at December 31, 2019	\$ 2,560	\$ 4,204,547	\$ 4,744,120	\$ 14,774	\$ (2,987,808)	\$ 531,233	\$ 6,509,426
Net income (loss)	—	—	(304,623)	—	—	11,337	(293,286)
Dividends (\$0.35 declared per common share)	—	—	(57,248)	—	—	—	(57,248)
Distributions to noncontrolling interest holders	—	—	—	—	—	(33,918)	(33,918)
Other comprehensive loss, net of tax	—	—	—	(26,923)	—	—	(26,923)
Issuance of common stock under incentive compensation plans	—	(2,037)	—	—	2,037	—	—
Equity-based compensation	—	5,824	—	—	—	506	6,330
Purchase of treasury stock	—	—	—	—	(1,062)	—	(1,062)
Purchase of HEP units for restricted grants	—	—	—	—	—	(145)	(145)
Contributions from noncontrolling interests	—	—	—	—	—	7,304	7,304
Balance at March 31, 2020	\$ 2,560	\$ 4,208,334	\$ 4,382,249	\$ (12,149)	\$ (2,986,833)	\$ 516,317	\$ 6,110,478
Net income (loss)	—	—	(176,677)	—	—	26,270	(150,407)
Dividends (\$0.35 declared per common share)	—	—	(57,182)	—	—	—	(57,182)
Distributions to noncontrolling interest holders	—	—	—	—	—	(17,090)	(17,090)
Other comprehensive income, net of tax	—	—	—	14,374	—	—	14,374
Issuance of common stock under incentive compensation plans	—	(527)	—	—	527	—	—
Equity-based compensation	—	7,484	—	—	—	475	7,959
Purchase of treasury stock	—	—	—	—	(181)	—	(181)
Purchase of HEP units for restricted grants	—	—	—	—	—	(2)	(2)
Contributions from noncontrolling interests	—	—	—	—	—	5,959	5,959
Other	—	603	—	—	—	—	603
Balance at June 30, 2020	<u>\$ 2,560</u>	<u>\$ 4,215,894</u>	<u>\$ 4,148,390</u>	<u>\$ 2,225</u>	<u>\$ (2,986,487)</u>	<u>\$ 531,929</u>	<u>\$ 5,914,511</u>

See accompanying notes.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1: Description of Business and Presentation of Financial Statements

References herein to HollyFrontier Corporation (“HollyFrontier”) include HollyFrontier and its consolidated subsidiaries. In accordance with the Securities and Exchange Commission’s (“SEC”) “Plain English” guidelines, this Quarterly Report on Form 10-Q has been written in the first person. In these financial statements, the words “we,” “our,” “ours” and “us” refer only to HollyFrontier and its consolidated subsidiaries or to HollyFrontier or an individual subsidiary and not to any other person, with certain exceptions. Generally, the words “we,” “our,” “ours” and “us” include Holly Energy Partners, L.P. (“HEP”) and its subsidiaries as consolidated subsidiaries of HollyFrontier, unless when used in disclosures of transactions or obligations between HEP and HollyFrontier or its other subsidiaries. These financial statements contain certain disclosures of agreements that are specific to HEP and its consolidated subsidiaries and do not necessarily represent obligations of HollyFrontier. When used in descriptions of agreements and transactions, “HEP” refers to HEP and its consolidated subsidiaries.

We are an independent petroleum refiner and marketer that produces high-value light products such as gasoline, diesel fuel, jet fuel, specialty lubricant products and specialty and modified asphalt. We own and operate petroleum refineries that serve markets throughout the Mid-Continent, Southwest and Rocky Mountain geographic regions of the United States. In addition, we produce base oils and other specialized lubricants in the United States, Canada and the Netherlands, with retail and wholesale marketing of our products through a global sales network with locations in Canada, the United States, Europe, China and Latin America.

As of June 30, 2021, we:

- owned and operated a petroleum refinery in El Dorado, Kansas (the “El Dorado Refinery”), two refinery facilities located in Tulsa, Oklahoma (collectively, the “Tulsa Refineries”), a refinery in Artesia, New Mexico that is operated in conjunction with crude oil distillation and vacuum distillation and other facilities situated 65 miles away in Lovington, New Mexico (collectively, the “Navajo Refinery”) and a refinery in Woods Cross, Utah (the “Woods Cross Refinery”);
- owned a facility in Cheyenne, Wyoming, which operated as a petroleum refinery until early August 2020, at which time its assets began to be converted to renewable diesel production (the “Cheyenne Refinery”);
- owned and operated Petro-Canada Lubricants Inc. (“PCLI”) located in Mississauga, Ontario, which produces base oils and other specialized lubricant products;
- owned and operated manufacturing facilities in Petrolia, Pennsylvania and the Netherlands, which produce specialty lubricant products for our Sonneborn business, such as white oils, petrolatums and waxes;
- owned and operated Red Giant Oil Company LLC (“Red Giant Oil”), which supplies locomotive engine oil and has storage and distribution facilities in Iowa and Wyoming, along with a blending and packaging facility in Texas;
- owned and operated HollyFrontier Asphalt Company LLC (“HFC Asphalt”), which operates various asphalt terminals in Arizona, New Mexico and Oklahoma; and
- owned a 57% limited partner interest and a non-economic general partner interest in HEP, a variable interest entity (“VIE”). HEP owns and operates logistic assets consisting of petroleum product and crude oil pipelines, terminals, tankage, loading rack facilities and refinery processing units that principally support our refining and marketing operations in the Mid-Continent, Southwest and Rocky Mountain geographic regions of the United States.

On May 4, 2021, HollyFrontier Puget Sound Refining LLC, a wholly-owned subsidiary of HollyFrontier Corporation, entered into a sale and purchase agreement with Equilon Enterprises LLC d/b/a Shell Oil Products US (“Shell”) to acquire Shell’s refinery and related assets, including the on-site cogeneration facility and related logistics assets (the “Puget Sound Refinery”), for a base cash purchase price of \$350 million plus hydrocarbon inventory to be valued at closing with an estimated current value in the range of \$150 million to \$180 million (the “Puget Sound Acquisition”). The Puget Sound Refinery is strategically located on approximately 850 acres in Anacortes, Washington, approximately 80 miles north of Seattle and 90 miles south of Vancouver. The 149,000 barrel per day facility is a large, high quality and complex refinery with catalytic cracking and delayed coking units and is well positioned geographically and logistically to source advantaged Canadian and Alaskan North Slope crudes. In addition to refining assets and an on-site cogeneration facility, the transaction includes a deep-water marine dock, a light product loading rack, a rail terminal, and storage tanks with approximately 5.8 million barrels of crude, product and other hydrocarbon storage capacity. The Puget Sound Acquisition is expected to close in the fourth quarter of 2021, subject to customary closing conditions. We expect to fund the Puget Sound Acquisition with a one-year suspension of our regular quarterly dividend and cash on hand.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

During the first quarter of 2021, we initiated a restructuring within our Lubricants and Specialty Products segment. As a result of this restructuring, we recorded \$7.8 million in employee severance costs for the six months ended June 30, 2021, which were recognized primarily as selling, general and administrative expenses in our Lubricants and Specialty Products segment.

In the third quarter of 2020, we permanently ceased petroleum refining operations at our Cheyenne Refinery and subsequently began converting certain assets at our Cheyenne Refinery to renewable diesel production. In connection with the cessation of petroleum refining operations at our Cheyenne Refinery, we recognized \$8.1 million and \$16.3 million, in decommissioning expense and \$0.2 million and \$0.7 million, in employee severance costs for the three and six months ended June 30, 2021, respectively, which were recognized in operating expenses in our Corporate and Other segment.

During the second quarter of 2020, we recorded \$1.1 million in employee severance costs related to the conversion of our Cheyenne Refinery. These severance costs were recognized in operating expenses and were reported in our Refining segment. Also, during the second quarter of 2020, we recorded a long-lived asset impairment charge of \$232.2 million related to our Cheyenne Refinery asset group.

During the second quarter of 2020, we initiated and completed a corporate restructuring. As a result of this restructuring, we recorded \$3.7 million in employee severance costs, which were recognized primarily as operating expenses in our Refining segment and selling, general and administrative expenses in our Corporate and Other segment.

We have prepared these consolidated financial statements without audit. In management's opinion, these consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of our consolidated financial position as of June 30, 2021, the consolidated results of operations, comprehensive income and statements of equity for the three and six months ended June 30, 2021 and 2020 and consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the rules and regulations of the SEC. Although certain notes and other information required by generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted, we believe that the disclosures in these consolidated financial statements are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2020 that has been filed with the SEC.

Our results of operations for the six months ended June 30, 2021 are not necessarily indicative of the results of operations to be realized for the year ending December 31, 2021.

Accounts Receivable: Our accounts receivable consist of amounts due from customers that are primarily companies in the petroleum industry. Credit is extended based on our evaluation of the customer's financial condition, and in certain circumstances collateral, such as letters of credit or guarantees, is required. We reserve for expected credit losses based on our historical loss experience as well as expected credit losses from current economic conditions and management's expectations of future economic conditions. Credit losses are charged to the allowance for expected credit losses when an account is deemed uncollectible. Our allowance for expected credit losses was \$4.3 million at June 30, 2021 and \$3.4 million at December 31, 2020.

Inventories: Inventories related to our refining operations are stated at the lower of cost, using the last-in, first-out ("LIFO") method for crude oil and unfinished and finished refined products, or market. In periods of rapidly declining prices, LIFO inventories may have to be written down to market value due to the higher costs assigned to LIFO layers in prior periods. In addition, the use of the LIFO inventory method may result in increases or decreases to cost of sales in years that inventory volumes decline as the result of charging cost of sales with LIFO inventory costs generated in prior periods. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final year-end LIFO inventory valuation.

Inventories of our Petro-Canada Lubricants and Sonneborn businesses are stated at the lower of cost, using the first-in, first-out ("FIFO") method, or net realizable value.

Inventories consisting of process chemicals, materials and maintenance supplies and renewable identification numbers ("RINs") are stated at the lower of weighted-average cost or net realizable value.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

Leases: At inception, we determine if an arrangement is or contains a lease. Right-of-use (“ROU”) assets represent our right to use an underlying asset for the lease term and lease liabilities represent our payment obligation under the leasing arrangement. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. We use our estimated incremental borrowing rate (“IBR”) to determine the present value of lease payments as most of our leases do not contain an implicit rate. Our IBR represents the interest rate which we would pay to borrow, on a collateralized basis, an amount equal to the lease payments over a similar term in a similar economic environment. We use the implicit rate when readily determinable.

Operating leases are recorded in operating lease right-of-use assets and current and noncurrent operating lease liabilities on our consolidated balance sheet. Finance leases are included in properties, plants and equipment and accrued liabilities and other long-term liabilities on our consolidated balance sheet.

Our lease term includes an option to extend the lease when it is reasonably certain that we will exercise that option. Leases with a term of 12 months or less are not recorded on our balance sheet. For certain equipment leases, we apply a portfolio approach for the operating lease ROU assets and liabilities. Also, as a lessee, we separate non-lease components that are identifiable and exclude them from the determination of net present value of lease payment obligations. In addition, HEP, as a lessor, does not separate the non-lease (service) component in contracts in which the lease component is the dominant component. HEP treats these combined components as a lease.

Goodwill and Long-lived Assets: As of June 30, 2021, our goodwill balance was \$2.3 billion, with goodwill assigned to our Refining, Lubricants and Specialty Products and HEP segments of \$1,733.5 million, \$247.2 million and \$312.9 million, respectively. See Note 14 for additional information on our segments. The carrying amount of our goodwill may fluctuate from period to period due to the effects of foreign currency translation adjustments on goodwill assigned to our Lubricants and Specialty Products segment. Goodwill represents the excess of the cost of an acquired entity over the fair value of the assets acquired and liabilities assumed. Goodwill is not subject to amortization and is tested annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our goodwill impairment testing first entails either a quantitative assessment or an optional qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine that based on the qualitative factors that it is more likely than not that the carrying amount of the reporting unit is greater than its fair value, a quantitative test is performed in which we estimate the fair value of the related reporting unit. If the carrying amount of a reporting unit exceeds its fair value, the goodwill of that reporting unit is impaired, and we measure goodwill impairment as the excess of the carrying amount of the reporting unit over the related fair value.

For purposes of long-lived asset impairment evaluation, we have grouped our long-lived assets as follows: (i) our refinery asset groups, which include certain HEP logistics assets, (ii) our Lubricants and Specialty Products asset groups and (iii) our HEP asset groups, which comprises HEP assets not included in our refinery asset groups. These asset groups represent the lowest level for which independent cash flows can be identified. Our long-lived assets are evaluated for impairment by identifying whether indicators of impairment exist and if so, assessing whether the long-lived assets are recoverable from estimated future undiscounted cash flows. The actual amount of impairment loss measured, if any, is equal to the amount by which the asset group’s carrying value exceeds its fair value.

During the second quarter of 2020, we recorded long-lived asset impairment charges of \$232.2 million and \$204.7 million related to our Cheyenne Refinery and PCLI asset groups, respectively.

Revenue Recognition: Revenue on refined product and excess crude oil sales are recognized when delivered (via pipeline, in-tank or rack) and the customer obtains control of such inventory, which is typically when title passes and the customer is billed. All revenues are reported inclusive of shipping and handling costs billed and exclusive of any taxes billed to customers. Shipping and handling costs incurred are reported as cost of products sold.

Our lubricants and specialty products business has sales agreements with marketers and distributors that provide certain rights of return or provisions for the repurchase of products previously sold to them. Under these agreements, revenues and cost of revenues are deferred until the products have been sold to end customers. Our lubricants and specialty products business also has agreements that create an obligation to deliver products at a future date for which consideration has already been received and recorded as deferred revenue. This revenue is recognized when the products are delivered to the customer.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

HEP recognizes revenues as products are shipped through its pipelines and terminals and as other services are rendered. Additionally, HEP has certain throughput agreements that specify minimum volume requirements, whereby HEP bills a customer for a minimum level of shipments in the event a customer ships below their contractual requirements. If there are no future performance obligations, HEP recognizes these deficiency payments as revenue. In certain of these throughput agreements, a customer may later utilize such shortfall billings as credit towards future volume shipments in excess of its minimum levels within its respective contractual shortfall make-up period. Such amounts represent an obligation to perform future services, which may be initially deferred and later recognized as revenue based on estimated future shipping levels, including the likelihood of a customer's ability to utilize such amounts prior to the end of the contractual shortfall make-up period. HEP recognizes the service portion of these deficiency payments as revenue when HEP does not expect it will be required to satisfy these performance obligations in the future based on the pattern of rights exercised by the customer. Payment terms under our contracts with customers are consistent with industry norms and are typically payable within 30 days of the date of invoice.

Foreign Currency Translation: Assets and liabilities recorded in foreign currencies are translated into U.S. dollars using exchange rates in effect as of the balance sheet date. Revenue and expense accounts are translated using the weighted-average exchange rates during the period presented. Foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income.

We have intercompany notes that were issued to fund certain of our foreign businesses. Remeasurement adjustments resulting from the conversion of intercompany financing amounts to functional currencies are recorded as gains and losses as a component of other income (expense) in the consolidated statements of operations. Such adjustments are not recorded to the Lubricants and Specialty Products segment operations, but to Corporate and Other. See Note 14 for additional information on our segments.

Income Taxes: Provisions for income taxes include deferred taxes resulting from temporary differences in income for financial and tax purposes, using the liability method of accounting for income taxes. The liability method requires the effect of tax rate changes on deferred income taxes to be reflected in the period in which the rate change was enacted. The liability method also requires that deferred tax assets be reduced by a valuation allowance unless it is more likely than not that the assets will be realized.

Potential interest and penalties related to income tax matters are recognized in income tax expense. We believe we have appropriate support for the income tax positions taken and to be taken on our income tax returns and that our accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter.

For the six months ended June 30, 2021, we recorded income tax expense of \$95.2 million compared to an income tax benefit of \$193.1 million for the six months ended June 30, 2020. This increase was due principally to pre-tax income during the six months ended June 30, 2021 compared to pre-tax loss in the same period of 2020. Our effective tax rates were 20.1% and 30.3% for the six months ended June 30, 2021 and 2020, respectively. The year-over-year decrease in the effective tax rate is due principally to the relationship between the pre-tax results and the earnings attributable to the noncontrolling interest that is not included in income for tax purposes. The difference in the U.S. federal statutory rate and the effective tax rate for the six months ended June 30, 2021 was primarily due to the tax effects of income attributable to noncontrolling interests.

Inventory Repurchase Obligations: We periodically enter into same-party sell / buy transactions, whereby we sell certain refined product inventory and subsequently repurchase the inventory in order to facilitate delivery to certain locations. Such sell / buy transactions are accounted for as inventory repurchase obligations under which proceeds received under the initial sell is recognized as an inventory repurchase obligation that is subsequently reversed when the inventory is repurchased. For the six months ended June 30, 2021 and 2020, we received proceeds of \$23.0 million and \$20.4 million, respectively, and subsequently repaid \$24.2 million and \$21.7 million, respectively, under these sell / buy transactions.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

NOTE 2: Holly Energy Partners

HEP is a publicly held master limited partnership that owns and operates logistic assets consisting of petroleum product and crude oil pipelines, terminals, tankage, loading rack facilities and refinery processing units that principally support our refining and marketing operations, as well as other third-party refineries, in the Mid-Continent, Southwest and Rocky Mountain geographic regions of the United States. Additionally, as of June 30, 2021, HEP owned a 75% interest in UNEV Pipeline, LLC (“UNEV”), the owner of a pipeline running from Woods Cross, Utah to Las Vegas, Nevada (the “UNEV Pipeline”) and associated product terminals, and a 50% ownership interest in each of Osage Pipe Line Company, LLC, the owner of a pipeline running from Cushing, Oklahoma to El Dorado, Kansas (the “Osage Pipeline”); Cheyenne Pipeline, LLC, the owner of a pipeline running from Fort Laramie, Wyoming to Cheyenne, Wyoming (the “Cheyenne Pipeline”) and Cushing Connect Pipeline & Terminal LLC (“Cushing Connect”), the owner of a crude oil storage terminal in Cushing, Oklahoma and a pipeline under construction that will run from Cushing, Oklahoma to our Tulsa Refineries.

At June 30, 2021, we owned a 57% limited partner interest and a non-economic general partner interest in HEP. As the general partner of HEP, we have the sole ability to direct the activities that most significantly impact HEP’s financial performance, and therefore as HEP’s primary beneficiary, we consolidate HEP.

HEP generates revenues by charging tariffs for transporting petroleum products and crude oil through its pipelines, by charging fees for terminalling refined products and other hydrocarbons, and by storing and providing other services at its storage tanks and terminals. Under our long-term transportation agreements with HEP (discussed further below), we accounted for 79% of HEP’s total revenues for the six months ended June 30, 2021. We do not provide financial or equity support through any liquidity arrangements and / or debt guarantees to HEP.

HEP has outstanding debt under a senior secured revolving credit agreement and its senior notes. HEP’s creditors have no recourse to our assets. Furthermore, our creditors have no recourse to the assets of HEP and its consolidated subsidiaries. See Note 9 for a description of HEP’s debt obligations.

HEP has risk associated with its operations. If a major customer of HEP were to terminate its contracts or fail to meet desired shipping or throughput levels for an extended period of time, revenue would be reduced and HEP could suffer substantial losses to the extent that a new customer is not found. In the event that HEP incurs a loss, our operating results will reflect HEP’s loss, net of intercompany eliminations, to the extent of our ownership interest in HEP at that point in time.

Cushing Connect Joint Venture

In October 2019, HEP Cushing LLC (“HEP Cushing”), a wholly-owned subsidiary of HEP, and Plains Marketing, L.P. (“PMLP”), a wholly-owned subsidiary of Plains All American Pipeline, L.P. (“Plains”), formed a 50/50 joint venture, Cushing Connect, for (i) the development, construction, ownership and operation of a new 160,000 barrel per day common carrier crude oil pipeline (the “Cushing Connect Pipeline”) that will connect the Cushing, Oklahoma crude oil hub to our Tulsa Refineries and (ii) the ownership and operation of 1.5 million barrels of crude oil storage in Cushing, Oklahoma (the “Cushing Connect Terminal”). The Cushing Connect Terminal was fully in service beginning in April 2020, and the Cushing Connect Pipeline is expected to be placed in service during the third quarter of 2021. Long-term commercial agreements have been entered into to support the Cushing Connect assets.

Cushing Connect will contract with an affiliate of HEP to manage the construction and operation of the Cushing Connect Pipeline and with an affiliate of Plains to manage the operation of the Cushing Connect Terminal. The total investment in Cushing Connect will be shared equally among the partners. However, HEP is solely responsible for any Cushing Connect Pipeline constructions costs that exceed the budget by more than 10%. HEP estimates its share of the cost of the Cushing Connect Terminal contributed by Plains and Cushing Connect Pipeline construction costs are approximately \$70 million to \$75 million.

Cushing Connect and its two subsidiaries, Cushing Connect Pipeline and Cushing Connect Terminal, are each VIE’s because they do not have sufficient equity at risk to finance their activities without additional financial support. HEP is the primary beneficiary of two of these entities as HEP is constructing and will operate the Cushing Connect Pipeline, and HEP has more ability to direct the activities that most significantly impact the financial performance of Cushing Connect and Cushing Connect Pipeline. Therefore, HEP consolidates these two entities. HEP is not the primary beneficiary of Cushing Connect Terminal, which HEP accounts for using the equity method of accounting.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

Transportation Agreements

HEP serves our refineries under long-term pipeline, terminal and tankage throughput agreements and refinery processing tolling agreements expiring from 2022 through 2036. Under these agreements, we pay HEP fees to transport, store and process throughput volumes of refined products, crude oil and feedstocks on HEP's pipeline, terminals, tankage, loading rack facilities and refinery processing units that result in minimum annual payments to HEP including UNEV (a consolidated subsidiary of HEP). Under these agreements, the agreed upon tariff rates are subject to annual tariff rate adjustments on July 1 at a rate based upon the percentage change in Producer Price Index or Federal Energy Regulatory Commission index. As of July 1, 2021, these agreements require minimum annualized payments to HEP of \$339.8 million.

Our transactions with HEP and fees paid under our transportation agreements with HEP and UNEV are eliminated and have no impact on our consolidated financial statements.

Lessor Accounting

Our consolidated statements of operations reflect lease revenue recognized by HEP for contracts with third parties in which HEP is the lessor.

Lease income recognized was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Operating lease revenues	\$ 3,731	\$ 5,442	\$ 8,178	\$ 13,732
Gain on sales-type leases	\$ —	\$ 33,834	\$ —	\$ 33,834
Sales-type lease interest income	\$ 637	\$ 642	\$ 1,276	\$ 642
Lease revenues relating to variable lease payments not included in measurement of the sales-type lease receivable	\$ 520	\$ 286	\$ 857	\$ 286

One of HEP's throughput agreements with Delek US Holdings, Inc. ("Delek") was partially renewed during the three months ended June 30, 2020. Certain components of this agreement met the criteria of sales-type leases since the underlying assets are not expected to have an alternative use at the end of the lease term to anyone other than Delek. Under sales-type lease accounting, at the commencement date, the lessor recognizes a net investment in the lease, based on the estimated fair value of the underlying leased assets at contract inception, and derecognizes the underlying assets with the difference recorded as selling profit or loss arising from the lease. Therefore, HEP recognized a gain on sales-type leases totaling \$33.8 million during the three months ended June 30, 2020. This sales-type lease transaction, including the related gain, was a non-cash transaction.

NOTE 3: Revenues

Substantially all revenue-generating activities relate to sales of refined product and excess crude oil inventories sold at market prices (variable consideration) under contracts with customers. Additionally, we have revenues attributable to HEP logistics services provided under petroleum product and crude oil pipeline transportation, processing, storage and terminalling agreements with third parties.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

Disaggregated revenues were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(In thousands)				
Revenues by type				
Refined product revenues				
Transportation fuels ⁽¹⁾	\$ 3,323,897	\$ 1,385,246	\$ 5,795,668	\$ 3,863,593
Specialty lubricant products ⁽²⁾	605,939	340,284	1,086,620	811,237
Asphalt, fuel oil and other products ⁽³⁾	221,743	145,298	380,329	346,641
Total refined product revenues	4,151,579	1,870,828	7,262,617	5,021,471
Excess crude oil revenues ⁽⁴⁾	389,275	163,394	745,575	363,173
Transportation and logistic services	27,092	19,244	52,350	45,670
Other revenues ⁽⁵⁾	9,177	9,464	20,874	33,161
Total sales and other revenues	<u>\$ 4,577,123</u>	<u>\$ 2,062,930</u>	<u>\$ 8,081,416</u>	<u>\$ 5,463,475</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(In thousands)				

Refined product revenues by market				
United States				
Mid-Continent	\$ 2,334,226	\$ 867,660	\$ 4,002,439	\$ 2,400,584
Southwest	941,451	436,073	1,709,514	1,170,248
Rocky Mountains	373,252	274,973	611,055	743,752
Northeast	199,955	110,909	372,253	270,733
Canada	213,338	120,870	395,284	303,523
Europe, Asia and Latin America	89,357	60,343	172,072	132,631
Total refined product revenues	<u>\$ 4,151,579</u>	<u>\$ 1,870,828</u>	<u>\$ 7,262,617</u>	<u>\$ 5,021,471</u>

(1) Transportation fuels consist of gasoline, diesel and jet fuel.

(2) Specialty lubricant products consist of base oil, waxes, finished lubricants and other specialty fluids.

(3) Asphalt, fuel oil and other products revenue include revenues attributable to our Refining and Lubricants and Specialty Products segments of \$165.9 million and \$55.8 million, respectively, for the three months ended June 30, 2021, \$283.2 million and \$97.1 million, respectively, for the six months ended June 30, 2021, \$131.9 million and \$13.4 million, respectively, for the three months ended June 30, 2020, \$280.7 million and \$65.9 million respectively, for the six months ended June 30, 2020.

(4) Excess crude oil revenues represent sales of purchased crude oil inventory that at times exceeds the supply needs of our refineries.

(5) Other revenues are principally attributable to our Refining segment.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

Our consolidated balance sheet reflects contract liabilities related to unearned revenues attributable to future service obligations under HEP's third-party transportation agreements and production agreements from our Sonneborn operations. The following table presents changes to our contract liabilities during the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30,	
	2021	2020
	(In thousands)	
Balance at January 1	\$ 6,738	\$ 4,652
Increase	15,314	16,115
Recognized as revenue	(14,686)	(14,980)
Balance at June 30	<u>\$ 7,366</u>	<u>\$ 5,787</u>

As of June 30, 2021, we have long-term contracts with customers that specify minimum volumes of gasoline, diesel, lubricants and specialty products to be sold ratably at market prices through 2025. Such volumes are typically nominated in the month preceding delivery and delivered ratably throughout the following month. Future prices are subject to market fluctuations and therefore, we have elected the exemption to exclude variable consideration under these contracts under Accounting Standards Codification 606-10-50-14A. Aggregate minimum volumes expected to be sold (future performance obligations) under our long-term product sales contracts with customers are as follows:

	Remainder of 2021	2022	2023	Thereafter	Total
	(In thousands)				
Refined product sales volumes (barrels)	9,528	14,272	12,795	11,698	48,293

Additionally, HEP has long-term contracts with third-party customers that specify minimum volumes of product to be transported through its pipelines and terminals that result in fixed-minimum annual revenues through 2025. Annual minimum revenues attributable to HEP's third-party contracts as of June 30, 2021 are presented below:

	Remainder of 2021	2022	2023	Thereafter	Total
	(In thousands)				
HEP contractual minimum revenues	\$ 10,422	\$ 11,005	\$ 8,922	\$ 11,414	\$ 41,763

NOTE 4: Fair Value Measurements

Our financial instruments measured at fair value on a recurring basis consist of derivative instruments and RINs credit obligations.

Fair value measurements are derived using inputs (assumptions that market participants would use in pricing an asset or liability, including assumptions about risk). GAAP categorizes inputs used in fair value measurements into three broad levels as follows:

- (Level 1) Quoted prices in active markets for identical assets or liabilities.
- (Level 2) Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.
- (Level 3) Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes valuation techniques that involve significant unobservable inputs.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

The carrying amounts of derivative instruments and RINs credit obligations at June 30, 2021 and December 31, 2020 were as follows:

	Carrying Amount	Fair Value by Input Level		
		Level 1	Level 2	Level 3
(In thousands)				
June 30, 2021				
Assets:				
Commodity price swaps	\$ 892	\$ —	\$ 892	\$ —
Commodity forward contracts	671	—	671	—
Total assets	<u>\$ 1,563</u>	<u>\$ —</u>	<u>\$ 1,563</u>	<u>\$ —</u>
Liabilities:				
NYMEX futures contracts	\$ 2,352	\$ 2,352	\$ —	\$ —
Commodity forward contracts	1,112	—	1,112	—
Foreign currency forward contracts	19,059	—	19,059	—
RINs credit obligations ⁽¹⁾	131,052	—	131,052	—
Total liabilities	<u>\$ 153,575</u>	<u>\$ 2,352</u>	<u>\$ 151,223</u>	<u>\$ —</u>
December 31, 2020				
Assets:				
Commodity forward contracts	\$ 275	\$ —	\$ 275	\$ —
Total assets	<u>\$ 275</u>	<u>\$ —</u>	<u>\$ 275</u>	<u>\$ —</u>
Liabilities:				
NYMEX futures contracts	\$ 418	\$ 418	\$ —	\$ —
Commodity price swaps	359	—	359	—
Commodity forward contracts	196	—	196	—
Foreign currency forward contracts	23,005	—	23,005	—
Total liabilities	<u>\$ 23,978</u>	<u>\$ 418</u>	<u>\$ 23,560</u>	<u>\$ —</u>

(1) Represent obligations for RINs credits for which we did not have sufficient quantities at June 30, 2021 to satisfy our Environmental Protection Agency (“EPA”) regulatory blending requirements.

Level 1 Instruments

Our NYMEX futures contracts are exchange traded and are measured and recorded at fair value using quoted market prices, a Level 1 input.

Level 2 Instruments

Derivative instruments consisting of foreign currency forward contracts, commodity price swaps and forward sales and purchase contracts are measured and recorded at fair value using Level 2 inputs. The fair value of the commodity price swap contracts is based on the net present value of expected future cash flows related to both variable and fixed rate legs of the respective swap agreements. The measurements are computed using market-based observable input and quoted forward commodity prices with respect to our commodity price swaps. The fair value of the forward sales and purchase contracts are computed using quoted forward commodity prices. RINs credit obligations are valued based on current market RINs prices. The fair value of foreign currency forward contracts are based on values provided by a third party, which were derived using market quotes for similar type instruments, a Level 2 input.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5: Earnings Per Share

Basic earnings per share is calculated as net income (loss) attributable to HollyFrontier stockholders, adjusted for participating securities' share in earnings divided by the average number of shares of common stock outstanding. Diluted earnings per share includes the incremental shares resulting from certain share-based awards. The following is a reconciliation of the denominators of the basic and diluted per share computations for net income (loss) attributable to HollyFrontier stockholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In thousands, except per share data)			
Net income (loss) attributable to HollyFrontier stockholders	\$ 168,850	\$ (176,677)	\$ 317,067	\$ (481,300)
Participating securities' share in earnings ⁽¹⁾	2,223	—	4,271	—
Net income (loss) attributable to common shares	<u>\$ 166,627</u>	<u>\$ (176,677)</u>	<u>\$ 312,796</u>	<u>\$ (481,300)</u>
Average number of shares of common stock outstanding	162,523	161,889	162,501	161,882
Average number of shares of common stock outstanding assuming dilution	<u>162,523</u>	<u>161,889</u>	<u>162,501</u>	<u>161,882</u>
Basic earnings (loss) per share	<u>\$ 1.03</u>	<u>\$ (1.09)</u>	<u>\$ 1.92</u>	<u>\$ (2.97)</u>
Diluted earnings (loss) per share	<u>\$ 1.03</u>	<u>\$ (1.09)</u>	<u>\$ 1.92</u>	<u>\$ (2.97)</u>

(1) Unvested restricted stock unit awards and unvested performance share units represent participating securities because they participate in nonforfeitable dividends or distributions with the common stockholders of HollyFrontier. Participating earnings represent the distributed and undistributed earnings of HollyFrontier attributable to the participating securities. Unvested restricted stock unit awards and performance share units do not participate in undistributed net losses as they are not contractually obligated to do so.

NOTE 6: Stock-Based Compensation

We have a principal share-based compensation plan (the "2020 Long-Term Incentive Plan"), which allows us to grant new equity awards to certain officers, non-employee directors and other key employees of HollyFrontier. The restricted stock unit awards generally vest over a period of one to three years. Upon vesting, restrictions on the restricted stock units lapse at which time they convert to common shares or cash. The performance share units generally vest over a period of three years and are payable in stock or cash upon meeting certain financial and performance criteria. The number of shares ultimately issued or cash paid for the performance share units can range from zero to 200% of target award amounts. The holders of unvested restricted stock units and performance share units have the right to receive dividends.

The compensation cost for these plans was \$11.9 million and \$8.1 million for the three months ended June 30, 2021 and 2020, respectively, and \$22.8 million and \$12.9 million, for the six months ended June 30, 2021 and 2020, respectively.

Additionally, HEP maintains a share-based compensation plan for Holly Logistic Services, L.L.C.'s non-employee directors and certain executives and employees. Compensation cost attributable to HEP's share-based compensation plan was \$0.5 million and \$0.5 million for the three months ended June 30, 2021 and 2020, respectively, and \$1.2 million and \$1.0 million, for the six months ended June 30, 2021 and 2020, respectively.

In July 2021, we adopted a stock compensation deferral plan which allows non-employee directors to defer settlement of vested stock granted under our share-based compensation plan. This plan is effective October 1, 2021.

HOLLYFRONTIER CORPORATION
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A summary of restricted stock unit and performance share unit activity during the six months ended June 30, 2021 is presented below:

	Restricted Stock Units	Performance Share Units
Outstanding at January 1, 2021	2,057,045	635,204
Granted ⁽¹⁾	9,983	—
Vested	(89,381)	(3,565)
Forfeited	(132,284)	(26,192)
Outstanding at June 30, 2021	1,845,363	605,447
(1) Weighted average grant date fair value per unit	\$ 34.98	\$ —

NOTE 7: Inventories

Inventories consist of the following components:

	June 30, 2021	December 31, 2020
	(In thousands)	
Crude oil	\$ 511,056	\$ 451,967
Other raw materials and unfinished products ⁽¹⁾	342,791	260,495
Finished products ⁽²⁾	669,060	595,696
Lower of cost or market reserve	—	(318,862)
Process chemicals ⁽³⁾	43,021	35,006
Repair and maintenance supplies and other ⁽⁴⁾	134,677	149,174
Total inventory	\$ 1,700,605	\$ 1,173,476

(1) Other raw materials and unfinished products include feedstocks and blendstocks, other than crude.

(2) Finished products include gasolines, jet fuels, diesels, lubricants, asphalts, LPG's and residual fuels.

(3) Process chemicals include additives and other chemicals.

(4) Includes RINs.

Our inventories that are valued at the lower of LIFO cost or market reflected a valuation reserve of \$318.9 million at December 31, 2020. The December 31, 2020 market reserve of \$318.9 million was reversed during the six months ended June 30, 2021 due to the sale of inventory quantities that gave rise to the 2020 reserve. The effect of the change in lower of cost or market reserve was a decrease to cost of products sold totaling \$118.8 million and \$318.9 million for the three and six months ended June 30, 2021, respectively, and a decrease to cost of products sold totaling \$269.9 million for the three months ended June 30, 2020, and an increase of \$290.6 million for the six months ended June 30, 2020.

At June 30, 2021, the LIFO value of inventory was equal to cost.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8: Environmental

Environmental costs are charged to operating expenses if they relate to an existing condition caused by past operations and do not contribute to current or future revenue generation. We have ongoing investigations of environmental matters at various locations and routinely assess our recorded environmental obligations, if any, with respect to such matters. Liabilities are recorded when site restoration and environmental remediation, cleanup and other obligations are either known or considered probable and can be reasonably estimated. Such estimates are undiscounted and require judgment with respect to costs, time frame and extent of required remedial and cleanup activities and are subject to periodic adjustments based on currently available information. Recoveries of environmental costs through insurance, indemnification arrangements or other sources are included in other assets to the extent such recoveries are considered probable.

We incurred expense of \$1.9 million and \$0.4 million for the three months ended June 30, 2021 and 2020, respectively, and \$2.0 million for both the six months ended June 30, 2021 and 2020, for environmental remediation obligations. The accrued environmental liability reflected in our consolidated balance sheets was \$113.8 million and \$115.0 million at June 30, 2021 and December 31, 2020, respectively, of which \$94.8 million and \$94.0 million, respectively, were classified as other long-term liabilities. These accruals include remediation and monitoring costs expected to be incurred over an extended period of time (up to 30 years for certain projects). Estimated liabilities could increase in the future when the results of ongoing investigations become known, are considered probable and can be reasonably estimated.

NOTE 9: Debt

HollyFrontier Credit Agreement

On April 30, 2021, we amended our \$1.35 billion senior unsecured revolving credit facility to extend the maturity date to April 30, 2026 (the “HollyFrontier Credit Agreement”). The HollyFrontier Credit Agreement may be used for revolving credit loans and letters of credit from time to time and is available to fund general corporate purposes. At June 30, 2021, we were in compliance with all covenants, had no outstanding borrowings and had outstanding letters of credit totaling \$2.3 million under the HollyFrontier Credit Agreement.

Indebtedness under the HollyFrontier Credit Agreement bears interest, at our option, at either (a) the alternate base rate (as defined in the HollyFrontier Credit Agreement) plus an applicable margin of (ranging from 0.25% to 1.125%), (b) the LIBO Rate (as defined in the HollyFrontier Credit Agreement) plus an applicable margin (ranging from 1.25% to 2.125%) or (c) the CDOR Rate (as defined in the HollyFrontier Credit Agreement) plus an applicable margin (ranging from 1.25% to 2.125%) for Canadian dollar denominated borrowings.

HEP Credit Agreement

On April 30, 2021, HEP amended its \$1.4 billion senior secured revolving credit facility decreasing the commitments under the facility to \$1.2 billion and extending the maturity to July 27, 2025 (the “HEP Credit Agreement”). The HEP Credit Agreement is available to fund capital expenditures, investments, acquisitions, distribution payments, working capital and for general partnership purposes. It is also available to fund letters of credit up to a \$50 million sub-limit and continues to provide for an accordion feature that allows HEP to increase the commitments under the HEP Credit Agreement up to a maximum amount of \$1.7 billion. During the six months ended June 30, 2021, HEP received advances totaling \$141.0 million and repaid \$184.5 million under the HEP Credit Agreement. At June 30, 2021, HEP was in compliance with all of its covenants, had outstanding borrowings of \$870.0 million and no outstanding letters of credit under the HEP Credit Agreement.

Prior to the Investment Grade Date (as defined in the HEP Credit Agreement), indebtedness under the HEP Credit Agreement bears interest, at HEP’s option, at either (a) the alternate base rate (as defined in the HEP Credit Agreement) plus an applicable margin or (b) the Eurodollar Rate (as defined in the HEP Credit Agreement) plus an applicable margin. In each case, the applicable margin is based upon HEP’s Total Leverage Ratio (as defined in the HEP Credit Agreement). The weighted average interest rate in effect under the HEP Credit Agreement on HEP’s borrowings was 2.20% for June 30, 2021.

HEP’s obligations under the HEP Credit Agreement are collateralized by substantially all of HEP’s assets and are guaranteed by HEP’s material wholly-owned subsidiaries. Any recourse to the general partner would be limited to the extent of HEP Logistics Holdings, L.P.’s assets, which other than its investment in HEP are not significant. HEP’s creditors have no recourse to our other assets. Furthermore, our creditors have no recourse to the assets of HEP and its consolidated subsidiaries.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

HollyFrontier Senior Notes

At June 30, 2021, our senior notes consisted of the following:

- \$350.0 million in aggregate principal amount of 2.625% senior notes maturing October 2023 (the “2.625% Senior Notes”);
- \$1.0 billion in aggregate principal amount of 5.875% senior notes maturing April 2026 (the “5.875% Senior Notes”); and
- \$400.0 million in aggregate principal amount of 4.500% senior notes maturing October 2030 (the “4.500% Senior Notes”).

These senior notes (collectively, the “HollyFrontier Senior Notes”) are unsecured and unsubordinated obligations and rank equally with all our other existing and future unsecured and unsubordinated indebtedness.

HollyFrontier Financing Arrangements

Certain of our wholly-owned subsidiaries entered into financing arrangements whereby such subsidiaries sold a portion of their precious metals catalyst to a financial institution and then leased back the precious metals catalyst in exchange for cash. The volume of the precious metals catalyst and the lease rate are fixed over the term of each lease, and the lease payments are recorded as interest expense. The current leases mature on February 1, 2022. Upon maturity, we must either satisfy the obligation at fair market value or refinance to extend the maturity. These financing arrangements are recorded at a Level 2 fair value totaling \$41.7 million and \$43.9 million at June 30, 2021 and December 31, 2020, respectively, and are included in “Accrued liabilities” in our consolidated balance sheets. See Note 4 for additional information on Level 2 inputs.

HEP Senior Notes

In February 2020, HEP closed a private placement of \$500.0 million in aggregate principal amount of 5.0% HEP senior unsecured notes maturing February 2028 (the “HEP Senior Notes”). Subsequently, in February 2020, HEP redeemed its existing \$500.0 million aggregate principal amount of 6.0% senior notes maturing August 2024 at a redemption cost of \$522.5 million. HEP recognized a \$25.9 million early extinguishment loss consisting of a \$22.5 million debt redemption premium and unamortized discount and financing costs of \$3.4 million during the three months ended March 31, 2020.

The HEP Senior Notes are unsecured and impose certain restrictive covenants, including limitations on HEP’s ability to incur additional indebtedness, make investments, sell assets, incur certain liens, pay distributions, enter into transactions with affiliates, and enter into mergers. HEP was in compliance with the restrictive covenants for the HEP Senior Notes as of June 30, 2021. At any time when the HEP Senior Notes are rated investment grade by either Moody’s or Standard & Poor’s and no default or event of default exists, HEP will not be subject to many of the foregoing covenants. Additionally, HEP has certain redemption rights at varying premiums over face value under the HEP Senior Notes.

Indebtedness under the HEP Senior Notes is guaranteed by HEP’s wholly-owned subsidiaries. HEP’s creditors have no recourse to our assets. Furthermore, our creditors have no recourse to the assets of HEP and its consolidated subsidiaries.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

The carrying amounts of long-term debt are as follows:

	June 30, 2021	December 31, 2020
(In thousands)		
HollyFrontier		
2.625% Senior Notes	\$ 350,000	\$ 350,000
5.875% Senior Notes	1,000,000	1,000,000
4.500% Senior Notes	400,000	400,000
	<u>1,750,000</u>	<u>1,750,000</u>
Unamortized discount and debt issuance costs	(11,601)	(12,885)
Total HollyFrontier long-term debt	<u>1,738,399</u>	<u>1,737,115</u>
HEP Credit Agreement	870,000	913,500
HEP 5.000% Senior Notes		
Principal	500,000	500,000
Unamortized discount and debt issuance costs	(7,430)	(7,897)
Total HEP long-term debt	<u>1,362,570</u>	<u>1,405,603</u>
Total long-term debt	<u>\$ 3,100,969</u>	<u>\$ 3,142,718</u>

The fair values of the senior notes are as follows:

	June 30, 2021	December 31, 2020
(In thousands)		
HollyFrontier Senior Notes	\$ 1,948,756	\$ 1,903,867
HEP Senior Notes	\$ 512,245	\$ 506,540

These fair values are based on a Level 2 input. See Note 4 for additional information on Level 2 inputs.

We capitalized interest attributable to construction projects of \$2.8 million and \$0.8 million for the three months ended June 30, 2021 and 2020, respectively, and \$4.7 million and \$1.4 million, for the six months ended June 30, 2021 and 2020, respectively.

NOTE 10: Derivative Instruments and Hedging Activities

Commodity Price Risk Management

Our primary market risk is commodity price risk. We are exposed to market risks related to the volatility in crude oil and refined products, as well as volatility in the price of natural gas used in our refining operations. We periodically enter into derivative contracts in the form of commodity price swaps, forward purchase and sales and futures contracts to mitigate price exposure with respect to our inventory positions, natural gas purchases, sales prices of refined products and crude oil costs.

Foreign Currency Risk Management

We are exposed to market risk related to the volatility in foreign currency exchange rates. We periodically enter into derivative contracts in the form of foreign exchange forward and foreign exchange swap contracts to mitigate the exposure associated with fluctuations on intercompany notes with our foreign subsidiaries that are not denominated in the U.S. dollar.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Accounting Hedges

We have swap contracts serving as cash flow hedges against price risk on forecasted purchases of natural gas. We also periodically have swap contracts to lock in basis spread differentials on forecasted purchases of crude oil and forward sales contracts that lock in the prices of future sales of crude oil and refined product. These contracts have been designated as accounting hedges and are measured at fair value with offsetting adjustments (gains/losses) recorded directly to other comprehensive income. These fair value adjustments are later reclassified to earnings as the hedging instruments mature.

The following table presents the pre-tax effect on other comprehensive income ("OCI") and earnings due to fair value adjustments and maturities of hedging instruments under hedge accounting:

Derivatives Designated as Cash Flow Hedging Instruments	Net Unrealized Gain (Loss) Recognized in OCI		Gain (Loss) Reclassified into Earnings		
	Three Months Ended June 30,		Three Months Ended June 30,		
	2021	2020	Income Statement Location	2021	2020
	(In thousands)				
Commodity contracts	\$ 5,424	\$ 6,914	Sales and other revenues	\$ (5,052)	\$ (5,403)
			Cost of products sold	—	459
			Operating expenses	103	(457)
Total	\$ 5,424	\$ 6,914		\$ (4,949)	\$ (5,401)
Derivatives Designated as Cash Flow Hedging Instruments	Six Months Ended June 30,		Six Months Ended June 30,		
	2021	2020	Income Statement Location	2021	2020
	(In thousands)				
Commodity contracts	\$ 782	\$ (6,410)	Sales and other revenues	\$ (18,771)	\$ 49
			Cost of products sold	—	2,289
			Operating expenses	(53)	(1,163)
Total	\$ 782	\$ (6,410)		\$ (18,824)	\$ 1,175

Economic Hedges

We have commodity contracts including NYMEX futures contracts to lock in prices on forecasted purchases and sales of inventory and forward purchase and sell contracts, as well as periodically have contracts to lock in basis spread differentials on forecasted purchases of crude oil, that serve as economic hedges (derivatives used for risk management, but not designated as accounting hedges). We also have forward currency contracts to fix the rate of foreign currency. In addition, our catalyst financing arrangements discussed in Note 9 could require repayment under certain conditions based on the future pricing of platinum, which is an embedded derivative. These contracts are measured at fair value with offsetting adjustments (gains/losses) recorded directly to earnings.

The following table presents the pre-tax effect on income due to maturities and fair value adjustments of our economic hedges:

Derivatives Not Designated as Hedging Instruments	Income Statement Location	Gain (Loss) Recognized in Earnings			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
(In thousands)					
Commodity contracts	Cost of products sold	\$ (9,469)	\$ (7,180)	\$ (12,079)	\$ 17,909
	Interest expense	4,831	(5,100)	7,506	4,712
Foreign currency contracts	Gain (loss) on foreign currency transactions	(6,086)	(14,315)	(12,829)	19,160
	Total	\$ (10,724)	\$ (26,595)	\$ (17,402)	\$ 41,781

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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As of June 30, 2021, we have the following notional contract volumes related to outstanding derivative instruments:

	Total Outstanding Notional	Notional Contract Volumes by Year of Maturity		Unit of Measure
		2021	2022	
Derivatives Designated as Hedging Instruments				
Natural gas price swaps - long	900,000	900,000	—	MMBTU
Forward crude oil contracts - short	90,000	90,000	—	Barrels
Derivatives Not Designated as Hedging Instruments				
NYMEX futures (WTI) - short	665,000	665,000	—	Barrels
Forward gasoline and diesel contracts - long	365,000	365,000	—	Barrels
Foreign currency forward contracts	434,968,532	210,609,988	224,358,544	U.S. dollar
Forward commodity contracts (platinum)	38,723	—	38,723	Troy ounces

The following table presents the fair value and balance sheet locations of our outstanding derivative instruments. These amounts are presented on a gross basis with offsetting balances that reconcile to a net asset or liability position in our consolidated balance sheets. We present on a net basis to reflect the net settlement of these positions in accordance with provisions of our master netting arrangements.

	Derivatives in Net Asset Position			Derivatives in Net Liability Position		
	Gross Assets	Gross Liabilities Offset in Balance Sheet	Net Assets Recognized in Balance Sheet	Gross Liabilities	Gross Assets Offset in Balance Sheet	Net Liabilities Recognized in Balance Sheet
(In thousands)						
June 30, 2021						
Derivatives designated as cash flow hedging instruments:						
Commodity price swap contracts	\$ 892	\$ —	\$ 892	\$ —	\$ —	\$ —
Commodity forward contracts	—	—	—	462	—	462
	<u>\$ 892</u>	<u>\$ —</u>	<u>\$ 892</u>	<u>\$ 462</u>	<u>\$ —</u>	<u>\$ 462</u>
Derivatives not designated as cash flow hedging instruments:						
NYMEX futures contracts	\$ —	\$ —	\$ —	\$ 2,352	\$ —	\$ 2,352
Commodity forward contracts	671	—	671	650	—	650
Foreign currency forward contracts	—	—	—	20,007	(948)	19,059
	<u>\$ 671</u>	<u>\$ —</u>	<u>\$ 671</u>	<u>\$ 23,009</u>	<u>\$ (948)</u>	<u>\$ 22,061</u>
Total net balance			<u>\$ 1,563</u>			<u>\$ 22,523</u>
Balance sheet classification:	Prepayment and other		<u>\$ 1,563</u>	Accrued liabilities		<u>\$ 22,523</u>

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

	Derivatives in Net Asset Position			Derivatives in Net Liability Position		
	Gross Assets	Gross Liabilities Offset in Balance Sheet	Net Assets Recognized in Balance Sheet	Gross Liabilities	Gross Assets Offset in Balance Sheet	Net Liabilities Recognized in Balance Sheet
(In thousands)						
December 31, 2020						
<i>Derivatives designated as cash flow hedging instruments:</i>						
Commodity price swap contracts	\$ —	\$ —	\$ —	\$ 359	\$ —	\$ 359
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 359</u>	<u>\$ —</u>	<u>\$ 359</u>
<i>Derivatives not designated as cash flow hedging instruments:</i>						
NYMEX futures contracts	\$ —	\$ —	\$ —	\$ 418	\$ —	\$ 418
Commodity forward contracts	275	—	275	196	—	196
Foreign currency forward contracts	—	—	—	23,005	—	23,005
	<u>\$ 275</u>	<u>\$ —</u>	<u>\$ 275</u>	<u>\$ 23,619</u>	<u>\$ —</u>	<u>\$ 23,619</u>
Total net balance			<u>\$ 275</u>			<u>\$ 23,978</u>
Balance sheet classification:	Prepayment and other		<u>\$ 275</u>	Accrued liabilities		<u>\$ 23,978</u>

At June 30, 2021, we had a pre-tax net unrealized gain of \$0.4 million classified in accumulated other comprehensive income that relates to all accounting hedges having contractual maturities through 2021, which, assuming commodity prices remain unchanged, will be effectively transferred from accumulated other comprehensive income into the statement of operations as the hedging instruments contractually mature over the next twelve-month period.

NOTE 11: Equity

In November 2019, our Board of Directors approved a \$1.0 billion share repurchase program, which replaced all existing share repurchase programs, authorizing us to repurchase common stock in the open market or through privately negotiated transactions. The timing and amount of stock repurchases will depend on market conditions and corporate, regulatory and other relevant considerations. This program may be discontinued at any time by the Board of Directors. As of June 30, 2021, we had not repurchased common stock under this stock repurchase program. In addition, we are authorized by our Board of Directors to repurchase shares in an amount sufficient to offset shares issued under our compensation programs.

During the six months ended June 30, 2021 and 2020, we withheld 14,063 and 29,587, respectively, shares of our common stock from certain employees. These withholdings were made under the terms of restricted stock unit and performance share unit agreements upon vesting, at which time, we concurrently made cash payments to fund payroll and income taxes on behalf of officers and employees who elected to have shares withheld from vested amounts to pay such taxes.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

NOTE 12: Other Comprehensive Income

The components and allocated tax effects of other comprehensive income are as follows:

	Before-Tax	Tax Expense (Benefit)	After-Tax
	(In thousands)		
Three Months Ended June 30, 2021			
Net change in foreign currency translation adjustment	\$ 2,088	\$ 450	\$ 1,638
Net unrealized gain on hedging instruments	5,424	1,363	4,061
Net change in pension and other post-retirement benefit obligations	(932)	(228)	(704)
Other comprehensive income attributable to HollyFrontier stockholders	<u>\$ 6,580</u>	<u>\$ 1,585</u>	<u>\$ 4,995</u>
Three Months Ended June 30, 2020			
Net change in foreign currency translation adjustment	\$ 11,710	\$ 2,488	\$ 9,222
Net unrealized gain on hedging instruments	6,914	1,762	5,152
Other comprehensive income attributable to HollyFrontier stockholders	<u>\$ 18,624</u>	<u>\$ 4,250</u>	<u>\$ 14,374</u>
Six Months Ended June 30, 2021			
Net change in foreign currency translation adjustment	\$ (3,775)	\$ (775)	\$ (3,000)
Net unrealized gain on hedging instruments	782	194	588
Net change in pension and other post-retirement benefit obligations	(1,862)	(465)	(1,397)
Other comprehensive loss attributable to HollyFrontier stockholders	<u>\$ (4,855)</u>	<u>\$ (1,046)</u>	<u>\$ (3,809)</u>
Six Months Ended June 30, 2020			
Net change in foreign currency translation adjustment	\$ (9,876)	\$ (2,139)	\$ (7,737)
Net unrealized loss on hedging instruments	(6,410)	(1,636)	(4,774)
Net change in pension and other post-retirement benefit obligations	(42)	(4)	(38)
Other comprehensive loss attributable to HollyFrontier stockholders	<u>\$ (16,328)</u>	<u>\$ (3,779)</u>	<u>\$ (12,549)</u>

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The following table presents the statements of operations line item effects for reclassifications out of accumulated other comprehensive income (“AOCI”):

AOCI Component	Gain (Loss) Reclassified From AOCI		Statement of Operations Line Item
	Three Months Ended June 30,		
	2021	2020	
	(In thousands)		
Hedging instruments:			
Commodity price swaps	\$ (5,052)	\$ (5,403)	Sales and other revenues
	—	459	Cost of products sold
	103	(457)	Operating expenses
	(4,949)	(5,401)	
	(1,247)	(1,377)	Income tax benefit
	(3,702)	(4,024)	Net of tax
Other post-retirement benefit obligations:			
Pension obligations	104	—	Other, net
	26	—	Income tax expense
	78	—	Net of tax
Post-retirement healthcare obligations	837	—	Other, net
	211	—	Income tax expense
	626	—	Net of tax
Retirement restoration plan	(9)	—	Other, net
	(2)	—	Income tax benefit
	(7)	—	Net of tax
Total reclassifications for the period	\$ (3,005)	\$ (4,024)	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

AOCI Component	Gain (Loss) Reclassified From AOCI		Statement of Operations Line Item
	Six Months Ended June 30,		
	2021	2020	
	(In thousands)		
Hedging instruments:			
Commodity price swaps	\$ (18,771)	\$ 49	Sales and other revenues
	—	2,289	Cost of products sold
	(53)	(1,163)	Operating expenses
	(18,824)	1,175	
	(4,744)	300	Income tax expense (benefit)
	(14,080)	875	Net of tax
Other post-retirement benefit obligations:			
Pension obligations	205	—	Other, net
	52	—	Income tax expense
	153	—	Net of tax
Post-retirement healthcare obligations	1,675	—	Other, net
	422	—	Income tax expense
	1,253	—	Net of tax
Retirement restoration plan	(18)	—	Other, net
	(5)	—	Income tax benefit
	(13)	—	Net of tax
Total reclassifications for the period	\$ (12,687)	\$ 875	

Accumulated other comprehensive income in the equity section of our consolidated balance sheets includes:

	June 30, 2021	December 31, 2020
	(In thousands)	
Foreign currency translation adjustment	\$ (318)	\$ 2,682
Unrealized loss on pension obligation	(453)	(248)
Unrealized gain on post-retirement benefit obligations	10,118	11,310
Unrealized gain (loss) on hedging instruments	306	(282)
Accumulated other comprehensive income	\$ 9,653	\$ 13,462

NOTE 13: Contingencies

We are a party to various litigation and legal proceedings which we believe, based on advice of counsel, will not either individually or in the aggregate have a materially adverse effect on our financial condition, results of operations or cash flows.

During 2017, 2018 and 2019, the EPA granted the Cheyenne Refinery and Woods Cross Refinery each a one-year small refinery exemption from the Renewable Fuel Standard (“RFS”) program requirements for the 2016, 2017 and 2018, respectively, calendar years. As a result, the Cheyenne Refinery’s and Woods Cross Refinery’s gasoline and diesel production are not subject to the Renewable Volume Obligation for the respective years. Upon each exemption granted, we increased our inventory of RINs and reduced our cost of products sold.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

Various subsidiaries of HollyFrontier are currently intervenors in two lawsuits brought by renewable fuel interest groups against the EPA in federal courts alleging violations of the RFS under the Clean Air Act and challenging the EPA's handling of small refinery exemptions. We intervened to vigorously defend the EPA's position on small refinery exemptions because we believe the EPA correctly applied applicable law to the matters at issue. The first lawsuit is before the U.S. Court of Appeals for the Tenth Circuit. The matter is fully briefed and remains pending before that court. The second lawsuit is before the U.S. Court of Appeals for the DC Circuit. Briefing of the issues before the court commenced on December 7, 2020; however, in light of the Supreme Court's decision to review HollyFrontier's petition for certiorari of the Tenth Circuit January 24, 2020 decision, this case was stayed pending a decision from the Supreme Court. The stay has not been lifted to date. On January 24, 2020, in a separate matter before the Tenth Circuit, the Tenth Circuit vacated the small refinery exemptions granted to two of our refineries for 2016 and remanded the case to the EPA for further proceedings. On April 15, 2020, the Tenth Circuit issued its mandate, remanding the matter back to the EPA. On September 4, 2020, various subsidiaries of HollyFrontier filed a Petition for a Writ of Certiorari with the U.S. Supreme Court seeking review of the Tenth Circuit decision. On January 8, 2021, the U.S. Supreme Court granted HollyFrontier's petition. The oral argument occurred on April 27, 2021. The U.S. Supreme Court issued its opinion in this matter on June 25, 2021 and reversed the Tenth Circuit. On July 27, 2021, the Tenth Circuit recalled the mandate it issued to the EPA on April 15, 2020 and vacated its January 24, 2020 judgment. On July 29, 2021, the Tenth Circuit issued an order and judgment confirming that it recalled its mandate and vacated its previous judgment in this case. The Tenth Circuit also issued a new mandate returning jurisdiction to the EPA. In December 2020, various subsidiaries of HollyFrontier also filed a petition for review in the DC Circuit challenging the EPA's denial of small refinery exemption petitions for years prior to 2016. The petition was consolidated with petitions from eight other refining companies challenging the same decision. In light of the Supreme Court's decision to hear HollyFrontier's appeal of the Tenth Circuit decision, this case was stayed pending a decision from the Supreme Court. Following the Supreme Court's decision, HollyFrontier's subsidiaries filed a motion on July 26, 2021 to dismiss their petition. The DC Circuit granted this motion and dismissed the case on July 28, 2021. We are unable to estimate the costs we may incur, if any, at this time. It is too early to assess how the U.S. Supreme Court decision will impact future small refinery exemptions or whether the remaining cases are expected to have any impact on us.

We have been party to multiple proceedings before the Federal Energy Regulatory Commission ("FERC") challenging the rates charged by SFPP, L.P. ("SFPP") on its East Line pipeline facilities from El Paso, Texas to Phoenix, Arizona. In March 2018, FERC ruled that SFPP, as a master limited partnership, was prohibited from including an allowance for investor income taxes in the cost of service underlying its East Line rates. We reached a negotiated settlement with SFPP that provides for a payment to us of \$51.5 million. FERC approved the settlement on December 31, 2020 subject to a rehearing period that resulted in a settlement effective date of February 2, 2021. Under the terms of the settlement agreement, SFPP made the \$51.5 million payment to us on February 10, 2021. As of December 31, 2020, we had no enforceable right to collect any of the settlement. Accordingly, recognition of a gain occurred when the uncertainties were resolved on February 2, 2021, and we recorded as Gain on tariff settlement in our consolidated statements of operations for the six months ended June 30, 2021.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

NOTE 14: Segment Information

Our operations are organized into three reportable segments, Refining, Lubricants and Specialty Products and HEP. Our operations that are not included in the Refining, Lubricants and Specialty Products and HEP segments are included in Corporate and Other. Intersegment transactions are eliminated in our consolidated financial statements and are included in Eliminations. Corporate and Other and Eliminations are aggregated and presented under the Corporate, Other and Eliminations column.

The Refining segment represents the operations of the El Dorado, Tulsa, Navajo and Woods Cross Refineries and HFC Asphalt (aggregated as a reportable segment). Refining activities involve the purchase and refining of crude oil and wholesale and branded marketing of refined products, such as gasoline, diesel fuel and jet fuel. These petroleum products are primarily marketed in the Mid-Continent, Southwest and Rocky Mountain geographic regions of the United States. HFC Asphalt operates various asphalt terminals in Arizona, New Mexico and Oklahoma. The Refining segment also included the operations of the Cheyenne Refinery through the third quarter of 2020, at which time it permanently ceased petroleum refining operations.

The Lubricants and Specialty Products segment involves PCLI's production operations, located in Mississauga, Ontario, that includes lubricant products such as base oils, white oils, specialty products and finished lubricants, and the operations of our Petro-Canada Lubricants business that includes the marketing of products to both retail and wholesale outlets through a global sales network with locations in Canada, the United States, Europe and China. Additionally, the Lubricants and Specialty Products segment includes specialty lubricant products produced at our Tulsa Refineries that are marketed throughout North America and are distributed in Central and South America and Red Giant Oil, one of the largest suppliers of locomotive engine oil in North America. Also, the Lubricants and Specialty Products segment includes Sonneborn, a producer of specialty hydrocarbon chemicals such as white oils, petrolatums and waxes with manufacturing facilities in the United States and Europe.

The HEP segment includes all of the operations of HEP, which owns and operates logistics and refinery assets consisting of petroleum product and crude oil pipelines, terminals, tankage, loading rack facilities and refinery processing units in the Mid-Continent, Southwest and Rocky Mountain geographic regions of the United States. The HEP segment also includes a 75% ownership interest in UNEV (a consolidated subsidiary of HEP) and 50% ownership interests in each of the Osage Pipeline, the Cheyenne Pipeline and Cushing Connect. Revenues from the HEP segment are earned through transactions with unaffiliated parties for pipeline transportation, rental and terminalling operations as well as revenues relating to pipeline transportation services provided for our refining operations. Due to certain basis differences, our reported amounts for the HEP segment may not agree to amounts reported in HEP's periodic public filings.

The accounting policies for our segments are the same as those described in the summary of significant accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2020, except that our Refining segment excludes intercompany ROU assets and liabilities for operating leases.

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

	Refining	Lubricants and Specialty Products	HEP	Corporate, Other and Eliminations ⁽¹⁾	Consolidated Total
(In thousands)					
Three Months Ended June 30, 2021					
Sales and other revenues:					
Revenues from external customers	\$ 3,887,273	\$ 662,755	\$ 27,092	\$ 3	\$ 4,577,123
Intersegment revenues	205,186	6,434	99,142	(310,762)	—
	<u>\$ 4,092,459</u>	<u>\$ 669,189</u>	<u>\$ 126,234</u>	<u>\$ (310,759)</u>	<u>\$ 4,577,123</u>
Cost of products sold (exclusive of lower of cost or market inventory)	\$ 3,619,319	\$ 491,218	\$ —	\$ (284,808)	\$ 3,825,729
Lower of cost or market inventory valuation adjustment	\$ (118,825)	\$ —	\$ —	\$ —	\$ (118,825)
Operating expenses	\$ 231,422	\$ 61,310	\$ 42,068	\$ (609)	\$ 334,191
Selling, general and administrative expenses	\$ 30,136	\$ 37,583	\$ 2,846	\$ 7,189	\$ 77,754
Depreciation and amortization	\$ 79,938	\$ 19,152	\$ 22,275	\$ 2,677	\$ 124,042
Income (loss) from operations	\$ 250,469	\$ 59,926	\$ 59,045	\$ (35,208)	\$ 334,232
Earnings of equity method investments	\$ —	\$ —	\$ 3,423	\$ —	\$ 3,423
Capital expenditures	\$ 33,150	\$ 5,614	\$ 24,498	\$ 119,618	\$ 182,880
Three Months Ended June 30, 2020					
Sales and other revenues:					
Revenues from external customers	\$ 1,690,042	\$ 353,644	\$ 19,244	\$ —	\$ 2,062,930
Intersegment revenues	37,462	3,643	95,563	(136,668)	—
	<u>\$ 1,727,504</u>	<u>\$ 357,287</u>	<u>\$ 114,807</u>	<u>\$ (136,668)</u>	<u>\$ 2,062,930</u>
Cost of products sold (exclusive of lower of cost or market inventory)	\$ 1,433,437	\$ 258,347	\$ —	\$ (114,788)	\$ 1,576,996
Lower of cost or market inventory valuation adjustment	\$ (269,904)	\$ —	\$ —	\$ —	\$ (269,904)
Operating expenses	\$ 239,359	\$ 47,840	\$ 34,737	\$ (18,577)	\$ 303,359
Selling, general and administrative expenses	\$ 32,811	\$ 35,919	\$ 2,535	\$ 4,104	\$ 75,369
Depreciation and amortization	\$ 81,694	\$ 19,779	\$ 24,008	\$ 4,697	\$ 130,178
Long-lived asset impairment ⁽²⁾	\$ 215,242	\$ 204,708	\$ 16,958	\$ —	\$ 436,908
Income (loss) from operations	\$ (5,135)	\$ (209,306)	\$ 36,569	\$ (12,104)	\$ (189,976)
Earnings of equity method investments	\$ —	\$ —	\$ 2,156	\$ —	\$ 2,156
Capital expenditures	\$ 12,102	\$ 4,311	\$ 11,798	\$ 17,776	\$ 45,987

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

	Refining	Lubricants and Specialty Products	HEP	Corporate, Other and Eliminations ⁽¹⁾	Consolidated Total
(In thousands)					
Six Months Ended June 30, 2021					
Sales and other revenues:					
Revenues from external customers	\$ 6,844,306	\$ 1,184,753	\$ 52,350	\$ 7	\$ 8,081,416
Intersegment revenues	265,648	8,999	201,068	(475,715)	—
	<u>\$ 7,109,954</u>	<u>\$ 1,193,752</u>	<u>\$ 253,418</u>	<u>\$ (475,708)</u>	<u>\$ 8,081,416</u>
Cost of products sold (exclusive of lower of cost or market inventory)	\$ 6,381,262	\$ 822,741	\$ —	\$ (417,969)	\$ 6,786,034
Lower of cost or market inventory valuation adjustment	\$ (318,353)	\$ —	\$ —	\$ (509)	\$ (318,862)
Operating expenses	\$ 524,277	\$ 122,063	\$ 83,433	\$ 4,327	\$ 734,100
Selling, general and administrative expenses	\$ 58,632	\$ 83,136	\$ 5,815	\$ 12,146	\$ 159,729
Depreciation and amortization	\$ 168,020	\$ 39,273	\$ 45,281	\$ (4,453)	\$ 248,121
Income (loss) from operations	\$ 296,116	\$ 126,539	\$ 118,889	\$ (69,250)	\$ 472,294
Earnings of equity method investments	\$ —	\$ —	\$ 5,186	\$ —	\$ 5,186
Capital expenditures	\$ 73,511	\$ 9,701	\$ 57,716	\$ 191,913	\$ 332,841
Six Months Ended June 30, 2020					
Sales and other revenues:					
Revenues from external customers	\$ 4,540,662	\$ 877,143	\$ 45,670	\$ —	\$ 5,463,475
Intersegment revenues	121,708	6,747	196,991	(325,446)	—
	<u>\$ 4,662,370</u>	<u>\$ 883,890</u>	<u>\$ 242,661</u>	<u>\$ (325,446)</u>	<u>\$ 5,463,475</u>
Cost of products sold (exclusive of lower of cost or market inventory)	\$ 3,902,188	\$ 649,727	\$ —	\$ (281,193)	\$ 4,270,722
Lower of cost or market inventory valuation adjustment	\$ 290,560	\$ —	\$ —	\$ —	\$ 290,560
Operating expenses	\$ 498,533	\$ 101,971	\$ 69,718	\$ (38,518)	\$ 631,704
Selling, general and administrative expenses	\$ 63,811	\$ 84,881	\$ 5,237	\$ 9,177	\$ 163,106
Depreciation and amortization	\$ 171,873	\$ 41,828	\$ 47,986	\$ 9,066	\$ 270,753
Long-lived asset impairment ⁽²⁾	\$ 215,242	\$ 204,708	\$ 16,958	\$ —	\$ 436,908
Income (loss) from operations	\$ (479,837)	\$ (199,225)	\$ 102,762	\$ (23,978)	\$ (600,278)
Earnings of equity method investments	\$ —	\$ —	\$ 3,870	\$ —	\$ 3,870
Capital expenditures	\$ 65,116	\$ 13,392	\$ 30,740	\$ 20,488	\$ 129,736

(1) For the three and the six months ended June 30, 2021, Corporate and Other includes \$11.3 million and \$24.1 million, respectively, of operating expenses and \$113.8 million and \$184.0 million, respectively, of capital expenditures related to the construction of our renewable diesel units.

(2) The results of our HEP reportable segment for the three and six months ended June 30, 2020 include a long-lived asset impairment charge attributed to HEP's logistics assets at our Cheyenne Refinery.

	Refining	Lubricants and Specialty Products	HEP	Corporate, Other and Eliminations	Consolidated Total
(In thousands)					
June 30, 2021					
Cash and cash equivalents	\$ 6,383	\$ 126,944	\$ 19,561	\$ 1,245,392	\$ 1,398,280
Total assets	\$ 7,018,933	\$ 2,015,176	\$ 2,255,752	\$ 1,270,172	\$ 12,560,033
Long-term debt	\$ —	\$ —	\$ 1,362,570	\$ 1,738,399	\$ 3,100,969
December 31, 2020					
Cash and cash equivalents	\$ 3,106	\$ 163,729	\$ 21,990	\$ 1,179,493	\$ 1,368,318
Total assets	\$ 6,203,847	\$ 1,864,313	\$ 2,198,478	\$ 1,240,226	\$ 11,506,864
Long-term debt	\$ —	\$ —	\$ 1,405,603	\$ 1,737,115	\$ 3,142,718

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

NOTE 15: Subsequent Event

HFC Transactions

On August 2, 2021, HollyFrontier, Hippo Parent Corporation, a wholly owned subsidiary of HollyFrontier (“New Parent”), Hippo Merger Sub, Inc., a wholly owned subsidiary of New Parent (“Parent Merger Sub”), The Sinclair Companies (“Sinclair”), and Hippo Holding LLC, a wholly owned subsidiary of Sinclair (the “Target Company”), entered into a Business Combination Agreement (the “Business Combination Agreement”). Pursuant to the Business Combination Agreement, HollyFrontier will acquire the Target Company by effecting (a) a holding company merger in accordance with Section 251(g) of the Delaware General Corporation Law whereby HollyFrontier will merge with and into Parent Merger Sub, with HollyFrontier surviving such merger as a direct wholly owned subsidiary of New Parent (the “HFC Merger”) and (b) immediately following the HFC Merger, a contribution whereby Sinclair will contribute all of the equity interests of the Target Company to New Parent in exchange for shares of New Parent, resulting in the Target Company becoming a direct wholly owned subsidiary of New Parent (the “Sinclair Oil Acquisition” and together with the HFC Merger, the “HFC Transactions”).

Under the terms of the Business Combination Agreement, at the effective time of the HFC Merger, (a) each share of common stock of HollyFrontier, par value \$0.01 per share, will be automatically converted into one share of common stock of New Parent, par value \$0.01 per share (“New Parent Common Stock”) and (b) immediately thereafter, Sinclair will contribute the equity interests in the Target Company to New Parent in exchange for 60,230,036 shares of New Parent Common Stock, subject to adjustment if, as a condition to obtaining antitrust clearance for the Sinclair Transactions (as defined below), HollyFrontier agrees to divest certain Woods Cross Refinery assets and the sales price for such assets does not exceed a threshold provided in the Business Combination Agreement.

On a pro forma basis following the closing, Sinclair is expected to own 26.75% of the outstanding common stock of New Parent, and HollyFrontier’s current stockholders are expected to hold in the aggregate 73.25% of the outstanding common stock of New Parent, based on HollyFrontier’s outstanding shares of common stock as of July 30, 2021.

Consummation of the HFC Transactions is subject to satisfaction or waiver of certain customary conditions, including, among others, receipt of approval for the issuance of New Parent common stock from HollyFrontier’s stockholders; the satisfaction of certain required regulatory consents and approvals, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act; and the consummation of the HEP Transactions (as defined below), which will occur immediately prior to the HFC Transactions (the HEP Transactions, together with the HFC Transactions, the “Sinclair Transactions”).

The Business Combination Agreement automatically terminates if the HEP Transactions are terminated and contains other customary termination rights. In the event that certain events occur under specified circumstances outlined in the Business Combination Agreement, HollyFrontier could be required to pay Sinclair a termination fee equal to \$200 million or \$35 million as reimbursement for expenses.

Upon closing of the Sinclair Transactions, HollyFrontier’s existing senior management team will operate the combined company. Under the definitive agreements, Sinclair will be granted the right to nominate two directors to the New Parent Board of Directors at the closing. The Sinclair stockholders have also agreed to certain customary lock up, voting and standstill restrictions, as well as customary registration rights, for the New Parent Common Stock to be issued to the stockholders of Sinclair. The new company will be headquartered in Dallas, Texas, with combined business offices in Salt Lake City, Utah. Following the consummation of the HFC Merger, New Parent will assume HollyFrontier’s listing on the New York Stock Exchange and will be renamed “HF Sinclair Corporation”.

HEP Transactions

On August 2, 2021, HEP, Sinclair, and Sinclair Transportation Company, a wholly owned subsidiary of Sinclair (“STC”), entered into a Contribution Agreement (the “Contribution Agreement”) pursuant to which the Partnership will acquire all of the outstanding shares of STC in exchange for 21 million newly issued common limited partner units of HEP and cash consideration equal to \$325 million (the “HEP Transactions”).

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) Continued

The cash consideration for the HEP Transactions is subject to customary adjustments at closing for working capital of STC. The number of HEP common limited partner units to be issued to Sinclair at closing is subject to downward adjustment if, as a condition to obtaining antitrust clearance for the Sinclair Transactions, HEP agrees to divest a portion of its equity interest in UNEV Pipeline LLC and the sales price for such interests does not exceed the threshold provided in the Contribution Agreement.

The Contribution Agreement contains customary representations, warranties and covenants of HEP, Sinclair, and STC. The HEP Transactions are expected to close in mid-2022, subject to the satisfaction or waiver of certain customary conditions, including, among others, the receipt of certain required regulatory consents and approvals, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act, and the consummation of the HFC Transactions.

The Contribution Agreement automatically terminates if the HFC Transactions are terminated and contains other customary termination rights, including a termination right for each of the Partnership and Sinclair if, under certain circumstances, the closing does not occur by May 2, 2022 (the “Outside Date”), except that the Outside Date can be extended by either party by up to two 90 day periods to obtain any required antitrust clearance.

Upon closing of the HEP Transactions, HEP’s existing senior management team will continue to operate HEP. Under the definitive agreements, Sinclair will be granted the right to nominate one director to the HEP Board of Directors at the closing. The Sinclair stockholders have also agreed to certain customary lock up restrictions and registration rights for the HEP common limited partner units to be issued to the stockholders of Sinclair. HEP will continue to operate under the name Holly Energy Partners, L.P.

On August 2, 2021, in connection with the Sinclair Transactions, HEP and HollyFrontier entered into a Letter Agreement (“Letter Agreement”) pursuant to which, among other things, HEP and HollyFrontier agreed, upon the consummation of the Sinclair Transactions, to enter into amendments to certain of the agreements by and among HEP and HollyFrontier, including the master throughput agreement, to include within the scope of such agreements the assets to be acquired by HEP pursuant to the Contribution Agreement.

In addition, the Letter Agreement provides that if, as a condition to obtaining antitrust clearance for the Sinclair Transactions, HollyFrontier enters into a definitive agreement to divest its Woods Cross Refinery, then HEP would sell certain assets located at, or relating to, the Woods Cross Refinery to HollyFrontier in exchange for cash consideration equal to \$232.5 million plus the certain accounts receivable of HEP in respect of such assets, with such sale to be effective immediately prior to the closing of the sale of the Woods Cross Refinery by HollyFrontier. The Letter Agreement also provides that HEP’s right to future revenues from HollyFrontier in respect of such Woods Cross Refinery assets will terminate at the closing of such sale.

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

This Item 2 contains “forward-looking” statements. See “Forward-Looking Statements” at the beginning of Part I of this Quarterly Report on Form 10-Q. In this document, the words “we,” “our,” “ours” and “us” refer only to HollyFrontier Corporation (“HollyFrontier”) and its consolidated subsidiaries or to HollyFrontier or an individual subsidiary and not to any other person with certain exceptions. Generally, the words “we,” “our,” “ours” and “us” include Holly Energy Partners, L.P. (“HEP”) and its subsidiaries as consolidated subsidiaries of HollyFrontier, unless when used in disclosures of transactions or obligations between HEP and HollyFrontier or its other subsidiaries. This document contains certain disclosures of agreements that are specific to HEP and its consolidated subsidiaries and do not necessarily represent obligations of HollyFrontier. When used in descriptions of agreements and transactions, “HEP” refers to HEP and its consolidated subsidiaries.

OVERVIEW

We are an independent petroleum refiner and marketer that produces high-value light products such as gasoline, diesel fuel, jet fuel, specialty lubricant products and specialty and modified asphalt. We own and operate refineries located in El Dorado, Kansas (the “El Dorado Refinery”), Tulsa, Oklahoma (the “Tulsa Refineries”), which comprise two production facilities, the Tulsa West and East facilities, Artesia, New Mexico, which operates in conjunction with crude, vacuum distillation and other facilities situated 65 miles away in Lovington, New Mexico (collectively, the “Navajo Refinery”) and Woods Cross, Utah (the “Woods Cross Refinery”). We market our refined products principally in the Southwest United States, the Rocky Mountains extending into the Pacific Northwest and in other neighboring Plains states. In addition, we produce base oils and other specialized lubricants in the United States, Canada and the Netherlands, and export products to more than 80 countries. We also own a 57% limited partner interest and a non-economic general partner interest in HEP, a master limited partnership that provides petroleum product and crude oil transportation, terminalling, storage and throughput services to the petroleum industry, including HollyFrontier Corporation subsidiaries.

On August 2, 2021, HollyFrontier, Hippo Parent Corporation, a wholly owned subsidiary of HollyFrontier (“New Parent”), Hippo Merger Sub, Inc., a wholly owned subsidiary of New Parent (“Parent Merger Sub”), The Sinclair Companies (“Sinclair”), and Hippo Holding LLC, a wholly owned subsidiary of Sinclair (the “Target Company”), entered into a Business Combination Agreement (the “Business Combination Agreement”). Pursuant to the Business Combination Agreement, HollyFrontier will acquire the Target Company by effecting (a) a holding company merger in accordance with Section 251(g) of the Delaware General Corporation Law whereby HollyFrontier will merge with and into Parent Merger Sub, with HollyFrontier surviving such merger as a direct wholly owned subsidiary of New Parent (the “HFC Merger”) and (b) immediately following the HFC Merger, a contribution whereby Sinclair will contribute all of the equity interests of the Target Company to New Parent in exchange for shares of New Parent, resulting in the Target Company becoming a direct wholly owned subsidiary of New Parent (the “Sinclair Oil Acquisition” and together with the HFC Merger, the “HFC Transactions”).

Under the terms of the Business Combination Agreement, (a) each share of common stock of HollyFrontier, par value \$0.01 per share, will be automatically converted into one share of common stock of New Parent, par value \$0.01 per share (“New Parent Common Stock”) and (b) Sinclair will contribute the equity interests in the Target Company to New Parent in exchange for 60,230,036 shares of New Parent Common Stock, subject to adjustment if, as a condition to obtaining antitrust clearance for the Sinclair Transactions (as defined below), HollyFrontier agrees to divest certain Woods Cross Refinery assets and the sales price for such assets does not exceed a threshold provided in the Business Combination Agreement.

Additionally, on August 2, 2021, HEP, Sinclair, and Sinclair Transportation Company, a wholly owned subsidiary of Sinclair (“STC”), entered into a Contribution Agreement (the “Contribution Agreement”) pursuant to which HEP will acquire all of the outstanding shares of STC in exchange for 21 million newly issued common limited partner units of HEP and cash consideration equal to \$325 million (the “HEP Transactions”, and together with the HFC Transactions, the “Sinclair Transactions”), subject to downward adjustment if, as a condition to obtaining antitrust clearance for the Sinclair Transactions, HEP agrees to divest a portion of its equity interest in UNEV Pipeline LLC and the sales price for such interests does not exceed the threshold provided in the Contribution Agreement.

The Sinclair Transactions are expected to close in mid-2022, subject to customary closing conditions and regulatory clearance, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act and the receipt of required approvals of HFC’s stockholders. In addition, the HFC Transactions and the HEP Transactions are cross-conditioned on each other. See Note 15 of Notes to Consolidated Financial Statements included in “Item 1. Financial Statements” for additional information.

On May 4, 2021, HollyFrontier Puget Sound Refining LLC, a wholly-owned subsidiary of HollyFrontier Corporation, entered into a sale and purchase agreement with Equilon Enterprises LLC d/b/a Shell Oil Products US (“Shell”) to acquire Shell’s refinery and related assets, including the on-site cogeneration facility and related logistics assets (the “Puget Sound Refinery”), for a base cash purchase price of \$350 million plus hydrocarbon inventory to be valued at closing with an estimated current value in the range of \$150 million to \$180 million (the “Puget Sound Acquisition”). The Puget Sound Refinery is strategically located on approximately 850 acres in Anacortes, Washington, approximately 80 miles north of Seattle and 90 miles south of Vancouver. The 149,000 barrel per day facility is a large, high quality and complex refinery with catalytic cracking and delayed coking units and is well positioned geographically and logistically to source advantaged Canadian and Alaskan North Slope crudes. In addition to refining assets and an on-site cogeneration facility, the transaction includes a deep-water marine dock, a light product loading rack, a rail terminal, and storage tanks with approximately 5.8 million barrels of crude, product and other hydrocarbon storage capacity. The Puget Sound Acquisition is expected to close in the fourth quarter of 2021, subject to customary closing conditions. We expect to fund the Puget Sound Acquisition with a one-year suspension of our regular quarterly dividend and cash on hand.

On April 27, 2021, our wholly-owned subsidiary, 7037619 Canada Inc, entered into a contract for sale of property in Mississauga, Canada for base consideration of Canadian \$125 million, and we expect the transaction to close in the third quarter of 2021.

In the third quarter of 2020, we permanently ceased petroleum refining operations at our facility in Cheyenne, Wyoming (the “Cheyenne Refinery”) and subsequently began converting certain assets at our Cheyenne Refinery to renewable diesel production. In connection with the cessation of petroleum refining operations at our Cheyenne Refinery, we recognized \$8.1 million and \$16.3 million, in decommissioning expense and \$0.2 million and \$0.7 million, in employee severance costs for the three and six months ended June 30, 2021, respectively, which were recognized in operating expenses in our Corporate and Other segment.

During the first quarter of 2021, we initiated a restructuring within our Lubricants and Specialty Products segment, which is expected to save approximately \$15 million per year of ongoing cash expenses. We recorded \$7.8 million in employee severance costs for the six months ended June 30, 2021, which were recognized primarily as selling, general and administrative expenses in our Lubricants and Specialty Products segment.

For the three months ended June 30, 2021, net income attributable to HollyFrontier stockholders was \$168.9 million compared to net loss of \$176.7 million for the three months ended June 30, 2020. For the six months ended June 30, 2021, net income attributable to HollyFrontier stockholders was \$317.1 million compared to net loss of \$481.3 million for the six months ended June 30, 2020. Included in our financial results for the second quarter of 2021 was an inventory reserve adjustment that resulted in a benefit of \$118.8 million. Gross refining margin per produced barrel sold in our Refining segment increased 45% for the three months ended June 30, 2021 over the same period of 2020. Included in the three months ended June 30, 2020 were long-lived asset impairment charges of \$436.9 million related to our Cheyenne Refinery and Petro-Canada Lubricants Inc. (“PCLI”).

Pursuant to the 2007 Energy Independence and Security Act, the Environmental Protection Agency (“EPA”) promulgated the Renewable Fuel Standard (“RFS”) regulations, which increased the volume of renewable fuels mandated to be blended into the nation’s fuel supply. The regulations, in part, require refiners to add annually increasing amounts of “renewable fuels” to their petroleum products or purchase credits, known as renewable identification numbers (“RINs”), in lieu of such blending. Compliance with RFS regulations significantly increases our cost of products sold, with RINs costs totaling \$175.0 million for the three months ended June 30, 2021. At June 30, 2021, our open RINs credit obligations were \$131.1 million. We will continue to monitor and adjust our RINs position commensurate with our production levels, market conditions and RFS regulations.

Impact of COVID-19 on Our Business

The COVID-19 pandemic caused a decline in U.S. and global economic activity starting in the first quarter of 2020. This decrease reduced both volumes and unit margins across our businesses, resulting in lower gross margins and earnings. Global demand for transportation fuels has continued to improve beginning late in the second quarter of 2020, but remains below pre-pandemic levels. In response to this demand and margin environment, as well as both planned and unplanned maintenance, we operated our Refining segment refineries at an average crude charge of 416,350 BPD during the second quarter of 2021.

In our Lubricants and Specialty Products segment, the Rack Back portion saw a combination of strong demand as well as limited supply due to a number of factors driving strong margins and earnings across the segment. In the Rack Forward portion, despite strong sales volumes and price increases, the rapid rise in base oil prices through the quarter compressed margins in the second quarter of 2021.

Continued increases in commodity prices resulted in market values for our inventories held at June 30, 2021 above the costs of these inventories using the last-in, first-out (“LIFO”) method and in a lower of cost or market valuation gain of \$118.8 million for the three months ended June 30, 2021.

Our standalone (excluding HEP) liquidity was approximately \$2.7 billion at June 30, 2021, consisting of cash and cash equivalents of \$1.4 billion and an undrawn \$1.35 billion credit facility maturing in 2026. Our standalone (excluding HEP) principal amount of long-term debt was \$1.75 billion as of June 30, 2021, which consists of \$350.0 million in 2.625% senior notes due in 2023, \$1.0 billion of 5.875% senior notes due in 2026 and \$400.0 million in 4.500% senior notes due in 2030.

OUTLOOK

The impact of the COVID-19 pandemic on the global macroeconomy created an unprecedented reduction in demand, as well as a lack of forward visibility, for many of the transportation fuels, lubricants and specialty products and the associated transportation and terminal services we provide. Since the declines in demand at the beginning of the COVID-19 pandemic, we began to see improvement in demand for these products and services beginning late in the second quarter of 2020 that continued through the second quarter of 2021, and with the increasing availability of vaccines, we believe there is a path to a fulsome recovery in demand in 2021.

With increasing vaccination rates, most of our employees have returned to work at our locations, and we continue to follow Centers for Disease Control and local government guidance. We will continue to monitor developments in the COVID-19 pandemic and the dynamic environment it has created to properly address these policies going forward.

Within our Refining segment, for the third quarter of 2021, we expect to run between 380,000-400,000 barrels per day of crude oil. We expect to adjust refinery production levels commensurate with market demand and planned maintenance.

Within our Lubricants and Specialty Products segment, for the full year 2021, we expect to earn between \$180 million to \$220 million in income from operations and \$230 million to \$270 million of EBITDA in the Rack Forward portion of the segment. Within the Rack Back portion, for the third quarter of 2021, we expect base oil margins to fall from spot market levels, but remain higher than the past three years. Similar to our Refining segment, we expect to adjust production levels commensurate with market demand.

At HEP, we expect to see demand for transportation and terminal services grow with underlying demand for transportation fuels and crude oil. In 2021, HEP expects to hold the quarterly distribution constant at \$0.35 per unit, or \$1.40 on an annualized basis. HEP remains committed to its distribution strategy focused on funding all capital expenditures and distributions within operating cash flow and improving distributable cash flow coverage to 1.3x or greater with the goal of reducing leverage to 3.0-3.5x.

During the third quarter of 2020, we increased our liquidity by \$750.0 million with the issuance of \$350.0 million in 2.625% senior notes due in 2023 and \$400.0 million in 4.500% senior notes due in 2030. This additional liquidity may be used for general corporate purposes and is expected to support the planned growth of our renewables business and the unexpected economic impact of COVID-19, as needed. We do not intend to repurchase common stock under our \$1.0 billion share repurchase program until demand for our products normalize. In addition, we announced the Puget Sound Acquisition, which is expected to close in the fourth quarter of 2021, subject to customary closing conditions. We expect to fund the Puget Sound Acquisition with a one-year suspension of our regular quarterly dividend and cash on hand. Our Board of Directors approved the one-year suspension of the regular quarterly dividend effective with the dividend to be declared for the first quarter of 2021 and is expected to resume the dividend after such time.

On March 27, 2020, the U.S. government passed the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), an approximately \$2 trillion stimulus package that included various provisions intended to provide relief to individuals and businesses in the form of tax changes, loans and grants, among others. At this time, we have not sought relief in the form of loans or grants from the CARES Act; however, we have benefited from certain tax deferrals in the CARES Act and may benefit from other tax provisions if we meet the requirements to do so.

The extent to which our future results are affected by the COVID-19 pandemic will depend on various factors and consequences beyond our control, such as the duration and scope of the pandemic, the effects of any new variant strains of the underlying virus, additional actions by businesses and governments in response to the pandemic and the speed and effectiveness of responses to combat the virus. The COVID-19 pandemic, and the volatile regional and global economic conditions stemming from it, could also exacerbate the risk factors identified in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 and in this Form 10-Q. The COVID-19 pandemic may also materially adversely affect our results in a manner that is either not currently known or that we do not currently consider to be a significant risk to our business.

A more detailed discussion of our financial and operating results for the three and six months ended June 30, 2021 and 2020 is presented in the following sections.

RESULTS OF OPERATIONS

Financial Data

	Three Months Ended June 30,		Change from 2020	
	2021	2020	Change	Percent
	(In thousands, except per share data)			
Sales and other revenues	\$ 4,577,123	\$ 2,062,930	\$ 2,514,193	122 %
Operating costs and expenses:				
Cost of products sold (exclusive of depreciation and amortization):				
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	3,825,729	1,576,996	2,248,733	143
Lower of cost or market inventory valuation adjustment	(118,825)	(269,904)	151,079	(56)
	3,706,904	1,307,092	2,399,812	184
Operating expenses (exclusive of depreciation and amortization)	334,191	303,359	30,832	10
Selling, general and administrative expenses (exclusive of depreciation and amortization)	77,754	75,369	2,385	3
Depreciation and amortization	124,042	130,178	(6,136)	(5)
Long-lived asset impairment	—	436,908	(436,908)	(100)
Total operating costs and expenses	4,242,891	2,252,906	1,989,985	88
Income (loss) from operations	334,232	(189,976)	524,208	(276)
Other income (expense):				
Earnings of equity method investments	3,423	2,156	1,267	59
Interest income	1,029	1,506	(477)	(32)
Interest expense	(28,942)	(32,695)	3,753	(11)
Gain on sales-type leases	—	33,834	(33,834)	(100)
Gain on foreign currency transactions	583	2,285	(1,702)	(74)
Other, net	7,927	1,572	6,355	404
	(15,980)	8,658	(24,638)	(285)
Income (loss) before income taxes	318,252	(181,318)	499,570	(276)
Income tax expense (benefit)	123,485	(30,911)	154,396	(499)
Net income (loss)	194,767	(150,407)	345,174	(229)
Less net income attributable to noncontrolling interest	25,917	26,270	(353)	(1)
Net income (loss) attributable to HollyFrontier stockholders	\$ 168,850	\$ (176,677)	\$ 345,527	(196)%
Earnings (loss) per share attributable to HollyFrontier stockholders:				
Basic	\$ 1.03	\$ (1.09)	\$ 2.12	(194)%
Diluted	\$ 1.03	\$ (1.09)	\$ 2.12	(194)%
Cash dividends declared per common share	\$ —	\$ 0.35	\$ (0.35)	(100)%
Average number of common shares outstanding:				
Basic	162,523	161,889	634	— %
Diluted	162,523	161,889	634	— %

	Six Months Ended June 30,		Change from 2020	
	2021	2020	Change	Percent
	(In thousands, except per share data)			
Sales and other revenues	\$ 8,081,416	\$ 5,463,475	2,617,941	48 %
Operating costs and expenses:				
Cost of products sold (exclusive of depreciation and amortization):				
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	6,786,034	4,270,722	2,515,312	59
Lower of cost or market inventory valuation adjustment	(318,862)	290,560	(609,422)	(210)
	6,467,172	4,561,282	1,905,890	42
Operating expenses (exclusive of depreciation and amortization)	734,100	631,704	102,396	16
Selling, general and administrative expenses (exclusive of depreciation and amortization)	159,729	163,106	(3,377)	(2)
Depreciation and amortization	248,121	270,753	(22,632)	(8)
Long-lived asset impairment	—	436,908	(436,908)	(100)
Total operating costs and expenses	7,609,122	6,063,753	1,545,369	25
Income (loss) from operations	472,294	(600,278)	1,072,572	(179)
Other income (expense):				
Earnings of equity method investments	5,186	3,870	1,316	34
Interest income	2,060	5,579	(3,519)	(63)
Interest expense	(67,328)	(55,334)	(11,994)	22
Gain on tariff settlement	51,500	—	51,500	—
Gain on sales-type leases	—	33,834	(33,834)	(100)
Loss on early extinguishment of debt	—	(25,915)	25,915	(100)
Loss on foreign currency transactions	(734)	(1,948)	1,214	(62)
Other, net	9,817	3,422	6,395	187
	501	(36,492)	36,993	(101)
Income (loss) before income taxes	472,795	(636,770)	1,109,565	(174)
Income tax expense (benefit)	95,178	(193,077)	288,255	(149)
Net income (loss)	377,617	(443,693)	821,310	(185)
Less net income attributable to noncontrolling interest	60,550	37,607	22,943	61
Net income (loss) attributable to HollyFrontier stockholders	\$ 317,067	\$ (481,300)	\$ 798,367	(166)%
Earnings (loss) per share attributable to HollyFrontier stockholders:				
Basic	\$ 1.92	\$ (2.97)	\$ 4.89	(165)%
Diluted	\$ 1.92	\$ (2.97)	\$ 4.89	(165)%
Cash dividends declared per common share	\$ 0.35	\$ 0.70	\$ (0.35)	(50)%
Average number of common shares outstanding:				
Basic	162,501	161,882	619	— %
Diluted	162,501	161,882	619	— %

Balance Sheet Data

	June 30, 2021	December 31, 2020
	(Unaudited)	(In thousands)
Cash and cash equivalents	\$ 1,398,280	\$ 1,368,318
Working capital	\$ 2,131,679	\$ 1,935,605
Total assets	\$ 12,560,033	\$ 11,506,864
Long-term debt	\$ 3,100,969	\$ 3,142,718
Total equity	\$ 6,040,244	\$ 5,722,203

Other Financial Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Net cash provided by operating activities	\$ 427,755	\$ 119,204	\$ 490,081	\$ 309,302
Net cash used for investing activities	\$ (175,248)	\$ (45,572)	\$ (322,312)	\$ (131,666)
Net cash used for financing activities	\$ (48,917)	\$ (84,062)	\$ (138,478)	\$ (155,519)
Capital expenditures	\$ 182,880	\$ 45,987	\$ 332,841	\$ 129,736
EBITDA ⁽¹⁾	\$ 444,290	\$ (46,221)	\$ 725,634	\$ (353,869)

(1) Earnings before interest, taxes, depreciation and amortization, which we refer to as “EBITDA,” is calculated as net income (loss) attributable to HollyFrontier stockholders plus (i) interest expense, net of interest income, (ii) income tax provision, and (iii) depreciation and amortization. EBITDA is not a calculation provided for under GAAP; however, the amounts included in the EBITDA calculation are derived from amounts included in our consolidated financial statements. 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. EBITDA presented above is reconciled to net income under “Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles” following Item 3 of Part I of this Form 10-Q.

Segment Operating Data

Our operations are organized into three reportable segments, Refining, Lubricants and Specialty Products and HEP. See Note 14 “Segment Information” in the Notes to Consolidated Financial Statements for additional information on our reportable segments.

Refining Segment Operating Data

Our refinery operations include the El Dorado, Tulsa, Navajo and Woods Cross Refineries. The following tables set forth information, including non-GAAP performance measures, about our consolidated refinery operations. The cost of products and refinery gross and net operating margins do not include the non-cash effects of lower of cost or market inventory valuation adjustments, depreciation and amortization and long-lived asset impairments. Reconciliations to amounts reported under GAAP are provided under “Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles” following Item 3 of Part I of this Form 10-Q.

In the third quarter of 2020, we permanently ceased petroleum refining operations at our Cheyenne Refinery and subsequently began converting certain assets at our Cheyenne Refinery to renewable diesel production. The disaggregation of our refining geographic operating data is presented in two regions, Mid-Continent and West, to best reflect the economic drivers of our refining operations. The Mid-Continent region continues to be comprised of the El Dorado and Tulsa Refineries, and the new West region is comprised of the Navajo and Woods Cross Refineries. Refining segment operating data for the three and six months ended June 30, 2020 have been retrospectively adjusted to reflect the revised regional groupings.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Mid-Continent Region (El Dorado and Tulsa Refineries)				
Crude charge (BPD) ⁽¹⁾	278,380	206,950	247,500	229,670
Refinery throughput (BPD) ⁽²⁾	293,050	220,010	257,030	245,470
Sales of produced refined products (BPD) ⁽³⁾	287,680	216,280	249,400	237,760
Refinery utilization ⁽⁴⁾	107.1 %	79.6 %	95.2 %	88.3 %
Average per produced barrel ⁽⁵⁾				
Refinery gross margin	\$ 10.82	\$ 6.31	\$ 8.99	\$ 8.07
Refinery operating expenses ⁽⁶⁾	5.27	5.68	7.22	5.47
Net operating margin	\$ 5.55	\$ 0.63	\$ 1.77	\$ 2.60
Refinery operating expenses per throughput barrel ⁽⁷⁾	\$ 5.18	\$ 5.58	\$ 6.89	\$ 5.30
Feedstocks:				
Sweet crude oil	64 %	61 %	62 %	56 %
Sour crude oil	14 %	16 %	14 %	19 %
Heavy sour crude oil	17 %	17 %	19 %	19 %
Other feedstocks and blends	5 %	6 %	5 %	6 %
Total	100 %	100 %	100 %	100 %
Sales of produced refined products:				
Gasolines	51 %	54 %	51 %	53 %
Diesel fuels	34 %	36 %	34 %	33 %
Jet fuels	4 %	1 %	5 %	4 %
Fuel oil	1 %	1 %	1 %	1 %
Asphalt	2 %	3 %	2 %	3 %
Base oils	4 %	3 %	4 %	4 %
LPG and other	4 %	2 %	3 %	2 %
Total	100 %	100 %	100 %	100 %
West Region (Navajo and Woods Cross Refineries)				
Crude charge (BPD) ⁽¹⁾	137,970	105,120	134,940	122,690
Refinery throughput (BPD) ⁽²⁾	151,680	117,840	148,160	136,090
Sales of produced refined products (BPD) ⁽³⁾	156,260	132,610	150,290	141,610
Refinery utilization ⁽⁴⁾	95.2 %	72.5 %	93.1 %	84.6 %
Average per produced barrel ⁽⁵⁾				
Refinery gross margin	\$ 13.35	\$ 10.96	\$ 11.88	\$ 12.41
Refinery operating expenses ⁽⁶⁾	6.57	7.26	7.29	7.07
Net operating margin	\$ 6.78	\$ 3.70	\$ 4.59	\$ 5.34
Refinery operating expenses per throughput barrel ⁽⁷⁾	\$ 6.77	\$ 7.62	\$ 7.40	\$ 7.36
Feedstocks:				
Sweet crude oil	22 %	32 %	23 %	29 %
Sour crude oil	59 %	48 %	59 %	50 %
Black wax crude oil	10 %	9 %	9 %	11 %
Other feedstocks and blends	9 %	11 %	9 %	10 %
Total	100 %	100 %	100 %	100 %
Sales of produced refined products:				
Gasolines	52 %	55 %	53 %	56 %
Diesel fuels	37 %	34 %	37 %	35 %
Fuel oil	3 %	2 %	3 %	2 %
Asphalt	5 %	6 %	4 %	4 %
LPG and other	3 %	3 %	3 %	3 %
Total	100 %	100 %	100 %	100 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Consolidated				
Crude charge (BPD) ⁽¹⁾	416,350	312,070	382,440	352,360
Refinery throughput (BPD) ⁽²⁾	444,730	337,850	405,190	381,560
Sales of produced refined products (BPD) ⁽³⁾	443,940	348,890	399,690	379,370
Refinery utilization ⁽⁴⁾	102.8 %	77.1 %	94.4 %	87.0 %
Average per produced barrel ⁽⁵⁾				
Refinery gross margin	\$ 11.71	\$ 8.08	\$ 10.07	\$ 9.69
Refinery operating expenses ⁽⁶⁾	5.73	6.28	7.25	6.07
Net operating margin	\$ 5.98	\$ 1.80	\$ 2.82	\$ 3.62
Refinery operating expenses per throughput barrel ⁽⁷⁾	\$ 5.72	\$ 6.48	\$ 7.07	\$ 6.03
Feedstocks:				
Sweet crude oil	50 %	51 %	48 %	46 %
Sour crude oil	30 %	27 %	30 %	30 %
Heavy sour crude oil	11 %	11 %	12 %	12 %
Black wax crude oil	3 %	3 %	3 %	4 %
Other feedstocks and blends	6 %	8 %	7 %	8 %
Total	100 %	100 %	100 %	100 %
Sales of produced refined products:				
Gasolines	51 %	54 %	52 %	54 %
Diesel fuels	35 %	35 %	35 %	34 %
Jet fuels	3 %	1 %	3 %	3 %
Fuel oil	1 %	1 %	1 %	1 %
Asphalt	3 %	4 %	3 %	3 %
Base oils	3 %	2 %	3 %	2 %
LPG and other	4 %	3 %	3 %	3 %
Total	100 %	100 %	100 %	100 %

(1) Crude charge represents the barrels per day of crude oil processed at our refineries.

(2) Refinery throughput represents the barrels per day of crude and other refinery feedstocks input to the crude units and other conversion units at our refineries.

(3) Represents barrels sold of refined products produced at our refineries (including HFC Asphalt) and does not include volumes of refined products purchased for resale or volumes of excess crude oil sold.

(4) Represents crude charge divided by total crude capacity (BPSD). Our consolidated crude capacity is 405,000 BPSD.

(5) Represents average amount per produced barrel sold, which is a non-GAAP measure. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 3 of Part I of this Form 10-Q.

(6) Represents total refining segment operating expenses, exclusive of depreciation and amortization and Cheyenne Refinery operating expenses, divided by sales volumes of refined products produced at our refineries.

(7) Represents total refining segment operating expenses, exclusive of depreciation and amortization and Cheyenne Refinery operating expenses, divided by refinery throughput.

Lubricants and Specialty Products Operating Data

The following table sets forth information about our lubricants and specialty products operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Lubricants and Specialty Products				
Throughput (BPD)	19,310	16,370	19,860	19,060
Sales of produced refined products (BPD)	36,670	26,990	34,630	31,900
Sales of produced refined products:				
Finished products	51 %	56 %	52 %	51 %
Base oils	29 %	19 %	27 %	23 %
Other	20 %	25 %	21 %	26 %
Total	100 %	100 %	100 %	100 %

Supplemental financial data attributable to our Lubricants and Specialty Products segment is presented below.

	Rack Back ⁽¹⁾	Rack Forward ⁽²⁾	Eliminations ⁽³⁾	Total Lubricants and Specialty Products
	(In thousands)			
Three months ended June 30, 2021				
Sales and other revenues	\$ 254,485	\$ 629,211	\$ (214,507)	\$ 669,189
Cost of products sold	\$ 163,280	\$ 542,445	\$ (214,507)	\$ 491,218
Operating expenses	\$ 29,106	\$ 32,204	\$ —	\$ 61,310
Selling, general and administrative expenses	\$ 5,914	\$ 31,669	\$ —	\$ 37,583
Depreciation and amortization	\$ 6,230	\$ 12,922	\$ —	\$ 19,152
Income from operations	\$ 49,955	\$ 9,971	\$ —	\$ 59,926
Three months ended June 30, 2020				
Sales and other revenues	\$ 85,857	\$ 343,927	\$ (72,497)	\$ 357,287
Cost of products sold	\$ 67,210	\$ 263,634	\$ (72,497)	\$ 258,347
Operating expenses	\$ 21,034	\$ 26,806	\$ —	\$ 47,840
Selling, general and administrative expenses	\$ 5,617	\$ 30,302	\$ —	\$ 35,919
Depreciation and amortization	\$ 5,877	\$ 13,902	\$ —	\$ 19,779
Long-lived asset impairment	\$ 167,017	\$ 37,691	\$ —	\$ 204,708
Loss from operations	\$ (180,898)	\$ (28,408)	\$ —	\$ (209,306)
Six months ended June 30, 2021				
Sales and other revenues	\$ 427,927	\$ 1,112,457	\$ (346,632)	\$ 1,193,752
Cost of products sold	\$ 295,812	\$ 873,561	\$ (346,632)	\$ 822,741
Operating expenses	\$ 57,727	\$ 64,336	\$ —	\$ 122,063
Selling, general and administrative expenses	\$ 12,653	\$ 70,483	\$ —	\$ 83,136
Depreciation and amortization	\$ 13,535	\$ 25,738	\$ —	\$ 39,273
Income from operations	\$ 48,200	\$ 78,339	\$ —	\$ 126,539
Six months ended June 30, 2020				
Sales and other revenues	\$ 250,686	\$ 817,984	\$ (184,780)	\$ 883,890
Cost of products sold	\$ 247,810	\$ 586,697	\$ (184,780)	\$ 649,727
Operating expenses	\$ 44,303	\$ 57,668	\$ —	\$ 101,971
Selling, general and administrative expenses	\$ 10,980	\$ 73,901	\$ —	\$ 84,881
Depreciation and amortization	\$ 16,744	\$ 25,084	\$ —	\$ 41,828
Long-lived asset impairment	\$ 167,017	\$ 37,691	\$ —	\$ 204,708
Income (loss) from operations	\$ (236,168)	\$ 36,943	\$ —	\$ (199,225)

(1) Rack Back consists of our PCLI base oil production activities, by-product sales to third parties and intra-segment base oil sales to Rack Forward.

(2) Rack Forward activities include the purchase of base oils from Rack Back and the blending, packaging, marketing and distribution and sales of finished lubricants and specialty products to third parties.

(3) Intra-segment sales of Rack Back produced base oils to Rack Forward are eliminated under the "Eliminations" column.

Results of Operations – Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

Summary

Net income attributable to HollyFrontier stockholders for the three months ended June 30, 2021 was \$168.9 million (\$1.03 per basic and diluted share), a \$345.5 million increase from a net loss of \$176.7 million (\$(1.09) per basic and diluted share) for the three months ended June 30, 2020. The increase in net income was principally due to long-lived asset impairment charges of \$436.9 million for the three months ended June 30, 2020, partially offset by lower of cost or market inventory reserve adjustments that increased pre-tax earnings by \$118.8 million for the three months ended June 30, 2021 as compared to \$269.9 million for the three months ended June 30, 2020. Refinery gross margins for the three months ended June 30, 2021 increased to \$11.71 per produced barrel sold from \$8.08 for the three months ended June 30, 2020.

Sales and Other Revenues

Sales and other revenues increased 122% from \$2,062.9 million for the three months ended June 30, 2020 to \$4,577.1 million for the three months ended June 30, 2021 due to the increase in sales prices and higher refined product sales volumes. Sales and other revenues for the three months ended June 30, 2021 and 2020 included \$27.1 million and \$19.2 million, respectively, of HEP revenues attributable to pipeline and transportation services provided to unaffiliated parties. Additionally, sales and other revenues included \$662.8 million and \$353.6 million in unaffiliated revenues related to our Lubricants and Specialty Products segment for the three months ended June 30, 2021 and 2020, respectively.

Cost of Products Sold

Total cost of products sold increased 184% from \$1,307.1 million for the three months ended June 30, 2020 to \$3,706.9 million for the three months ended June 30, 2021 principally due to higher crude oil costs and higher refined product volumes. During the second quarter of 2021, we recognized a lower of cost or market inventory valuation adjustment benefit of \$118.8 million compared to a benefit of \$269.9 million for the same period in 2020.

Gross Refinery Margins

Gross refinery margin per produced barrel sold increased 45% from \$8.08 for the three months ended June 30, 2020 to \$11.71 for the three months ended June 30, 2021. The increase was due to the effects of an increase in the average per barrel sold sales price during the current year quarter, partially offset by increased crude oil and feedstock prices. Gross refinery margin per barrel does not include the non-cash effects of lower of cost or market inventory valuation adjustments or depreciation and amortization. See “Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles” following Item 3 of Part I of this Form 10-Q for a reconciliation to the income statement of sale prices of products sold and cost of products purchased.

Operating Expenses

Operating expenses, exclusive of depreciation and amortization, increased 10% from \$303.4 million for the three months ended June 30, 2020 to \$334.2 million for the three months ended June 30, 2021 primarily due to an increase in repair and maintenance costs and the increase in natural gas prices and natural gas utilization compared to the three months ended June 30, 2020. Lower natural gas prices and utilization during 2020 were primarily the result of the COVID-19 pandemic.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of \$77.8 million for the three months ended June 30, 2021 were consistent with the same period in the prior year.

Depreciation and Amortization Expenses

Depreciation and amortization decreased 5% from \$130.2 million for the three months ended June 30, 2020 to \$124.0 million for the three months ended June 30, 2021. This decrease was primarily due to lower capitalized refinery turnaround costs during 2020 and lower depreciation expense resulting from the assets impaired in the second quarter of 2020.

Long-lived Asset Impairment

During the three months ended June 30, 2020, we recorded long-lived asset impairment charges of \$232.2 million related to our Cheyenne Refinery and \$204.7 million related to PCLI. See Note 1 “Description of Business and Presentation of Financial Statements” in the Notes to Consolidated Financial Statements for additional information on these impairments.

Interest Expense

Interest expense was \$28.9 million for the three months ended June 30, 2021 compared to \$32.7 million for the three months ended June 30, 2020. This decrease was primarily due to net gains related to our catalyst financing arrangement during the three months ended June 30, 2021 as compared to net losses during the same period in the prior year, partially offset by interest expense on our senior notes issued in September 2020.

For the three months ended June 30, 2021 and 2020, interest expense attributable to our HEP segment was \$13.9 million and \$12.1 million, respectively.

Gain on Sales-type Leases

During the second quarter of 2020, HEP and Delek US Holdings, Inc. renewed the original throughput agreement on specific HEP assets. Portions of the new throughput agreement meet the definition of sales-type leases, which resulted in an accounting gain of \$33.8 million upon the initial recognition of the sales-type lease during the three months ended June 30, 2020.

Gain on Foreign Currency Transactions

Remeasurement adjustments resulting from the foreign currency conversion of the intercompany financing notes payable by PCLI net of mark-to-market valuations on foreign exchange forward contracts with banks which hedge the foreign currency exposure on these intercompany notes were net gains of \$0.6 million and \$2.3 million for the three months ended June 30, 2021 and 2020, respectively. For the three months ended June 30, 2021 and 2020, gain on foreign currency transactions included a loss of \$6.1 million and \$14.3 million, respectively, on foreign exchange forward contracts (utilized as an economic hedge).

Other, Net

For the three months ended June 30, 2021, HEP recorded a \$5.3 million gain related to the sale of certain pipeline assets.

Income Taxes

For the three months ended June 30, 2021, we recorded an income tax expense of \$123.5 million compared to a benefit of \$30.9 million for the three months ended June 30, 2020. This increase was principally due to pre-tax income during the three months ended June 30, 2021 compared to a pre-tax loss in the same period of 2020. Our effective tax rates were 38.8% and 17.0% for the three months ended June 30, 2021 and 2020, respectively. The increase in the effective tax rate is principally due to the relationship between the pre-tax results and the earnings attributable to the noncontrolling interest that is not included in income for tax purposes. The difference in the U.S. federal statutory rate and the effective tax rate for the three months ended June 30, 2021 was primarily due to the reversal of benefits recorded in the previous quarter due to increased income, partially offset by benefits recorded on state tax rate decreases enacted in the current quarter.

Results of Operations – Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Summary

Net income attributable to HollyFrontier stockholders for the six months ended June 30, 2021 was \$317.1 million (\$1.92 per basic and diluted share), a \$798.4 million increase compared to a net loss of \$481.3 million (\$(2.97) per basic and diluted share) for the six months ended June 30, 2020. Net income increased principally due to lower of cost or market inventory reserve adjustments that increased pre-tax earnings by \$318.9 million for the six months ended June 30, 2021 and decreased pre-tax earnings by \$290.6 million for the six months ended June 30, 2020. In addition, we recorded long-lived asset impairment charges of \$436.9 million for the six months ended June 30, 2020. The increase in net income for the six months ended June 30, 2021 was partially offset by the impact of winter storm Uri, which increased natural gas costs by approximately \$65 million across our refining system. Refinery gross margins for the six months ended June 30, 2021 increased to \$10.07 per barrel sold from \$9.69 for the six months ended June 30, 2020.

Sales and Other Revenues

Sales and other revenues increased 48% from \$5,463.5 million for the six months ended June 30, 2020 to \$8,081.4 million for the six months ended June 30, 2021 due to a year-over-year increase in sales prices and higher refined product sales volumes. Sales and other revenues for the six months ended June 30, 2021 and 2020 include \$52.4 million and \$45.7 million, respectively, in HEP revenues attributable to pipeline and transportation services provided to unaffiliated parties. Additionally, sales and other revenues included \$1,184.8 million and \$877.1 million in unaffiliated revenues related to our Lubricants and Specialty Products segment for the six months ended June 30, 2021 and 2020, respectively.

Cost of Products Sold

Total cost of products sold increased 42% from \$4,561.3 million for the six months ended June 30, 2020 to \$6,467.2 million for the six months ended June 30, 2021 principally due to the increase in crude oil and feedstock prices and refined product sales volumes. We recognized a lower of cost or market inventory valuation benefit of \$318.9 million for the six months ended June 30, 2021 compared to a charge of \$290.6 million for the same period of 2020, resulting in no lower of cost or market reserve at June 30, 2021.

Gross Refinery Margins

Gross refinery margin per barrel sold increased 4% from \$9.69 for the six months ended June 30, 2020 to \$10.07 for the six months ended June 30, 2021 principally due to the increase in the average per barrel sold sales prices, partially offset by the increase in crude oil and feedstock prices. Gross refinery margin per barrel does not include the non-cash effects of lower of cost or market inventory valuation adjustments or depreciation and amortization. See “Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles” following Item 3 of Part I of this Form 10-Q for a reconciliation to the income statement of sales prices of products sold and cost of products purchased.

Operating Expenses

Operating expenses, exclusive of depreciation and amortization, increased 16% from \$631.7 million for the six months ended June 30, 2020 to \$734.1 million for the six months ended June 30, 2021 primarily due to the increase in natural gas prices and natural gas utilization and higher planned and unplanned repair and maintenance costs compared to the six months ended June 30, 2020. The increase in natural gas prices was due in part to winter storm Uri during the first quarter of 2021.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of \$159.7 million for the six months ended June 30, 2021 were consistent with the same period in the prior year.

Depreciation and Amortization Expenses

Depreciation and amortization decreased 8% from \$270.8 million for the six months ended June 30, 2020 to \$248.1 million for the six months ended June 30, 2021. This decrease was principally due to lower capitalized refinery turnaround costs during 2020 and lower depreciation expense resulting from the assets impaired in the second quarter of 2020.

Long-lived Asset Impairment

During the six months ended June 30, 2020, we recorded long-lived asset impairment charges of \$232.2 million that related to our Cheyenne Refinery and \$204.7 million related to PCLI. See Note 1 “Description of Business and Presentation of Financial Statements” in the Notes to Consolidated Financial Statements for additional information on these impairments.

Interest Expense

Interest expense was \$67.3 million for the six months ended June 30, 2021 compared to \$55.3 million for the six months ended June 30, 2020. This increase was primarily due to interest expense on our senior notes issued in September 2020 and net losses related to our catalyst financing arrangements during the six months ended June 30, 2021 as compared to net gains during the six months ended June 30, 2020. The increase was partially offset by lower weighted average balance and lower market interest rates on HEP’s credit facility during the six months ended June 30, 2021.

For the six months ended June 30, 2021 and 2020, interest expense attributable to our HEP Segment was \$27.2 million and \$28.2 million, respectively.

Gain on Tariff Settlement

For the six months ended June 30, 2021, we recorded a gain of \$51.5 million upon the settlement of a tariff rate case. See Note 13 “Contingencies” in the Notes to Consolidated Financial Statements for additional information on this case and settlement.

Gain on Sales-type Leases

During the second quarter of 2020, HEP and Delek US Holdings, Inc. renewed the original throughput agreement on specific HEP assets. Portions of the new throughput agreement meet the definition of sales-type leases, which resulted in an accounting gain of \$33.8 million upon the initial recognition of the sales-type lease during the six months ended June 30, 2020.

Loss on Early Extinguishment of Debt

For the six months ended June 30, 2020, HEP recorded a \$25.9 million loss on the redemption of its \$500 million aggregate principal amount of 6.0% senior notes maturing August 2024 for \$522.5 million.

Loss on Foreign Currency Transactions

Remeasurement adjustments resulting from the foreign currency conversion of the intercompany financing notes payable by PCLI net of mark-to-market valuations on foreign exchange forward contracts with banks which hedge the foreign currency exposure on these intercompany notes were net losses of \$0.7 million and \$1.9 million for the six months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, loss on foreign currency transactions included a net loss of \$12.8 million and a gain of \$19.2 million, respectively, on foreign exchange forward contracts (utilized as an economic hedge).

Other, Net

For the six months ended June 30, 2021, HEP recorded a \$5.3 million gain related to the sale of certain pipeline assets.

Income Taxes

For the six months ended June 30, 2021, we recorded an income tax expense of \$95.2 million compared to a benefit of \$193.1 million for the six months ended June 30, 2020. This change to income tax expense in 2021 from income tax benefit in 2020 was principally due to pre-tax income during the six months ended June 30, 2021 as compared to a pre-tax loss during 2020. Our effective tax rates were 20.1% and 30.3% for the six months ended June 30, 2021 and 2020, respectively. The year-over-year decrease in the effective tax rate is principally due to the relationship between the pre-tax results and the earnings attributable to the noncontrolling interest that is not included in income for tax purposes. The difference in the U.S. federal statutory rate and the effective tax rate for the six months ended June 30, 2021 was primarily due to the tax effects of income attributable to noncontrolling interests.

LIQUIDITY AND CAPITAL RESOURCES

HollyFrontier Credit Agreement

On April 30, 2021, we amended our \$1.35 billion senior unsecured revolving credit facility to extend the maturity date to April 30, 2026 (the “HollyFrontier Credit Agreement”). The HollyFrontier Credit Agreement may be used for revolving credit loans and letters of credit from time to time and is available to fund general corporate purposes. At June 30, 2021, we were in compliance with all covenants, had no outstanding borrowings and had outstanding letters of credit totaling \$2.3 million under the HollyFrontier Credit Agreement.

HollyFrontier Financing Arrangements

Certain of our wholly-owned subsidiaries entered into financing arrangements whereby such subsidiaries sold a portion of their precious metals catalyst to a financial institution and then leased back the precious metals catalyst in exchange for cash. The volume of the precious metals catalyst and the lease rate are fixed over the term of each lease, and the lease payments are recorded as interest expense. The current leases mature on February 1, 2022. Upon maturity, we must either satisfy the obligation at fair market value or refinance to extend the maturity.

HEP Credit Agreement

On April 30, 2021, HEP amended its \$1.4 billion senior secured revolving credit facility decreasing the commitments under the facility to \$1.2 billion and extending the maturity to July 27, 2025 (the “HEP Credit Agreement”). The HEP Credit Agreement is available to fund capital expenditures, investments, acquisitions, distribution payments, working capital and for general partnership purposes. It is also available to fund letters of credit up to a \$50 million sub-limit and continues to provide for an accordion feature that allows HEP to increase the commitments under the HEP Credit Agreement up to a maximum amount of \$1.7 billion. During the six months ended June 30, 2021, HEP received advances totaling \$141.0 million and repaid \$184.5 million under the HEP Credit Agreement. At June 30, 2021, HEP was in compliance with all of its covenants, had outstanding borrowings of \$870.0 million and no outstanding letters of credit under the HEP Credit Agreement.

See Note 9 “Debt” in the Notes to Consolidated Financial Statements for additional information on our debt instruments.

Liquidity

We believe our current cash and cash equivalents, along with future internally generated cash flow and funds available under our credit facilities, will provide sufficient resources to fund currently planned capital projects and our liquidity needs for the foreseeable future. We expect that, to the extent necessary, we can raise additional funds from time to time through equity or debt financings in the public and private capital markets. In addition, components of our growth strategy include the expansion of existing units at our facilities and selective acquisition of complementary assets for our refining operations intended to increase earnings and cash flow. In connection with the the Puget Sound Acquisition, our Board of Directors approved a one-year suspension of the regular quarterly dividend effective with the dividend to be declared for the first quarter of 2021 and is expected to resume the dividend after such time.

Our standalone (excluding HEP) liquidity was approximately \$2.7 billion at June 30, 2021, consisting of cash and cash equivalents of \$1.4 billion and an undrawn \$1.35 billion credit facility.

We consider all highly-liquid instruments with a maturity of three months or less at the time of purchase to be cash equivalents. These primarily consist of investments in conservative, highly-rated instruments issued by financial institutions, government and corporate entities with strong credit standings and money market funds. Cash equivalents are stated at cost, which approximates market value.

In November 2019, our Board of Directors approved a \$1.0 billion share repurchase program, which replaced all existing share repurchase programs, authorizing us to repurchase common stock in the open market or through privately negotiated transactions. The timing and amount of stock repurchases will depend on market conditions and corporate, regulatory and other relevant considerations. This program may be discontinued at any time by the Board of Directors. As of June 30, 2021, we had not repurchased common stock under this stock repurchase program. In addition, we are authorized by our Board of Directors to repurchase shares in an amount sufficient to offset shares issued under our compensation programs. We do not intend to repurchase common stock under our \$1.0 billion share repurchase program until completion of our ongoing renewables capital projects at the earliest.

Cash Flows – Operating Activities

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Net cash flows provided by operating activities were \$490.1 million for the six months ended June 30, 2021 compared to \$309.3 million for the six months ended June 30, 2020, an increase of \$180.8 million. The increase in operating cash flows was primarily due to the increase in gross refinery margins and \$51.5 million received upon settlement of a tariff rate case, partially offset by higher operating expenses.

Changes in working capital increased operating cash flows by \$149.0 million and decreased operating cash flows by \$103.3 million, for the six months ended June 30, 2021 and 2020, respectively. Changes in working capital items adjust for the timing of receipts and payments of actual cash.

Cash Flows – Investing Activities and Planned Capital Expenditures

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Net cash flows used for investing activities were \$322.3 million for the six months ended June 30, 2021 compared to \$131.7 million for the six months ended June 30, 2020, an increase of \$190.6 million. Cash expenditures for properties, plants and equipment for the first six months of 2021 increased to \$332.8 million from \$129.7 million for the same period in 2020, primarily due to expenditures related to our renewable diesel units that are expected to be completed in early 2022. Cash expenditures for properties, plants and equipment include HEP capital expenditures of \$57.7 million and \$30.7 million for the six months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2020, HEP also invested \$2.4 million in the Cushing Connect Pipeline & Terminal LLC joint venture.

HollyFrontier Corporation

Each year our Board of Directors approves our annual capital budget which includes specific projects that management is authorized to undertake. Additionally, when conditions warrant or as new opportunities arise, additional projects may be approved. The funds appropriated for a particular capital project may be expended over a period of several years, depending on the time required to complete the project. Therefore, our planned capital expenditures for a given year consist of expenditures appropriated in that year's capital budget plus expenditures for projects appropriated in prior years which have not yet been completed. Refinery turnaround spending is amortized over the useful life of the turnaround.

The refining industry is capital intensive and requires on-going investments to sustain our refining operations. This includes replacement of, or rebuilding, refinery units and components that extend the useful life. We also invest in projects that improve operational reliability and profitability via enhancements that improve refinery processing capabilities as well as production yield and flexibility. Our capital expenditures also include projects related to renewable diesel, environmental, health and safety compliance and include initiatives as a result of federal and state mandates.

Our refinery operations and related emissions are highly regulated at both federal and state levels, and we invest in our facilities as needed to remain in compliance with these standards. Additionally, when faced with new emissions or fuels standards, we seek to execute projects that facilitate compliance and also improve the operating costs and / or yields of associated refining processes.

HEP

Each year the Holly Logistic Services, L.L.C. board of directors approves HEP's annual capital budget, which specifies capital projects that HEP management is authorized to undertake. Additionally, at times when conditions warrant or as new opportunities arise, special projects may be approved. The funds allocated for a particular capital project may be expended over a period in excess of a year, depending on the time required to complete the project. Therefore, HEP's planned capital expenditures for a given year consist of expenditures approved for capital projects included in its current year capital budget as well as, in certain cases, expenditures approved for capital projects in capital budgets for prior years. In addition, HEP may spend funds periodically to perform capital upgrades or additions to its assets where a customer reimburses HEP for such costs. The upgrades or additions would generally benefit the customer over the remaining life of the related service agreements.

Expected capital and turnaround cash spending for 2021 is as follows:

	Expected Cash Spending Range	
	(In millions)	
HollyFrontier Capital Expenditures		
Refining	\$ 190.0	\$ 220.0
Renewables	625.0	675.0
Lubricants and Specialty Products	40.0	50.0
Turnarounds and catalyst	320.0	350.0
Total HollyFrontier	1,175.0	1,295.0
HEP		
Maintenance	17.0	21.0
Expansion and joint venture investment	38.0	42.0
Refining unit turnarounds	5.0	8.0
Total HEP	60.0	71.0
Total	\$ 1,235.0	\$ 1,366.0

Cash Flows – Financing Activities

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

For the six months ended June 30, 2021, our net cash flows used for financing activities were \$138.5 million. During the six months ended June 30, 2021, we paid \$57.7 million in dividends and \$7.9 million of deferred financing costs in connection with the amendment of the HollyFrontier Credit Agreement in April 2021. During the six months ended June 30, 2021, HEP had net repayments of \$43.5 million under the HEP Credit Agreement and paid \$6.6 million of deferred financing costs in connection with the amendment of the HEP Credit Agreement in April 2021. In addition, HEP paid distributions of \$38.2 million to noncontrolling interests and received contributions from noncontrolling interests of \$17.6 million.

For the six months ended June 30, 2020, our net cash flows used for financing activities were \$155.5 million. During the six months ended June 30, 2020, we paid \$114.4 million in dividends. HEP received \$168.0 million and repaid \$138.5 million under the HEP Credit Agreement, paid \$522.5 million upon the redemption of HEP's 6.0% senior notes and received \$491.3 million in net proceeds from the issuance of HEP 5.0% senior notes. In addition, HEP paid distributions of \$51.0 million to noncontrolling interests and received contributions from noncontrolling interests of \$13.3 million.

Contractual Obligations and Commitments

HollyFrontier Corporation

In April 2021, we renewed a contract for terminal and storage services with a third party for an additional 15-year term. The agreement provides for storage capacity of 200,000 barrels per month for a total commitment of \$9.4 million over the 15 year term. In addition, the agreement provides a throughput volume commitment of 225,000 barrels per day of crude oil for a total commitment of \$92.4 million over the 15-year term. We also had certain lease renewals that increased our lease liabilities on our consolidated balance sheets during the six months ended June 30, 2021. There were no other significant changes to our long-term contractual obligations during the six months ended June 30, 2021.

HEP

During the six months ended June 30, 2021, HEP had net repayments of \$43.5 million resulting in \$870.0 million of outstanding borrowings under the HEP Credit Agreement at June 30, 2021.

There were no other significant changes to HEP's long-term contractual obligations during this period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2020. Certain critical accounting policies that materially affect the amounts recorded in our consolidated financial statements include the use of the last-in, first-out ("LIFO") method of valuing certain inventories, assessing the possible impairment of certain long-lived assets and goodwill, and assessing contingent liabilities for probable losses.

Inventory Valuation: Inventories related to our refining operations are stated at the lower of cost, using the LIFO method for crude oil and unfinished and finished refined products, or market. In periods of rapidly declining prices, LIFO inventories may have to be written down to market value due to the higher costs assigned to LIFO layers in prior periods. In addition, the use of the LIFO inventory method may result in increases or decreases to cost of sales in years that inventory volumes decline as the result of charging cost of sales with LIFO inventory costs generated in prior periods. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final year-end LIFO inventory valuation.

At June 30, 2021, the LIFO value of inventory was equal to cost. Future decreases in overall inventory values could result in an establishment of a lower of cost or market inventory valuation reserve and additional charges to cost of products sold.

Inventories consisting of process chemicals, materials and maintenance supplies and RINs are stated at the lower of weighted-average cost or net realizable value. Inventories of our Petro-Canada Lubricants and Sonneborn businesses are stated at the lower of cost, using the FIFO method, or net realizable value.

Goodwill and Long-lived Assets: As of June 30, 2021, our goodwill balance was \$2.3 billion, with goodwill assigned to our Refining, Lubricants and Specialty Products and HEP segments of \$1,733.5 million, \$247.2 million and \$312.9 million, respectively. Goodwill represents the excess of the cost of an acquired entity over the fair value of the assets acquired and liabilities assumed. Goodwill is not subject to amortization and is tested annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our goodwill impairment testing first entails either a quantitative assessment or an optional qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine that based on the qualitative factors that it is more likely than not that the carrying value of the reporting unit is greater than its fair value, a quantitative test is performed in which we estimate the fair value of the related reporting unit. If the carrying amount of a reporting unit exceeds its fair value, the goodwill of that reporting unit is impaired, and we measure goodwill impairment as the excess of the carrying amount of reporting unit over the related fair value.

For purposes of long-lived asset impairment evaluation, we have grouped our long-lived assets as follows: (i) our refinery asset groups, which include certain HEP logistics assets, (ii) our Lubricants and Specialty Products asset groups and (iii) our HEP asset groups, which comprises HEP assets not included in our refinery asset groups. These asset groups represent the lowest level for which independent cash flows can be identified. Our long-lived assets are evaluated for impairment by identifying whether indicators of impairment exist and if so, assessing whether the long-lived assets are recoverable from estimated future undiscounted cash flows. The actual amount of impairment loss measured, if any, is equal to the amount by which the asset group's carrying value exceeds its fair value.

We continually monitor and evaluate various factors for potential indicators of goodwill and long-lived asset impairment. A reasonable expectation exists that further deterioration in our operating results or overall economic conditions could result in an impairment of goodwill and / or long-lived asset impairments at some point in the future. Future impairment charges could be material to our results of operations and financial condition.

Contingencies

We are subject to proceedings, lawsuits and other claims related to environmental, labor, product and other matters. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

RISK MANAGEMENT

We use certain strategies to reduce some commodity price and operational risks. We do not attempt to eliminate all market risk exposures when we believe that the exposure relating to such risk would not be significant to our future earnings, financial position, capital resources or liquidity or that the cost of eliminating the exposure would outweigh the benefit.

Commodity Price Risk Management

Our primary market risk is commodity price risk. We are exposed to market risks related to the volatility in crude oil and refined products, as well as volatility in the price of natural gas used in our refining operations. We periodically enter into derivative contracts in the form of commodity price swaps, forward purchase and sales and futures contracts to mitigate price exposure with respect to our inventory positions, natural gas purchases, sales prices of refined products and crude oil costs.

Foreign Currency Risk Management

We are exposed to market risk related to the volatility in foreign currency exchange rates. We periodically enter into derivative contracts in the form of foreign exchange forward and foreign exchange swap contracts to mitigate the exposure associated with fluctuations on intercompany notes with our foreign subsidiaries that are not denominated in the U.S. dollar.

As of June 30, 2021, we have the following notional contract volumes related to all outstanding derivative instruments used to mitigate commodity price and foreign currency risk:

Derivative Instrument	Total Outstanding Notional	Notional Contract Volumes by Year of Maturity		Unit of Measure
		2021	2022	
Natural gas price swaps - long	900,000	900,000	—	MMBTU
NYMEX futures (WTI) - short	665,000	665,000	—	Barrels
Forward gasoline and diesel contracts - long	365,000	365,000	—	Barrels
Forward crude oil contracts -short	90,000	90,000	—	Barrels
Foreign currency forward contracts	434,968,532	210,609,988	224,358,544	U.S. dollar
Forward commodity contracts (platinum) ⁽¹⁾	38,723	—	38,723	Troy ounces

(1) Represents an embedded derivative within our catalyst financing arrangements, which may be refinanced or require repayment under certain conditions. See Note 9 “Debt” in the Notes to Consolidated Financial Statements for additional information on these financing arrangements.

The following sensitivity analysis provides the hypothetical effects of market price fluctuations to the commodity hedged under our derivative contracts:

Commodity-based Derivative Contracts	Estimated Change in Fair Value at June 30,	
	2021	2020
	(In thousands)	
Hypothetical 10% change in underlying commodity prices	\$ 4,512	\$ 2,826

Interest Rate Risk Management

The market risk inherent in our fixed-rate debt is the potential change arising from increases or decreases in interest rates as discussed below.

For the fixed rate HollyFrontier Senior Notes and HEP Senior Notes, changes in interest rates will generally affect fair value of the debt, but not earnings or cash flows. The outstanding principal, estimated fair value and estimated change in fair value (assuming a hypothetical 10% change in the yield-to-maturity rates) for this debt as of June 30, 2021 is presented below:

	Outstanding Principal	Estimated Fair Value	Estimated Change in Fair Value
	(In thousands)		
HollyFrontier Senior Notes	\$ 1,750,000	\$ 1,948,756	\$ 23,904
HEP Senior Notes	\$ 500,000	\$ 512,245	\$ 13,211

For the variable rate HEP Credit Agreement, changes in interest rates would affect cash flows, but not the fair value. At June 30, 2021, outstanding borrowings under the HEP Credit Agreement were \$870.0 million. A hypothetical 10% change in interest rates applicable to the HEP Credit Agreement would not materially affect cash flows.

Our operations are subject to hazards of petroleum processing operations, including but not limited to fire, explosion, cyberattacks and weather-related perils. We maintain various insurance coverages, including property damage, business interruption and cyber insurance, subject to certain deductibles and insurance policy terms and conditions. We are not fully insured against certain risks because such risks are not fully insurable, coverage is unavailable, or premium costs, in our judgment, do not justify such expenditures.

Financial information is reviewed on the counterparties in order to review and monitor their financial stability and assess their ongoing ability to honor their commitments under the derivative contracts. We have not experienced, nor do we expect to experience, any difficulty in the counterparties honoring their commitments.

We have a risk management oversight committee consisting of members from our senior management. This committee oversees our risk enterprise program, monitors our risk environment and provides direction for activities to mitigate identified risks that may adversely affect the achievement of our goals.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See “Risk Management” under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles

Reconciliations of earnings before interest, taxes, depreciation and amortization (“EBITDA”) to amounts reported under generally accepted accounting principles in financial statements.

Earnings before interest, taxes, depreciation and amortization, which we refer to as EBITDA, is calculated as net income (loss) attributable to HollyFrontier stockholders plus (i) interest expense, net of interest income, (ii) income tax provision, and (iii) depreciation and amortization. EBITDA is not a calculation provided for under GAAP; however, the amounts included in the EBITDA calculation are derived from amounts included in our consolidated financial statements. 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.

Set forth below is our calculation of EBITDA.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Net income (loss) attributable to HollyFrontier stockholders	\$ 168,850	\$ (176,677)	\$ 317,067	\$ (481,300)
Add interest expense	28,942	32,695	67,328	55,334
Subtract interest income	(1,029)	(1,506)	(2,060)	(5,579)
Add (subtract) income tax expense (benefit)	123,485	(30,911)	95,178	(193,077)
Add depreciation and amortization	124,042	130,178	248,121	270,753
EBITDA	<u>\$ 444,290</u>	<u>\$ (46,221)</u>	<u>\$ 725,634</u>	<u>\$ (353,869)</u>

Reconciliations of refinery operating information (non-GAAP performance measures) to amounts reported under generally accepted accounting principles in financial statements.

Refinery gross margin and net operating margin are non-GAAP performance measures that are used by our management and others to compare our refining performance to that of other companies in our industry. We believe these margin measures are helpful to investors in evaluating our refining performance on a relative and absolute basis. Refinery gross margin per produced barrel sold is total refining segment revenues less total refining segment cost of products sold, exclusive of lower of cost or market inventory valuation adjustments, divided by sales volumes of produced refined products sold. Net operating margin per barrel sold is the difference between refinery gross margin and refinery operating expenses per produced barrel sold. These two margins do not include the non-cash effects of lower of cost or market inventory valuation adjustments, depreciation and amortization or long-lived asset impairment charges. Each of these component performance measures can be reconciled directly to our consolidated statements of operations. Other companies in our industry may not calculate these performance measures in the same manner.

Below are reconciliations to our consolidated statements of operations for refinery net operating and gross margin and operating expenses, in each case averaged per produced barrel sold. Due to rounding of reported numbers, some amounts may not calculate exactly.

Reconciliation of average refining segment net operating margin per produced barrel sold to refinery gross margin to total sales and other revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands, except per barrel amounts)			
Consolidated				
Net operating margin per produced barrel sold	\$ 5.98	\$ 1.80	\$ 2.82	\$ 3.62
Add average refinery operating expenses per produced barrel sold	5.73	6.28	7.25	6.07
Refinery gross margin per produced barrel sold	11.71	8.08	10.07	9.69
Times produced barrels sold (BPD)	443,940	348,890	399,690	379,370
Times number of days in period	91	91	181	182
Refining gross margin	473,067	256,532	728,503	669,049
Add (subtract) rounding	73	(115)	189	12
West and Mid-Continent regions gross margin	473,140	256,417	728,692	669,061
Add West and Mid-Continent regions cost of products sold	3,619,319	1,335,427	6,381,262	3,622,535
Add Cheyenne Refinery sales and other revenues	—	135,660	—	370,774
Refining segment sales and other revenues	4,092,459	1,727,504	7,109,954	4,662,370
Add lubricants and specialty products segment sales and other revenues	669,189	357,287	1,193,752	883,890
Add HEP segment sales and other revenues	126,234	114,807	253,418	242,661
Subtract corporate, other and eliminations	(310,759)	(136,668)	(475,708)	(325,446)
Sales and other revenues	\$ 4,577,123	\$ 2,062,930	\$ 8,081,416	\$ 5,463,475

Reconciliation of average refining segment operating expenses per produced barrel sold to total operating expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands, except per barrel amounts)			
Consolidated				
Average refinery operating expenses per produced barrel sold	\$ 5.73	\$ 6.28	\$ 7.25	\$ 6.07
Times produced barrels sold (BPD)	443,940	348,890	399,690	379,370
Times number of days in period	91	91	181	182
Refinery operating expenses	231,484	199,384	524,493	419,105
Add (subtract) rounding	(62)	(98)	(216)	(165)
West and Mid-Continent regions operating expenses	231,422	199,286	524,277	418,940
Add Cheyenne Refinery operating expenses	—	40,073	—	79,593
Refining segment operating expenses	231,422	239,359	524,277	498,533
Add lubricants and specialty products segment operating expenses	61,310	47,840	122,063	101,971
Add HEP segment operating expenses	42,068	34,737	83,433	69,718
Add (subtract) corporate, other and eliminations	(609)	(18,577)	4,327	(38,518)
Operating expenses (exclusive of depreciation and amortization)	\$ 334,191	\$ 303,359	\$ 734,100	\$ 631,704

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. Our principal executive officer and principal financial officer have evaluated, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the “Exchange Act”), our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2021.

Changes in internal control over financial reporting. There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during our last fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, we may become party to legal, regulatory or administrative proceedings or governmental investigations, including environmental and other matters. Damages or penalties may be sought from us in some matters and certain matters may require years to resolve. While the outcome and impact of these proceedings and investigations on us cannot be predicted with certainty, based on advice of counsel and information currently available to us, management believes that the resolution of these proceedings and investigations through settlement or adverse judgment will not either individually or in the aggregate have a material adverse effect on our financial condition, results of operations or cash flows.

The environmental proceedings are reported to comply with SEC regulations which require us to disclose proceedings arising under provisions regulating the discharge of materials into the environment or protecting the environment when a governmental authority is party to the proceedings and such proceedings involve potential monetary sanctions that we reasonably believe could exceed \$300,000 or more. Certain disclosures made under the SEC's prior \$100,000 threshold will remain until their resolution.

Environmental Matters

El Dorado

HollyFrontier El Dorado Refining LLC ("HFEDR") has been engaged in discussions with, and has responded to document requests from, the EPA, the U.S. Department of Justice ("DOJ") and the State of Kansas regarding alleged Clean Air Act civil violations relating to flaring devices and other equipment at the refinery. Topics of the discussions included: (a) three information requests for activities beginning in January 2009, (b) the Clean Air Act's Risk Management Program ("RMP") compliance issues relating to a November 2014 inspection and subsequent events, (c) a Notice of Violation issued by the EPA in August 2017, and (d) possible late reporting under the Emergency Planning and Community Right-to-Know Act for the release of sulfur dioxide and visible emissions from October 2018.

Some of the foregoing civil investigations resulted from fires that occurred at the El Dorado Refinery in September 2017, October 2018 and March 2019. An employee fatality occurred during the September 2017 event. On May 28, 2020, HFEDR reached a settlement in the form of a proposed consent decree with the EPA, the DOJ, and the State of Kansas regarding the alleged Clean Air Act civil violations relating to flaring devices and other equipment at the refinery, as well as compliance with the RMP.

The proposed consent decree was lodged with the U.S. District Court for the District of Kansas, and the 30-day public comment period ended on July 18, 2020. On July 27, 2020, the EPA, the DOJ and the State of Kansas filed their Unopposed Motion to enter the Consent Decree with the U.S. District Court for the District of Kansas, and on August 27, 2020, the consent decree was entered by the district judge and became effective. Pursuant to the consent decree, among other terms and conditions, HFEDR is required to complete certain projects, implement protocols regarding the examination of its fired heaters and conduct a third party RMP audit of certain of its processes. In addition, HFEDR was required to pay a civil penalty of \$2 million to the United States and \$2 million to the State of Kansas in two installments, the first half within 30 days of entry of the consent decree and the second within six months of entry of the consent decree. All payments have been timely made, and HFEDR has undertaken several of the required projects. The consent decree resolves the alleged federal and state civil Clean Air Act liability for penalties and injunctive relief, other than potential civil penalties for RMP violations. Finally, as part of the settlement, a 2009 consent decree applicable to the refinery was terminated. In March 2021, the EPA contacted HFEDR to begin discussions on potential civil penalties for the RMP violations noted above.

The Occupational Safety and Health Administration ("OSHA") conducted investigations into both the September 2017 and March 2019 events identified above, and HFEDR settled the OSHA claims related to those investigations in 2018 and 2019, respectively. In April 2019, HFEDR became aware that the EPA also initiated a criminal investigation into one or more of the foregoing events. HFEDR has received a grand jury subpoena requesting certain documents be provided to the EPA with respect to the September 2017 event. HFEDR cooperated with the EPA in responding to the subpoena. In May 2021, the EPA returned the records that HFEDR produced in response to the subpoena. We do not believe that criminal charges will be brought.

Tulsa

HollyFrontier Tulsa Refining LLC (“HFTR”) operates under two Consent Decrees with the EPA and the Oklahoma Department of Environmental Quality (“ODEQ”) for the East and West Refineries. On April 3, 2019, the EPA notified HFTR of potential violations of the Consent Decrees. On December 1, 2020, ODEQ, on behalf of ODEQ and the EPA, issued two demand letters alleging violations under the Consent Decrees, which stemmed from inspections conducted by the EPA at the refineries from May 1 through 5, 2017, as well as from a review of the refineries’ records. The alleged violations included the failure to comply with applicable continuous emissions monitoring system (CEMS) requirements and exceedances of the hydrogen sulfide (H₂S) emission limits. During a follow-up conference call with ODEQ, on January 6, 2021, ODEQ shared its stipulated penalty amounts for alleged violations pursuant to the two Consent Decrees. HFTR submitted timely responses to the ODEQ demand letters on February 8, 2021. Based on HFTR’s responses, during a follow-up conference call on April 9, 2021, ODEQ confirmed both ODEQ and EPA had reduced the stipulated penalties for the alleged violations of the two Consent Decrees and was seeking total stipulated penalties of \$93,500. On April 9, 2021, HFTR confirmed acceptance of the above-referenced penalties. This matter will be resolved once ODEQ issues the revised demand letters and HFTR pays the penalty following its receipt of the revised demand letters.

Woods Cross

HollyFrontier Woods Cross Refining LLC (“HFWCR”) operates under a federal consent decree with the EPA and the Utah Department of Environmental Quality. On November 3, 2020, HFWCR received a letter from the EPA identifying potential violations of HFWCR’s federal consent decree that occurred from calendar year 2015 through the date of the letter. HFWCR provided a response letter to the EPA on December 3, 2020 disputing certain of the potential violations in the EPA’s November 3, 2020 letter, and HFWCR supplemented its response letter on February 5, 2021, March 5, 2021, March 31, 2021 and April 16, 2021, with additional information. On May 20, 2021, the EPA sent a final demand letter with an assessment of stipulated penalties totaling \$212,922.50 based on HFWCR’s defenses and responses to the initial informal demand letter. The penalty was paid in June 2021.

Renewable Fuel Standard

Various subsidiaries of HollyFrontier are currently intervenors in two lawsuits brought by renewable fuel interest groups against the EPA in federal courts alleging violations of the Renewable Fuel Standard under the Clean Air Act and challenging the EPA’s handling of small refinery exemptions. We intervened to vigorously defend the EPA’s position on small refinery exemptions because we believe the EPA correctly applied applicable law to the matters at issue.

The first lawsuit is before the U.S. Court of Appeals for the Tenth Circuit. The matter is fully briefed and remains pending before that court.

The second lawsuit is before the U.S. Court of Appeals for the DC Circuit. Briefing of the issues before the court commenced on December 7, 2020; however, in light of the Supreme Court’s decision to review HollyFrontier’s petition for certiorari of the Tenth Circuit January 24, 2020 decision, this case was stayed pending a decision from the Supreme Court. The stay has not been lifted to date.

On January 24, 2020, in a separate matter before the Tenth Circuit, the Tenth Circuit vacated the small refinery exemptions granted to two of our refineries for 2016 and remanded the case to the EPA for further proceedings. On April 15, 2020, the Tenth Circuit issued its mandate, remanding the matter back to the EPA. On September 4, 2020, various subsidiaries of HollyFrontier filed a Petition for a Writ of Certiorari with the U.S. Supreme Court seeking review of the Tenth Circuit decision. On January 8, 2021, the U.S. Supreme Court granted HollyFrontier’s petition. The oral argument occurred on April 27, 2021. The U.S. Supreme Court issued its opinion in this matter on June 25, 2021 and reversed the Tenth Circuit. On July 27, 2021, the Tenth Circuit recalled the mandate it issued to the EPA on April 15, 2020, and vacated its January 24, 2020 judgment. On July 29, 2021, the Tenth Circuit issued an order and judgment confirming that it recalled its mandate and vacated its previous judgment in this case. The Tenth Circuit also issued a new mandate returning jurisdiction to the EPA.

In December 2020, various subsidiaries of HollyFrontier also filed a petition for review in the DC Circuit challenging EPA’s denial of small refinery exemption petitions for years prior to 2016. The petition was consolidated with petitions from eight other refining companies challenging the same decision. In light of the Supreme Court’s decision to hear HollyFrontier’s appeal of the Tenth Circuit decision, this case was stayed pending a decision from the Supreme Court. Following the Supreme Court’s decision, HollyFrontier’s subsidiaries filed a motion on July 26, 2021 to dismiss their petition. The DC Circuit granted this motion and dismissed the case on July 28, 2021.

Other

We are a party to various other litigation and proceedings that we believe, based on advice of counsel, will not either individually or in the aggregate have a materially adverse impact on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors

Except for the risk factors below, there have been no material changes in our risk factors as previously disclosed in Part 1, “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and in Part II, “Item 1A. Risk Factors” of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021. You should carefully consider the risk factors discussed below and in our 2020 Form 10-K and March 31, 2021 Form 10-Q, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

The pending Sinclair Transactions may not be consummated on a timely basis or at all. Failure to complete the acquisition within the expected timeframe or at all could adversely affect our stock price and our future business and financial results.

On August 2, 2021, we entered into the Business Combination Agreement with Sinclair and certain other parties thereto in connection with the Sinclair Transactions. We expect the Sinclair Transactions to close in mid-2022. The Sinclair Transactions are subject to closing conditions. If these conditions are not satisfied or waived, the Sinclair Transactions will not be consummated. If the closing of the Sinclair Transactions are substantially delayed or do not occur at all, or if the terms of the Sinclair Transactions are required to be modified substantially, we may not realize the anticipated benefits of the acquisition fully or at all or they may take longer to realize than expected. The closing conditions include, among others, the affirmative vote of the majority of the votes cast by holders of shares of our common stock present in person or represented by proxy and entitled to vote at a special meeting of our stockholders in favor of the issuance of New Parent Common Stock to Sinclair in the Sinclair Transactions, the absence of a law or order prohibiting the transactions contemplated by the Business Combination Agreement and the termination or expiration of any waiting periods under the Hart-Scott Rodino Act, as amended, with respect to the Sinclair Transactions. We will also incur substantial transaction costs whether or not the Sinclair Transactions are completed. Any failure to complete the Sinclair Transactions could have a material adverse effect on our stock price, our competitiveness and reputation in the marketplace, and our future business and financial results, including our ability to execute on our strategy to return capital to our stockholders that was described in our press release and investor presentation announcing the Sinclair Transactions.

The anticipated benefits of the pending Sinclair Transactions may not be realized fully or at all or may take longer to realize than expected.

The Sinclair Transactions will require management to devote significant attention and resources to integrating the Sinclair business with our business. Potential difficulties that may be encountered in the integration process include, among others:

- the inability to successfully integrate the Sinclair business into the HollyFrontier business in a manner that permits us to achieve the full revenue and cost savings anticipated from the Sinclair Transactions, including the approximately \$100 million in run-rate synergies that HollyFrontier expects the combined company to realize, as well as another \$100 to \$200 million in estimated one-time savings from working capital benefits during the first two years after closing of the Sinclair Transactions;
- complexities associated with managing the larger, integrated business;
- potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the Sinclair Transactions;
- integrating personnel from the two companies while maintaining focus on providing consistent, high-quality products and services;
- loss of key employees;
- integrating relationships with customers, vendors and business partners;
- performance shortfalls at one or both of the companies as a result of the diversion of management’s attention caused by completing the Sinclair Transactions and integrating Sinclair’s operations into HollyFrontier; and
- the disruption of, or the loss of momentum in, each company’s ongoing business or inconsistencies in standards, controls, procedures and policies.

Delays or difficulties in the integration process could adversely affect our business, financial results, financial condition and stock price. Even if we are able to integrate our business operations successfully, there can be no assurance that this integration will result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that we currently expect from this integration or that these benefits will be achieved within the anticipated time frame.

The actual value of the consideration we will pay to Sinclair may exceed the value allocated to such consideration at the time we entered into the Business Combination Agreement.

Under the Business Combination Agreement, the number of shares of New Parent Common Stock we will issue to Sinclair at the closing is fixed at 60,230,036, which represents approximately 26.75% of HollyFrontier's outstanding common stock as of July 30, 2021, and there will be no adjustment for changes in the market price of our common stock. Neither we nor the Sinclair stockholders are permitted to "walk away" from the transaction solely because of changes in the market price of our common stock between the signing of the Business Combination Agreement and the closing. Our common stock has historically experienced volatility. Stock price changes may result from a variety of factors that are beyond our control, including changes in our business, operations and prospects, regulatory considerations and general market and economic conditions. The closing price of our common stock on the New York Stock Exchange on July 30, 2021, was \$29.40; and on August 5, 2021, the closing price of our common stock was \$29.40. The value of the common stock we issue in connection with the closing of the Sinclair Transactions may be significantly higher at the closing than when we entered into the Business Combination Agreement.

We will issue a large number of shares New Parent Common Stock in connection with the Sinclair Transactions, which will result in dilution to our existing stockholders and may cause the market price of our common stock to decline in the future as the result of sales of our common stock owned by Sinclair stockholders or current HollyFrontier stockholders. Our stockholders may not realize a benefit from the Sinclair Transactions commensurate with the ownership dilution they will experience.

At the closing of the Sinclair Transactions, we will issue 60,230,036 shares of New Parent Common Stock, which represents 26.75% of the outstanding shares of our common stock on an adjusted basis as of July 30, 2021. The issuance of the such shares of common stock will result in dilution of our existing stockholders' ownership interests and may also have an adverse impact on net income per share in fiscal periods that include (or follow) the closing.

The Stockholders Agreement (the "Stockholders Agreement") by and among New Parent, Sinclair and the stockholders of Sinclair (the "Sinclair Parties") subjects 45,172,527 of the shares of New Parent Common Stock issued to the Sinclair Parties ("Restricted Shares") to a "lock-up" period commencing on the closing date, with one-third of such Restricted Shares being released from such restrictions on the date that is six months after the closing, one-third of the Restricted Shares being released from such restrictions on the first anniversary of the closing date, and the remainder being released from such restrictions on the date that is 15 months from the closing date. In addition, until the earliest to occur of (i) the date on which the Sinclair Parties beneficially own New Parent Common Stock constituting less than 5% of all outstanding New Parent Common Stock and (ii) the date on which a Change of Control (as defined in the Stockholders Agreement) occurs, the Sinclair Parties will be prohibited from transferring the shares of New Parent Common Stock owned by them to certain prohibited transferees, subject to certain permitted exceptions.

Further, New Parent has agreed to file, within five business days following the closing date, a shelf registration statement under the Securities Act, to permit the public resale of all the registrable securities held by the Sinclair Parties once the Restricted Shares are no longer subject to a lock-up.

In addition, following their receipt of shares of New Parent Common Stock as stock consideration in the Sinclair Transactions, subject to release from the associated lock-up provisions and the filing of a resale registration statement or satisfaction of the requirements of Rule 144, the Sinclair Parties may seek to sell the shares of New Parent Common Stock delivered to them. HollyFrontier stockholders may also seek to sell shares held by them of our common stock held in anticipation of completion of the closing, or of New Parent Common Stock following the closing. These sales (or the perception that these sales may occur), coupled with the increase in the outstanding number of shares of New Parent Common Stock, may affect the market for, and the market price of, our common stock and New Parent Common Stock in an adverse manner.

If we are unable to realize the strategic and financial benefits currently anticipated from the Sinclair Transactions, our stockholders will have experienced dilution of their ownership interest without receiving commensurate benefit, and we may be unable to execute on our strategy to return capital to our stockholders that was described in our press release and investor presentation announcing the Sinclair Transactions.

Sinclair will become a significant holder of the combined company's common stock following completion of the Sinclair Transactions.

On a pro forma basis, based on our outstanding shares of common stock as of July 30, 2021, Sinclair will own 26.75% of the New Parent Common Stock following the closing of the Sinclair Transactions. Additionally, pursuant to the Stockholders Agreement, the Sinclair Parties will be entitled to nominate (i) two persons to the board of directors of New Parent at the closing and for so long as the Sinclair Parties beneficially own common stock constituting not less than 15% of all outstanding New Parent Common Stock and (ii) one person to the Board for so long as the Sinclair Parties beneficially own less than 15% but more than or equal to 5% of all outstanding New Parent Common Stock. As a result, Sinclair (and the Sinclair Parties) will have the ability to influence our management and affairs. Further, the existence of a new significant stockholder may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may deem to be in the best interests of our company.

So long as Sinclair continues to control a significant amount of the New Parent Common Stock, it will continue to be able to influence all matters requiring stockholder approval, subject to the voting agreements of the Sinclair Parties set forth in the Stockholders Agreement. Moreover, this concentration of stock ownership may also adversely affect the trading price of the New Parent Common Stock to the extent investors perceive a disadvantage in owning stock of a company with a significant stockholder.

The Sinclair Transactions will expand our business into branded marketing and licensing, and we could face a variety of risks of expanding into a new business.

The Sinclair Transactions will expand our business into branded marketing and licensing, including the addition of over 300 distributors and 1,500 branded retail sites. Risks of our expanding this business line include: (i) potential diversion of management's attention and other resources, including available cash, from our existing businesses; (ii) unanticipated liabilities or contingencies; (iii) the need for additional capital and other resources to expand this line of business; and (iv) inefficient combination or integration of operational and management systems and controls. Expanding this line of business may also lead to increased litigation and regulatory risk and could have an impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the expansion and integration of the branded marketing business could have a material adverse effect on our business, results of operations and financial condition.

Potential litigation relating to the Sinclair Transactions could result in substantial costs to HollyFrontier.

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into acquisition, merger or other business combination agreements. Even if such a lawsuit is without merit, defending against these claims can result in substantial costs and divert the time and resources of management. An adverse judgment could result in monetary damages, which could have a negative impact on our liquidity and financial condition.

Our operations are subject to catastrophic losses, operational hazards and unforeseen interruptions and other disruptive risks for which we may not be adequately insured.

Our operations are subject to catastrophic losses, operational hazards, unforeseen interruptions and other disruptive risks such as natural disasters, adverse weather, accidents, maritime disasters or casualties (including those involving marine vessels/terminals), fires, explosions, hazardous materials releases or spills, terror or cyberattacks, domestic vandalism, power failures, mechanical failures and other events beyond our control. These events could result in an injury, loss of life, property damage or destruction, as well as a curtailment or an interruption in our operations and may affect our ability to meet customer commitments. In addition, the consequences of any operational incident (including as a result of a maritime disaster or casualty) at our marine terminal facilities may be even more significant as a result of the complexities involved in addressing releases or spills occurring in U.S. federal and/or state waters and/or the repair of marine terminal facilities.

We may not be able to maintain or obtain insurance of the type and amount we desire at commercially reasonable rates and exclusions from coverage may limit our ability to recover the amount of the full loss in all situations. As a result of market conditions, premiums and deductibles for certain of our insurance policies could increase. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage.

There can be no assurance that insurance will cover all or any damages and losses resulting from these types of hazards. We are not fully insured against all risks to our business and therefore, we self-insure certain risks. If any of our facilities were to experience an interruption in operations, our earnings could be materially adversely affected (to the extent not recoverable through insurance) because of lost production and repair costs.

The energy industry is highly capital intensive, and the entire or partial loss of individual facilities can result in significant costs to both industry companies, such as us, and their insurance carriers. In recent years, several large energy industry claims have resulted in significant increases in the level of premium costs and deductible periods for participants in the energy industry. As a result of large energy industry claims, insurance companies that have historically participated in underwriting energy-related facilities may discontinue that practice or demand significantly higher premiums or deductible periods to cover these facilities. If significant changes in the number or financial solvency of insurance underwriters for the energy industry occur, or if other adverse conditions over which we have no control prevail in the insurance market, we may be unable to obtain and maintain adequate insurance at reasonable cost. In addition, we cannot assure you that our insurers will renew our insurance coverage on acceptable terms, if at all, or that we will be able to arrange for adequate alternative coverage in the event of non-renewal. Further, our underwriters could have credit issues that affect their ability to pay claims. If a significant accident or event occurs that is self-insured or not fully insured, it could have a material adverse effect on our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Common Stock Repurchases Made in the Quarter

Under our common stock repurchase programs, repurchases are being made from time to time in the open market or privately negotiated transactions based on market conditions, securities law limitations and other factors. The following table includes repurchases made under these programs during the second quarter of 2021.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 2021	—	\$ —	—	\$ 1,000,000,000
May 2021	—	\$ —	—	\$ 1,000,000,000
June 2021	—	\$ —	—	\$ 1,000,000,000
Total for April to June 2021	—		—	

Item 6. Exhibits

Exhibit Number	Description
2.1+	Sale and Purchase Agreement, dated as of May 4, 2021, by and between Equilon Enterprises LLC d/b/a Shell Oil Products US and HollyFrontier Puget Sound Refining LLC (incorporated by reference to Exhibit 2.1 of Registrant's Current Report on Form 8-K filed May 4, 2021, File No. 1-03876).
2.2†	Business Combination Agreement, dated as of August 2, 2021, by and among HollyFrontier Corporation, Hippo Parent Corporation, Hippo Merger Sub, Inc., The Sinclair Companies and Hippo Holding LLC (incorporated by reference to Exhibit 2.1 of Registrant's Current Report on Form 8-K filed August 3, 2021, File No. 1-03876).
3.1	Amended and Restated Certificate of Incorporation of HollyFrontier Corporation (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed July 8, 2011, File No. 1-03876).
3.2	Amended and Restated By-Laws of HollyFrontier Corporation (incorporated by reference to Exhibit 3.2 of Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, File No. 1-03876).
10.1	First Amendment to Seventh Amended and Restated Master Throughput Agreement, entered into as of April 30, 2021, effective as of April 1, 2021, by and between HollyFrontier Refining & Marketing LLC and Holly Energy Partners – Operating L.P. (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q filed May 5, 2021. File No. 1-03876).
10.2†	Second Amendment to Senior Unsecured 5-Year Revolving Credit Agreement, dated as of April 30, 2021, among HollyFrontier Corporation, as borrower, MUFG Bank, Ltd., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed May 3, 2021, File No. 1-03876).
10.3+*	HollyFrontier Corporation Director's Stock Compensation Deferral Plan.
10.4*	Second Amendment to Seventh Amended and Restated Master Throughput Agreement, entered into as of July 27, 2021, effective as of May 1, 2021, by and between HollyFrontier Refining & Marketing LLC and Holly Energy Partners -- Operating L.P.
10.5†	Stockholders Agreement, dated as of August 2, 2021, by and among Hippo Parent Corporation, the Sinclair Companies, and the stockholders set forth on Schedule I thereto, as may be amended from time to time (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed August 3, 2021, File No. 1-03876).
10.6	Letter Agreement, dated as of August 2, 2021, by and among HollyFrontier Corporation and Holly Energy Partners, L.P. (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed August 3, 2021, File No. 1-03876).
31.1*	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
101++	The following financial information from HollyFrontier Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted as inline XBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
104++	Cover page Interactive Data File (formatted as inline XBRL and contained in exhibit 101).

* Filed herewith.

** Furnished herewith.

+ Constitutes management contracts or compensatory plans or arrangements.

++ Filed electronically herewith.

† Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant agrees to furnish supplementally a copy of the omitted schedules and exhibits to the SEC upon request.

SIGNATURES

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

HOLLYFRONTIER CORPORATION

(Registrant)

Date: August 6, 2021

/s/ Richard L. Voliva III

Richard L. Voliva III
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: August 6, 2021

/s/ Indira Agarwal

Indira Agarwal
Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)

THE NONQUALIFIED DEFERRED COMPENSATION PLAN
PLAN DOCUMENT

THE NONQUALIFIED DEFERRED COMPENSATION PLAN

Section 1. Purpose

By execution of the Adoption Agreement, the Company has adopted the Plan set forth herein, and in the Adoption Agreement, to provide a means by which certain management Employees or Independent Contractors of the Employer may elect to defer receipt of current Compensation from the Employer in order to provide retirement and other benefits on behalf of such Employees or Independent Contractors of the Employer, as selected in the Adoption Agreement. The Plan is intended to be a nonqualified deferred compensation plan that complies with the provisions of Section 409A of the Internal Revenue Code (the "Code"). The Plan is also intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of management or highly compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA") or independent contractors. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

Section 2. Definitions

2.0 "401(k) Refund Offset" means a deferral of the Participant's base salary equal to the gross amount of a 401(k)-refund caused by Average Deferral Percentage (ADP) testing failures in the qualified plan. The 401(k) refund itself shall be paid to the Participant from the 401(k) plan and reported on Form 1099-R. This deferral shall not apply to Roth 401(k) refunds or any other refund not generated due to failed testing.

2.1 "Active Participant" means, with respect to any day or date, a Participant who is in Service on such day or date; provided, that a Participant shall cease to be an Active Participant (i) immediately upon a determination by the Committee that the Participant has ceased to be an Employee or Independent Contractor, or (ii) at the end of the Plan Year that the committee determines the Participant no longer meets the eligibility requirements of the Plan.

2.2 "Adoption Agreement" means the written agreement pursuant to which the Company adopts the Plan. The Adoption Agreement is a part of the Plan as applied to the Company.

2.3 "Beneficiary" means the person, persons, entity or entities designated or determined pursuant to the provisions of Section 13 of the Plan.

2.4 "Board" means the Board of Directors of the Company, if the Company is a corporation. If the Company is not a corporation, "Board" shall mean the Company.

2.5 "Change in Control Event" means an event described in Section 409A(a)(2)(A)(v) of the Code (or any successor provision thereto) and the regulations thereunder.

2.6 "Committee" means the Employer, an administrative committee appointed by the Board to serve at the pleasure of the Board, the Board itself, any other person or persons as determined in the Employer's discretion, or any other person or persons noted in the Adoption Agreement. The Recordkeeper is not the Committee.

2.7 "Company" means the company designated in the Adoption Agreement.

2.8 "Compensation" shall have the meaning designated in the Adoption Agreement.

2.9 "Crediting Date" means the date any corresponding asset payment used to informally finance the Plan, if applicable, is credited to the Employer's corporate owned investment account or any other day directed by the Employer. Otherwise, all Credits shall be credited on any business day as specified by the Employer.

2.10 "Deferred Compensation Account" means the account maintained with respect to each Participant under the Plan. The Deferred Compensation Account shall be credited with Participant Deferral Credits and Employer Credits, credited or debited for deemed investment gains or losses, and adjusted for payments in accordance with the rules and elections in effect under Section 8. As permitted in the Adoption Agreement, the Deferred Compensation Account of a Participant may consist of one or more accounts. A Participant may elect payment options for each account as described in Section 7.1 and deemed investments for each account as described in Section 8.2.

2.11 "Disabled or Disability" means Disabled or Disability within the meaning of Section 409A of the Code and the regulations thereunder. Generally, this means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering Employees of the Employer.

2.12 "Education Account" is an In-Service Account which will be used by the Participant for educational purposes.

2.13 "Effective Date" shall be the date designated in the Adoption Agreement.

2.14 "Employee" means an individual in the Service of the Employer if the relationship between the individual and the Employer is the legal relationship of employer and employee. An individual shall cease to be an Employee upon the Employee's Separation from Service.

2.15 "Employer" means the Company, as identified in the Adoption Agreement, and any Participating Employer which adopts this Plan. An Employer may be a corporation, a limited liability company, a partnership or sole proprietorship.

2.16 "Employer Credits" means the amounts credited to the Participant's Deferred Compensation Account by the Employer pursuant to the provisions of Section 4.2.

2.17 "Grandfathered Amounts" means, if applicable, the amounts that were deferred under the Plan and were earned and vested within the meaning of Section 409A of the Code and regulations thereunder as of December 31, 2004. Grandfathered Amounts shall be subject to the terms designated in the Plan which were in effect as of October 3, 2004.

2.18 "Independent Contractor" means an individual in the Service of the Employer if the relationship between the individual and the Employer is not the legal relationship of employer and employee. An individual shall cease to be an Independent Contractor upon the termination of the Independent Contractor's Service. An Independent Contractor shall include a director of the Employer who is not an Employee.

2.19 "In-Service Account" means a separate account to be kept for each Participant that has elected to take in-service distributions as described in Section 5.4. The In-Service Account shall be adjusted in the same manner and at the same time as the

Deferred Compensation Account under Section 8 and in accordance with the rules and elections in effect under Section 8.

2.20 "Normal Retirement Age", which may also be called "Full Vesting Age", of a Participant means the age designated in the Adoption Agreement.

2.21 "Participant" means with respect to any Plan Year an Employee or Independent Contractor who has been designated by the Committee as a Participant and who has entered the Plan or who has a Deferred Compensation Account under the Plan; provided that if the Participant is an Employee, the individual must be a member of a select group of management or highly compensated employee of the Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

2.22 "Participant Deferral Credits" means the amounts credited to the Participant's Deferred Compensation Account by the Employer pursuant to the provisions of Section 4.1.

2.23 "Participating Employer" means any trade or business (whether or not incorporated) which adopts this Plan with the consent of the Company identified in the Adoption Agreement.

2.24 "Participation Agreement" means a written agreement, including electronic submissions by the Participant or at the Participant's direction, entered into between a Participant and the Employer pursuant to the provisions of Section 4.1

2.25 "Performance-Based Compensation" means compensation where the amount of, or entitlement to, the compensation is contingent on the satisfaction of preestablished organizational or individual performance criteria relating to a performance period of at least twelve months. Organizational or individual performance criteria are considered preestablished if established in writing within 90 days after the

commencement of the period of service to which the criteria relates, provided that the outcome is substantially uncertain at the time the criteria are established. Performance-based compensation may include payments based upon subjective performance criteria as provided in regulations and administrative guidance promulgated under Section 409A of the Code.

2.26 "Plan" means the name of the Plan as designated in the Adoption Agreement.

2.27 "Plan-Approved Domestic Relations Order" shall mean a judgment, decree, or order (including the approval of a settlement agreement) which is:

2.27.1 Issued pursuant to a State's domestic relations law;

2.27.2 Relates to the provision of child support, alimony payments or marital property rights to a Spouse, former Spouse, child or other dependent of the Participant;

2.27.3 Creates or recognizes the right of a Spouse, former Spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan;

2.27.4 Requires payment to such person of an interest in the Participant's benefits in a lump sum payment or any other form of payment allowed under the Plan at a specific time; and

2.27.5 Meets such other requirements established by the Committee.

2.28 "Plan Year" means the twelve-month period ending on the last day of December, unless otherwise noted in the Adoption Agreement, provided, that the initial Plan Year may have fewer than twelve months.

2.28.1 "Recordkeeper" means the individual or entity responsible for keeping records of Plan activity including the tracking of Participant Deferred Compensation Account balances. As to applicable tax and regulatory rules, the actions of the

Recordkeeper are limited to executing the decisions and directions of the Committee. The Recordkeeper does not make plan administration decisions.

2.29 "Qualifying Distribution Event" means (i) the Separation from Service of the Participant, (ii) the date the Participant becomes Disabled, (iii) the death of the Participant, (iv) the time specified by the Participant for an In-Service Distribution, (v) a Change in Control Event, or (vi) an Unforeseeable Emergency, each to the extent provided in Section 5.

2.30 "Seniority Date" which may also be called "Installment Eligibility Date" shall have the meaning designated in the Adoption Agreement and shall apply to both the initial deferral election described in Section 4 and the Subsequent deferral election described in Section 7.5.

2.31 "Separation from Service" or "Separates from Service" means a "separation from service" within the meaning of Section 409A of the Code.

2.32 "Service" as an Employee means employment by the Employer. For purposes of the Plan, the employment relationship is treated as continuing intact while the Employee is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the Employee's right to reemployment is provided either by statute or contract. If the Participant is an Independent Contractor, "Service" shall mean the period during which the contractual relationship exists between the Employer and the Participant. The contractual relationship is not terminated if the Participant anticipates a renewal of the contract or becomes an Employee. A Participant who has a Deferred Compensation Account which contains amounts deferred or contributed as an Employee and a member of the Board (Dual Status), Services performed in those capacities will be looked at independently

when determining if a Separation from Service has occurred. Services as a member of the Board and Independent Contractor (in a capacity not on the Board) will be looked collectively when determining if a Separation from Service has occurred.

2.33 "Service Bonus" means any bonus that does not meet the definition of Performance-Based Compensation that is paid to a Participant by the Employer as noted in the Adoption Agreement.

2.34 "Specified Employee" means an Employee who meets the requirements for key employee treatment under Section 416(i)(1)(A)(i), (ii) or (iii) of the Code (applied in accordance with the regulations thereunder and without regard to Section 416(i)(5) of the Code) at any time during the twelve month period ending on December 31 of each year (the "identification date"). If the person is a key employee as of any identification date, the person is treated as a Specified Employee for the twelve-month period beginning on the first day of the fourth month following the identification date. Unless binding corporate action is taken to establish different rules for determining Specified Employees for all plans of the Company and its controlled group members that are subject to Section 409A of the Code, the foregoing rules and the other default rules under the regulations of Section 409A of the Code shall apply.

2.35 "Spouse" or "Surviving Spouse" means, except as otherwise provided in the Plan, a person who is the legally married spouse or surviving spouse of a Participant.

2.36 "Unforeseeable Emergency" means an "unforeseeable emergency" within the meaning of Section 409A of the Code.

2.37 "Years of Service" means each Plan Year of Service completed by the Participant. For vesting purposes, Years of Service shall be calculated from the date

designated in the Adoption Agreement and Service shall be based on service with the Company and all Participating Employers.

Section 3. Participation

The Committee in its discretion shall designate each Employee or Independent Contractor who is eligible to participate in the Plan. A Participant who Separates from Service with the Employer and who later returns to Service may be eligible consistent with Section 409A of the Code and upon satisfaction of such terms and conditions as the Committee shall establish.

Section 4. Credits to Deferred Compensation Account

4.1 Participant Deferral Credits. To the extent provided in the Adoption Agreement, each Active Participant may elect, by entering into a Participation Agreement with the Employer, to defer the receipt of Compensation from the Employer by a dollar amount or percentage specified in the Participation Agreement. The amount of Compensation the Participant elects to defer, the Participant Deferral Credit, shall be credited by the Employer to the Deferred Compensation Account maintained for the Participant pursuant to Section 8. The following special provisions shall apply with respect to the Participant Deferral Credits of a Participant:

4.1.1 The Employer shall credit to the Participant's Deferred Compensation Account on each Crediting Date an amount equal to the total Participant Deferral Credit for the period ending on such Crediting Date.

4.1.2 An election pursuant to this Section 4.1 shall be made by the Participant by executing and delivering a Participation Agreement to the Committee. Except as otherwise provided in this Section 4.1, the Participation Agreement shall become effective with respect to such Participant as of the first day of January following the date such

Participation Agreement is received by the Committee. A Participant's election may be changed at any time prior to the last permissible date for making the election as permitted in this Section 4.1, and shall thereafter be irrevocable. Any election of a Participant shall continue in effect for the time period as set forth in the Adoption Agreement.

4.1.3 A Participant may execute and deliver a Participation Agreement to the Committee within 30 days after the date the Participant first becomes eligible to participate in the Plan. After the 30-day period expires, or after any shorter time period as agreed to by the Participant and the Committee, the latest election made by the Participant during that period becomes irrevocable. Such election shall then be effective as of the first payroll period commencing following the date the Participation Agreement becomes irrevocable. Whether a Participant is treated as newly eligible for participation under this Section shall be determined in accordance with Section 409A of the Code and the regulations thereunder, including (i) rules that treat all elective deferral account balance plans as one plan, and (ii) rules that treat a previously eligible Employee as newly eligible if the Participant's benefits had been previously distributed or if the Participant has been ineligible for 24 months. For Compensation that is earned based upon a specified performance period (for example, an annual bonus), where a deferral election is made under this Section but after the beginning of the performance period, the election will only apply to the portion of the Compensation equal to the total amount of the Compensation for the service period multiplied by the ratio of the number of days remaining in the performance period after the date the election becomes irrevocable over the total number of days in the performance period.

4.1.4 A Participant may unilaterally modify a Participation Agreement (either to terminate, increase or decrease future Compensation which is subject to deferral within the percentage limits set forth in Section 4.1 of the Adoption Agreement) by providing a written modification of the Participation Agreement to the Committee. The modification shall become effective as of the first day of January following the date such written modification is received by the Committee, or at such later date as required under Section 409A of the Code.

4.1.5 If the Participant performed services continuously from the later of the beginning of the performance period or the date upon which the performance criteria are established through the date upon which the Participant makes an initial deferral election, a Participation Agreement relating to the deferral of Performance- Based Compensation may be executed and delivered to the Committee no later than the date which is 6 months prior to the end of the performance period, provided that in no event may an election to defer Performance-Based Compensation be made after such Compensation has become readily ascertainable.

4.1.6 If the Employer has a fiscal year other than the calendar year, Compensation relating to Service in the fiscal year of the Employer (such as a bonus based on the fiscal year of the Employer), of which no amount is paid or payable during the fiscal year, may be deferred at the Participant's election if the election to defer is made not later than the close of the Employer's fiscal year next preceding the first fiscal year in which the Participant performs any services for which such Compensation is payable.

4.1.7 Compensation payable after the last day of the Participant's taxable year solely for services provided during the final payroll period containing the last day of the Participant's taxable year (i.e., generally December 31) is treated for purposes of this Section 4.1 as Compensation for services performed in the subsequent taxable year.

4.1.8 The Committee may from time to time establish policies or rules consistent with the requirements of Section 409A of the Code to govern the manner in which Participant Deferral Credits may be made.

4.1.9 If a Participant becomes Disabled all currently effective deferral elections for such Participant shall be cancelled. At the time the participant is no longer Disabled, subsequent elections to defer future compensation will be permitted under this Section 4.

4.1.10 If a Participant applies for and receives a distribution on account of an Unforeseeable Emergency, all currently effective deferral elections for such Participant shall be cancelled. Subsequent elections to defer future compensation will be permitted under this Section 4. Furthermore, a Participant may apply to the Committee to cancel all deferral elections due to an Unforeseeable Emergency.

4.2 Employer Credits. If designated by the Employer in the Adoption Agreement, the Employer shall cause the Committee to credit to the Deferred Compensation Account of each Active Participant an Employer Credit as determined in accordance with the Adoption Agreement. A Participant must make distribution elections with respect to any Employer Credits credited to the Deferred Compensation Account by the deadline that would apply under Section 4.1 for distribution elections with respect to Participant Deferral Credits credited at the same time, on a Participation Agreement that is timely executed and delivered to the Committee pursuant to Section 4.1. If no distribution election is made, vested amounts in the Deferred Compensation Account will

be distributed in a lump sum upon the earliest of any Qualifying Distribution Event limited to Separation from Service, Disability, Death or Change in Control.

4.3. Deferred Compensation Account. All Participant Deferral Credits and Employer Credits shall be credited to the Deferred Compensation Account of the Participant as provided in Section 8.

Section 5. Qualifying Distribution Events

5.1 Separation from Service. If the Participant Separates from Service with the Employer, the vested balance in the Deferred Compensation Account shall be paid to the Participant by the Employer as provided in Section 7. Notwithstanding the foregoing, no distribution shall be made earlier than six months after the date of Separation from Service (or, if earlier, the date of death) with respect to a Participant who as of the date of Separation from Service is a Specified Employee of a corporation (or a member of such corporation's controlled group) the stock in which is traded on an established securities market (either foreign or domestic) or otherwise. Any payments to which such Specified Employee would be entitled during the first six months following the date of Separation from Service shall be accumulated and paid on the first day of the seventh month following the date of Separation from Service, and shall be adjusted for deemed investment gain and loss incurred during the six month period.

5.2 Disability. If the Employer designates in the Adoption Agreement that distributions are permitted under the Plan when a Participant becomes Disabled, and the Participant becomes Disabled while in Service, the vested balance in the Deferred Compensation Account shall be paid to the Participant by the Employer as provided in Section 7.

5.3 Death. If the Participant dies while in Service, the Employer shall pay a benefit to the Participant's Beneficiary in the amount of the vested balance in the Deferred Compensation Account and any additional amount designated in the Adoption Agreement. Payment of such benefit shall be made by the Employer as provided in Section 7.

5.4 In-Service Distributions. If the Employer designates in the Adoption Agreement that in-service distributions are permitted under the Plan, a Participant may designate in the Participation Agreement to have a specified amount credited to the Participant's In-Service Account for in-service distributions at the date specified by the Participant. In no event may an in-service distribution of an amount be made before the date that is two years after the first day of the year in which any deferral election to such In-Service Account became effective. Notwithstanding the foregoing, if a Participant incurs a Qualifying Distribution Event prior to the date on which the entire balance in the In-Service Account has been distributed, then the vested balance in the In-Service Account on the date of the Qualifying Distribution Event shall be paid as provided under Section 7.1 for payments on such Qualifying Distribution Event.

5.5 Change in Control Event. If the Employer designates in the Adoption Agreement that distributions are permitted under the Plan upon the occurrence of a Change in Control Event, the Participant may designate in the Participation Agreement to have the vested balance in the Deferred Compensation Account paid to the Participant upon a Change in Control Event by the Employer as provided in Section 7.

5.6 Unforeseeable Emergency. If the Employer designates in the Adoption Agreement that distributions are permitted under the Plan upon the occurrence of an Unforeseeable Emergency event, a distribution from the Deferred Compensation

Account may be made to a Participant in the event of an Unforeseeable Emergency, subject to the following provisions:

5.6.1 A Participant may, make an application to the Committee to cancel all active deferral elections or to cancel deferral elections and receive a distribution in a lump sum of all or a portion of the vested balance in the Deferred Compensation Account (determined as of the date the distribution, if any, is made under this Section 5.6) because of an Unforeseeable Emergency. A distribution because of an Unforeseeable Emergency shall not exceed the amount required to satisfy the Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution, after taking into account the extent to which the Unforeseeable Emergency may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by stopping current deferrals under the Plan pursuant to Section 4.1.10.

5.6.2 The Participant's request for a distribution on account of Unforeseeable Emergency must be made in writing to the Committee. The request must specify the nature of the financial hardship, the total amount requested to be distributed from the Deferred Compensation Account, and the total amount of the actual expense incurred or to be incurred on account of the Unforeseeable Emergency.

5.6.3 If a cancellation of deferral elections is approved such cancellation will be effective as soon as practicable. If a distribution under this Section 5.6 is approved by the Committee, such distribution will be made as soon as practicable following the date it is approved. The processing of the request shall be completed as soon as practicable from the date on which the Committee receives the properly completed written request for a distribution on account of an Unforeseeable Emergency. If a Participant's Separation from Service occurs after a request is approved in accordance with this Section 5.6.3, but prior to distribution of the full amount approved, the approval of the request shall be automatically null and void and the benefits which the Participant is entitled to receive under the Plan shall be distributed in accordance with the applicable distribution provisions of the Plan.

5.6.4 The Committee may from time to time adopt additional policies or rules consistent with the requirements of Section 409A of the Code to govern the manner in which such distributions may be made so that the Plan may be conveniently administered.

Section 6. Vesting

A Participant shall be fully vested in the portion of the Deferred Compensation Account attributable to Participant Deferral Credits, and all income, gains and losses attributable thereto. A Participant shall become fully vested in the portion of the Deferred Compensation Account attributable to Employer Credits, and income, gains and losses attributable thereto, in accordance with the vesting schedule and provisions designated by the Employer in the Adoption Agreement. Once a Participant achieves vesting on an Employer Credit, it cannot be reduced or eliminated. If Change in Control was elected as a vesting event in the Adoption Agreement participants accounts shall be fully vested upon a Change in Control, however new vesting schedules may be applied to future Employer Credits. If a Participant's Deferred Compensation Account is not fully vested upon Separation from Service, the portion of the Deferred Compensation Account that is not fully vested shall be forfeited.\

Section 7. Distribution Rules

7.1 Payment Options. The Employer shall designate in the Adoption Agreement the payment options which may be elected by the Participant. The Participant may at such time elect a method of payment for Qualifying Distribution Events as specified in the Adoption Agreement. If the Participant is permitted by the Employer in the Adoption Agreement to elect different payment options and does not make a valid election, the vested balance in the Deferred Compensation Account will be distributed as a lump sum upon the Qualifying Distribution Event.

Notwithstanding the foregoing, if certain Qualifying Distribution Events occur prior to the date on which the vested balance of a Participant's Deferred Compensation

Account is completely paid pursuant to this Section 7.1 following the occurrence of certain Qualifying Distribution Events, the following rules apply:

7.1.1 If the currently effective Qualifying Distribution Event is a Separation from Service or Disability, and the Participant subsequently dies, the remaining unpaid vested balance of a Participant's Deferred Compensation Account shall be paid as a lump sum.

7.1.2 If the currently effective Qualifying Distribution Event is a Change in Control Event, and any subsequent Qualifying Distribution Event occurs (except an In-Service Distribution described in Section 2.29(iv)), the remaining unpaid vested balance of a Participant's Deferred Compensation Account shall be paid as provided under Section 7.1 for payments on such subsequent Qualifying Distribution Event.

7.2 Timing of Payments. Payment shall be made in the manner elected by the Participant and shall commence as soon as practicable after the distribution date specified for the Qualifying Distribution Event. Distribution shall be no later than within 60 days following the day after the Qualifying Distribution Event. Such payment shall not be deemed late if the payment is made on or before the later of (i) December 31 of the calendar year in which the Qualifying Distribution Event occurs, or (ii) the date that is 2-1/2 months after the Qualifying Distribution Event occurs. Participants shall not have any influence as to the tax year or timing of the distribution. For each payment, the Committee must specify a date for the Deferred Compensation Account(s) to be valued. In the event the Participant fails to make a valid election of the payment method, the distribution will be made in a single lump sum payment as soon as practicable after the Qualifying Distribution Event. A payment may be further delayed to the extent permitted in accordance with regulations and guidance under Section 409A of the Code.

7.3 Installment Payments. If the Participant elects to receive installment payments upon a Qualifying Distribution Event, the payment of each installment shall be made on the anniversary of the date of the first installment payment, and the amount of

the installment shall be adjusted on such anniversary for credits or debits to the Participant's account pursuant to Section 8 of the Plan. Such adjustment shall be made by dividing the balance in the Deferred Compensation Account on such date by the number of installments remaining to be paid hereunder; provided that the last installment due under the Plan shall be the entire amount credited to the Participant's account on the date of payment.

7.4 De Minimis Amounts. Notwithstanding any payment election made by the Participant, if the Employer designates a pre-determined de minimis amount in the Adoption Agreement, the vested balance in all Deferred Compensation Accounts of the Participant will be distributed in a single lump sum payment if at the time of a permitted Qualifying Distribution Event the vested balance does not exceed such pre-determined de minimis amount; provided, however, that such distribution will be made only where the Qualifying Distribution Event is a Separation from Service, death, Disability, or Change in Control Event. In addition, the Employer may distribute a Participant's vested balance in all of the Participant's Deferred Compensation Accounts at any time if the balance does not exceed the limit in Section 402(g)(1)(B) of the Code and results in the termination of the Participant's entire interest in the Plan as provided under Section 409A of the Code.

7.5 Subsequent Elections. With the consent of the Committee, a Participant may delay or change the method of payment of the Deferred Compensation Account subject to the following requirements:

7.5.1 The new election may not take effect until at least 12 months after the date on which the new election is made.

7.5.2 If the new election relates to a payment for a Qualifying Distribution Event other than the death of the Participant, the Participant becoming Disabled, or an Unforeseeable Emergency, the new election must provide

for the deferral of the payment for a period of at least five years from the date such payment would otherwise have been made.

7.5.3 If the new election relates to a payment from the In-Service Account, the new election must be made at least 12 months prior to the date of the first scheduled payment from such account.

For purposes of this Section 7.5 and Section 7.6, a payment is each separately identified amount to which the Participant is entitled under the Plan; provided, that entitlement to a series of installment payments is treated as the entitlement to a single payment.

7.6 Acceleration Prohibited. The acceleration of the time or schedule of any payment due under the Plan is prohibited except as expressly provided in regulations and administrative guidance promulgated under Section 409A of the Code (such as accelerations for domestic relations orders and employment taxes). It is not an acceleration of the time or schedule of payment if the Employer waives or accelerates the vesting requirements applicable to a benefit under the Plan.

7.7 Residual Distributions. If calculation of the amount of any credit to a Participant's Deferred Compensation Account is not administratively practicable due to events beyond the control of the Employer, payments may be made to the Participant for residual amounts contributed to or remaining in a Deferred Compensation Account after payments under the provisions of this Section 7 have commenced or been completed. The residual amount shall be credited to the Deferred Compensation Account when the calculation of the amount becomes administratively practicable. Examples of residual amounts include, but are not limited to, additional investment returns credited after payment (due to dividends or pricing changes) or additional contributions made after payment (such as an annual bonus deferral or an Employer Credit). Payments that would have been made had the residual amount been calculable at the benefit commencement

date shall be made up as soon as practicable after crediting to the Deferred Compensation Account, in no case later than the end of the year in which calculation of the amount becomes administratively practicable.

7.8 Ineffective Deferrals. If a Participant deferral election under Section 4 to contribute to an In-Service Account carries over to a subsequent year (an evergreen election) and the deferral election is ineffective (i.e., the distribution election would cause payment in the current or prior years), the amount deferred will be credited to a Deferred Compensation Account that is not an In-Service Account. If the Participant only has one account of this type, the amount deferred will be credited to that account. If the Participant has multiple accounts of this type, and one of the accounts has a lump sum at Separation from Service distribution election, the amount deferred will be credited to that account. If the Participant has multiple accounts of this type and does not have an account with a lump sum at Separation from Service distribution election, one will be established with a lump sum at Separation from Service distribution election and the amount deferred will be credited to this account.

Section 8. Accounts; Deemed Investment; Adjustments to Account

8.1 Accounts. The Committee shall establish a book reserve account, entitled the "Deferred Compensation Account," on behalf of each Participant. The Committee shall also establish an In-Service Account as a part of the Deferred Compensation Account of each Participant, if applicable. The amount credited to the Deferred Compensation Account shall be adjusted pursuant to the provisions of Section 8.3.

8.2 Deemed Investments. The Deferred Compensation Account of a Participant shall be credited with an investment return determined as if the account were invested in one or more investment funds made available by the Committee. The Participant shall elect the investment funds in which the Participant's Deferred Compensation Account shall be deemed to be invested. Such election shall be made in the manner prescribed by the Committee and shall take effect upon the entry of the Participant into the Plan. The investment election of the Participant shall remain in effect until a new election is made by the Participant. In the event the Participant fails for any reason to make an effective election of the investment return to be credited to the account, the investment return shall be determined by the Committee.

8.3 Adjustments to Deferred Compensation Account. With respect to each Participant who has a Deferred Compensation Account under the Plan, the amount credited to such account shall be adjusted by the following debits and credits, at the times and in the order stated:

8.3.1 The Deferred Compensation Account shall be debited each business day with the total amount of any payments made from such account since the last preceding business day. Unless otherwise specified by the Employer, each deemed investment fund will be debited pro-rata based on the value of the investment funds as of the end of the preceding business day.

8.3.2 The Deferred Compensation Account shall be credited on each Crediting Date with the total amount of any Participant Deferral Credits and Employer Credits to such account since the last preceding Crediting Date.

8.3.3 The Deferred Compensation Account shall be credited or debited on each day securities are traded on a national stock exchange with the amount of deemed investment gain or loss resulting from the performance of the deemed investment funds elected by the Participant in accordance with Section 8.2. The amount of such deemed investment gain or loss shall be determined by the Committee and such determination shall be final and conclusive upon all concerned.

Section 9. Administration by Committee

9.1 Membership of Committee. If the Committee consists of individuals appointed by the Board, they will serve at the pleasure of the Board. Any member of the Committee may resign, and any successor shall be appointed by the Board.

9.2 General Administration. The Committee shall be responsible for the operation and administration of the Plan and for carrying out its provisions. The Committee shall have the full authority and discretion to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with this Plan. Any such action taken by the Committee shall be final and conclusive on any party. To the extent the Committee has been granted discretionary authority under the Plan, the Committee's prior exercise of such authority shall not obligate it to exercise its authority in a like fashion thereafter. The Committee shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Employer with respect to the Plan. The Committee may, from time to time, employ agents and delegate to such agents, including Employees of the Employer, such administrative or other duties as it sees fit.

9.3 Indemnification. To the extent not covered by insurance, the Employer shall indemnify the Committee, each Employee, officer, director, and agent of the Employer, and all persons formerly serving in such capacities, against any and all liabilities or expenses, including all legal fees relating thereto, arising in connection with the exercise of duties and responsibilities with respect to the Plan, provided however that the

Employer shall not indemnify any person for liabilities or expenses due to that person's own gross negligence or willful misconduct.

Section 10. Contractual Liability, Trust

10.1 Contractual Liability. Unless otherwise elected in the Adoption Agreement, the Company shall be obligated to make all payments hereunder. This obligation shall constitute a contractual liability of the Company to the Participants, and such payments shall be made from the general funds of the Company. The Company shall not be required to establish or maintain any special or separate fund, or otherwise to segregate assets to assure that such payments shall be made, and the Participants shall not have any interest in any particular assets of the Company by reason of its obligations hereunder. To the extent that any person acquires a right to receive payment from the Company under the Plan, such right shall be no greater than the right of an unsecured creditor of the Company.

10.2 Trust. The Employer may establish a trust to assist it in meeting its obligations under the Plan. Any such trust shall conform to the requirements of a grantor trust under Revenue Procedures 92-64 and 92-65 and at all times during the continuance of the trust the principal and income of the trust shall be subject to claims of general creditors of the Employer under federal and state law. The establishment of such a trust would not be intended to cause Participants to realize current income on amounts contributed thereto, and the trust would be so interpreted and administered.

Section 11. Allocation of Responsibilities

The persons responsible for the Plan and the duties and responsibilities allocated to each are as follows:

11.1 Board

- (i) To amend the Plan;
- (ii) To appoint and remove members of the Committee; and
- (iii) To terminate the Plan as permitted in Section 14.

11.2 Committee.

- (i) To designate Participants;
- (ii) To interpret the provisions of the Plan and to determine the rights of the Participants under the Plan, except to the extent otherwise provided in Section 16 relating to claims procedure;
- (iii) To administer the Plan in accordance with its terms, except to the extent powers to administer the Plan are specifically delegated to another person or persons as provided in the Plan;
- (iv) To account for the amount credited to the Deferred Compensation Account of a Participant;
- (v) To direct the Employer in the payment of benefits;
- (vi) To file such reports as may be required with the United States Department of Labor, the Internal Revenue Service and any other government agency to which reports may be required to be submitted from time to time; and
- (vii) To administer the claims procedure to the extent provided in Section 16.

Section 12. Benefits Not Assignable; Facility of Payments

12.1 Benefits Not Assignable. No portion of any benefit credited or paid under the Plan with respect to any Participant shall be subject in any manner to anticipation,

alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void, nor shall any portion of such benefit be in any manner payable to any assignee, receiver or any one trustee.

12.2 Plan-Approved Domestic Relations Orders. The Committee shall establish procedures for determining whether an order directed to the Plan is a Plan- Approved Domestic Relations Order. If the Committee determines that an order is a Plan- Approved Domestic Relations Order, the Committee shall cause the payment of amounts pursuant to or segregate a separate account as provided by (and to prevent any payment or act which might be inconsistent with) the Plan-Approved Domestic Relations Order notwithstanding Section 12.1.

12.3 Payments to Minors and Others. If any individual entitled to receive a payment under the Plan shall be physically, mentally or legally incapable of receiving or acknowledging receipt of such payment, the Committee, upon the receipt of satisfactory evidence of incapacity and satisfactory evidence that another person or institution is maintaining custody of that person and that no guardian or committee has been appointed, may cause any payment otherwise payable to that person to be made to such person or institution so maintaining custody. Payment to such person or institution shall be in full satisfaction of all claims by or through the Participant to the extent of the amount thereof.

Section 13. Beneficiary

The Participant's Beneficiary shall be the person, persons, entity or entities designated by the Participant on the Beneficiary designation form provided by and filed with the Committee or its designee. If the Participant does not designate a Beneficiary, the

Beneficiary shall be the Surviving Spouse. If the Participant does not designate a Beneficiary and has no Surviving Spouse, the Beneficiary shall be the Participant's estate. The designation of a Beneficiary may be changed or revoked only by filing a new Beneficiary designation form with the Committee or its designee. If a Beneficiary (the "primary Beneficiary") is receiving or is entitled to receive payments under the Plan and dies before receiving all of the payments due, the balance to which the Beneficiary is entitled shall be paid to the contingent Beneficiary, if any, named in the Participant's current Beneficiary designation form. If there is no contingent Beneficiary, the balance shall be paid to the estate of the primary Beneficiary. Any Beneficiary may disclaim all or any part of any benefit to which such Beneficiary shall be entitled hereunder by filing a written disclaimer with the Committee before payment of such benefit is to be made. Such a disclaimer shall be made in a form satisfactory to the Committee and shall be irrevocable when filed. Any benefit disclaimed shall be payable from the Plan in the same manner as if the Beneficiary who filed the disclaimer had predeceased the Participant.

Section 14. Amendment and Termination of Plan

The Employer may amend any provision of the Plan or terminate the Plan at any time; provided, that in no event shall such amendment or termination reduce the balance in any Participant's Deferred Compensation Account, including reduction in vesting percentage, as of the date of such amendment or termination, nor shall any such amendment materially adversely affect the Participant relating to the payment of such Deferred Compensation Account. Notwithstanding the foregoing, the following special provisions shall apply:

14.1 Termination and liquidation of the Plan in the Discretion of the Employer. The Employer in its discretion may terminate the Plan and distribute vested benefits in a

single lump sum to Participants subject to the following requirements and any others specified under Section 409A of the Code:

14.1.1 All arrangements sponsored by the Employer that would be aggregated with the Plan under Section 1.409A-1(c) of the Treasury Regulations are terminated.

14.1.2 No payments other than payments that would be payable under the terms of the Plan if the termination had not occurred are made within 12 months of the termination date.

14.1.3 All benefits under the Plan are paid within 24 months of the termination date.

14.1.4 The Employer does not adopt a new arrangement that would be aggregated with the Plan under Section 1.409A-1(c) of the Treasury Regulations providing for the deferral of compensation at any time within 3 years following the date of termination of the Plan.

14.1.5 The termination does not occur proximate to a downturn in the financial health of the Employer.

Distribution of benefits shall occur in the same tax year for all Participants.

14.2 Termination and liquidation of the Plan Upon Change in Control Event. If the Employer terminates the Plan within thirty days preceding or twelve months following a Change in Control Event, the vested Deferred Compensation Account of each Participant shall become payable to the Participant in a lump sum within twelve months following the date of termination, subject to the requirements of Section 409A of the Code. Distribution of benefits shall occur in the same tax year for all Participants.

14.3 Termination and liquidation of the Plan upon Corporate Dissolution. The Plan may be terminated within 12 months of a corporate dissolution taxed under Section 331, or with the approval of a bankruptcy court provided the amounts deferred under the

plan are included in the Participant's gross income as required under Section 409A of the Code.

Section 15. Communication to Participants

The Employer shall make a copy of the Plan available for inspection by Participants and Beneficiaries during reasonable hours at the principal office of the Employer.

Section 16. Claims Procedure

The following claims procedure shall apply with respect to the Plan:

16.1 Filing of a Claim for Benefits. If a Participant or Beneficiary (the "claimant") believes there is an entitlement to benefits by the claimant under the Plan which is not being paid or which is not being accrued for the claimant's benefit, the claimant shall file a written claim therefore with the Committee.

16.2 Notification to Claimant of Decision. Within 90 days after receipt of a claim by the Committee (or within 180 days if special circumstances require an extension of time), the Committee shall notify the claimant of the decision with regard to the claim. In the event of such special circumstances requiring an extension of time, there shall be furnished to the claimant prior to expiration of the initial 90-day period written notice of the extension, which notice shall set forth the special circumstances and the date by which the decision shall be furnished. If such claim shall be wholly or partially denied, notice thereof shall be in writing and worded in a manner calculated to be understood by the claimant, and shall set forth: (i) the specific reason or reasons for the denial; (ii) specific reference to pertinent provisions of the Plan on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect

the claim and an explanation of why such material or information is necessary; and (iv) an explanation of the procedure for review of the denial and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under ERISA following an adverse benefit determination on review.

16.3 Procedure for Review. Within 60 days following receipt by the claimant of notice of denying a claim, in whole or in part, or, if such notice shall not be given, within 60 days following the latest date on which such notice could have been timely given, the claimant may appeal denial of the claim by filing a written application for review with the Committee. Following such request for review, the Committee shall fully and fairly review the decision denying the claim. Prior to the decision of the Committee, the claimant shall be given an opportunity to review pertinent documents and to submit issues and comments in writing.

16.4 Decision on Review. The decision on review of a claim denied in whole or in part by the Committee shall be made in the following manner:

16.4.1 Within 60 days following receipt by the Committee of the request for review (or within 120 days if special circumstances require an extension of time), the Committee shall notify the claimant in writing of its decision with regard to the claim. In the event of such special circumstances requiring an extension of time, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension.

16.4.2 With respect to a claim that is denied in whole or in part, the decision on review shall set forth specific reasons for the decision, shall be written in a manner calculated to be understood by the claimant, and shall set forth:

- (i) the specific reason or reasons for the adverse determination;
- (ii) specific reference to pertinent Plan provisions on which the adverse determination is based;

(iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and

(iv) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain the information about such procedures, as well as a statement of the claimant's right to bring an action under ERISA section 502(a).

16.4.3 The decision of the Committee shall be final and conclusive.

16.5 Action by Authorized Representative of Claimant. All actions set forth in this Section 16 to be taken by the claimant may likewise be taken by a representative of the claimant duly authorized by the claimant to act on the claimant's behalf on such matters. The Committee may require such evidence of the authority to act of any such representative as it may reasonably deem necessary or advisable.

16.6 Disability Claims. Notwithstanding any provision of the Plan to the contrary, if a claim for benefits is based on Disability, the following claims procedures shall apply: The Committee shall maintain a procedure under which any Participant or Beneficiary can file a claim for benefits under this Plan based on Disability.

16.6.1 After receiving a claim for benefits, the Committee will notify the Participant or Beneficiary of its claim determination within 45 days of the receipt of the claim. This period may be extended by 30 days if an extension is necessary to process the claim due to matters beyond the control of the Committee. A written notice of the extension, the reason for the extension and when the Committee expects to decide the claim, will be furnished to the Participant or Beneficiary within the initial 45-day period. This period may be extended for an additional 30 days beyond the original extension. A written notice of the additional extension, the reason for the additional extension and when the Committee expects to decide the claim, will be furnished to the Participant or Beneficiary within the first 30-day extension period if an additional extension of time is needed. However, if a period of time is extended due to a Participant or Beneficiary's failure to submit information necessary to decide a claim, the period for making the benefit determination by the Committee will be tolled from the date on which the notification of the extension is sent to the Participant or

Beneficiary until the date on which the Participant or Beneficiary responds to the request for additional information.

16.6.2 If a claim for benefits is denied, in whole or in part, a Participant or Beneficiary or an authorized representative, will receive a written notice of the denial. The notice will follow the rules of 29 C.F.R. § 2560.503-1(o) for culturally and linguistically appropriate notices and will be written in a manner calculated to be understood by the Participant or Beneficiary. The notice will include:

- (i) the specific reason(s) for the denial,
- (ii) references to the specific Plan provisions on which the benefit determination was based,
- (iii) a description of any additional material or information necessary to perfect a claim and an explanation of why such information is necessary,
- (iv) a description of the Committee's appeals procedures and applicable time limits, including, to the extent applicable, a statement of the right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review,
- (v) a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (i) the views presented by the claimant to the Committee of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (ii) the views of medical or vocational experts whose advice was obtained on behalf of the Committee in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (iii) a disability determination regarding the claimant presented by the claimant to the Committee made by the Social Security Administration,
- (vi) if the determination is based on medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the relevant medical circumstances, or a statement that such explanation will be provided free of charge upon request,
- (vii) either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination, or a statement that such rules, guidelines, protocols, standards, or other similar criteria of the Plan do not exist, and
- (viii) a statement that the Participant or Beneficiary is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits.

16.6.3 If a claim for benefits is denied, a Participant, Beneficiary, or representative, may appeal the denied claim in writing within 180 days of receipt of the written notice of denial. The Participant or Beneficiary may submit any written comments, documents, records and any other information relating to the claim. Upon request, the Participant or Beneficiary will also have access to, and the right to obtain copies of, all documents, records and information relevant to the claim free of charge.

16.6.4 A full review of the information in the claim file and any new information submitted to support the appeal will be conducted. The claim decision will be made by a first review appeals committee appointed by the Employer. This committee will consist of individuals who were not involved in the initial benefit determination, nor will such individuals be subordinate to any person involved in the initial benefit determination. This review will not afford any deference to the initial benefit determination.

16.6.5 If the initial adverse decision was based in whole or in part on a medical judgment, the first review appeals committee will consult with a healthcare professional who has appropriate training and experience in the field of medicine involved in the medical judgment, was not consulted in the initial adverse benefit determination and is not a subordinate of the healthcare professional who was consulted in the initial adverse benefit determination.

16.6.6 Before an adverse benefit determination on review is issued, the first review appeals committee will provide the Participant or Beneficiary, free of charge, with any new or additional evidence considered, relied upon, or generated by the committee or other person making the benefit determination (or at the direction of the committee or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to give the Participant or Beneficiary a reasonable opportunity to respond prior to that date.

16.6.7 Before the first review appeals committee issues an adverse benefit determination on review based on a new or additional rationale, the committee will provide the Participant or Beneficiary, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to give the Participant or Beneficiary a reasonable opportunity to respond prior to that date.

16.6.8 The first review appeals committee will make a determination on an appealed claim within 45 days of the receipt of an appeal request. This period may be extended for an additional 45 days if the committee determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the committee expects to render a decision will be furnished to the Participant or Beneficiary within

the initial 45-day period. However, if the period of time is extended due to a Participant's or Beneficiary's failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent until the date on which the Participant or Beneficiary responds to the request for additional information.

16.6.9 If the claim on appeal is denied in whole or in part, a Participant or Beneficiary will receive a written notification of the denial. The notice will follow the rules of 29 C.F.R. § 2560.503-1(o) for culturally and linguistically appropriate notices and will be written in a manner calculated to be understood by the claimant. The notice will include:

- (i) the specific reason(s) for the adverse determination,
- (ii) references to the specific Plan provisions on which the determination was based,
- (iii) a statement regarding the right to receive upon request and free of charge reasonable access to, and copies of, all records, documents and other information relevant to the benefit claim,
- (iv) a description of the first review appeals committee's review procedures and applicable time limits, including a statement of the right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review,
- (v) a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (i) the views presented by the claimant to the committee of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (ii) the views of medical or vocational experts whose advice was obtained by or on behalf of the committee in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (iii) a disability determination regarding the claimant presented by the claimant to the committee made by the Social Security Administration,
- (vi) if the determination is based on medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the relevant medical circumstances, or a statement that such explanation will be provided free of charge upon request, and
- (vii) either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination, or a statement that such rules, guidelines, protocols, standards, or other similar criteria of the Plan do not exist.

16.6.10 If the appeal of the benefit claim denial is denied, a Participant, Beneficiary, or representative, may make a second appeal of the denial in writing to the Committee within 180 days of the receipt of the written notice of denial. The Participant or Beneficiary may submit with the second appeal any written comments, documents, records and any other information relating to the claim. Upon request, the Participant or Beneficiary will also have access to, and the right to obtain copies of, all documents, records and information relevant to the claim free of charge.

16.6.11 Upon receipt of the second appeal, a full review of the information in the claim file and any new information submitted to support the appeal will be conducted. The claim decision will be made by a second review appeals committee appointed by the Employer. This committee will consist of individuals who were not involved in the initial benefit determination or the first review appeals committee, nor will such individuals be subordinate to any person involved in the initial benefit or first appeal determination.

16.6.12 If the first appeal was based in whole or in part on a medical judgment, the second appeals review committee will consult with a healthcare professional who has appropriate training and experience in the field of medicine involved in the medical judgment, was not consulted in the initial adverse benefit determination nor in the first appeal and is not a subordinate of the healthcare professional(s) consulted in the initial adverse benefit determination and first appeal.

16.6.13 Before the second appeals review committee issues a denial of the second claim appeal, the committee will provide the Participant or Beneficiary, free of charge, with any new or additional evidence considered, relied upon, or generated by the committee or other person making the benefit determination (or at the direction of the committee or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to give the Participant or Beneficiary a reasonable opportunity to respond prior to that date.

16.6.14 Before the second review appeals committee issues a denial of the second claim appeal based on a new or additional rationale, the committee will provide the Participant or Beneficiary, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to give the Participant or Beneficiary a reasonable opportunity to respond prior to that date.

16.6.15 The second appeals review committee will make a determination on the second claim appeal within 45 days of the receipt of the appeal request. This period may be extended for an additional 45 days if the committee

determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the committee expects to render a decision will be furnished to the Participant or Beneficiary within the initial 45-day period. However, if the period of time is extended due to the Participant's or Beneficiary's failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent until the date on which the Participant or Beneficiary responds to the request for additional information.

16.6.16 If the claim on appeal is denied in whole or in part for a second time, the Participant or Beneficiary will receive a written notification of the denial. The notice will follow the rules of 29 C.F.R. § 2560.503-1(o) for culturally and linguistically appropriate notices and will be written in a manner calculated to be understood by the applicant. The notice will include the same information that was included in the first adverse determination letter and will identify the contractual limitations period that applies to the Participant's or Beneficiary's right to bring an action under section 502(a) of ERISA including the calendar date on which the contractual limitations period expires for the claim.

16.6.17 A claimant may not commence a judicial proceeding against any person, including the Committee, the Employer, the Board, the first or second appeals review committee(s), or any other person or committee, with respect to a claim for benefits without first exhausting the claims procedures set forth in the preceding paragraphs. No suit or legal action contesting in whole or in part any denial of benefits under the Plan shall be commenced later than the earlier of (i) the first anniversary of (A) the date of the notice of the Committee's final decision on appeal, or (B) if the claimant fails to request any level of administrative review within the timeframe permitted under this Section 16.6, the deadline for requesting the next level of administrative review, and (ii) the last date on which such legal action could be commenced under the applicable statute of limitations under ERISA (including, for this purpose, any applicable state statute of limitations that applies under ERISA to such legal action).

16.6.18 A claimant has the right to request a written explanation of any violation of these claims procedures. The Committee will provide an explanation within 10 days of the request.

Section 17. Miscellaneous Provisions

17.1 Set off. The Employer may at any time offset a Participant's Deferred Compensation Account by an amount up to \$5,000 to collect the amount of any loan, cash advance, extension of other credit or other obligation of the Participant to the Employer

that is then due and payable in accordance with the requirements of Section 409A of the Code.

17.2 Notices. Each Participant who is not in Service and each Beneficiary shall be responsible for furnishing the Committee or its designee with the current address, and direct deposit information if desired, for the mailing of notices and benefit payments. Any notice required or permitted to be given to such Participant or Beneficiary shall be deemed given if directed to such address and mailed by regular United States mail, first class, postage prepaid. If any benefit distribution is rejected or returned to the Employer, benefit payments will be suspended until the Participant or Beneficiary furnishes the proper information. This provision shall not be construed as requiring the mailing of any notice or notification otherwise permitted to be given by posting or by other publication.

17.3 Lost Distributees. A benefit shall be deemed forfeited if the Committee is unable to locate the Participant or Beneficiary to whom payment is due by the fifth anniversary of the date payment is to be made or commence; provided, that the deemed investment rate of return pursuant to Section 8.2 shall cease to be applied to the Participant's account following the first anniversary of such date; provided further, however, that such benefit shall be reinstated if a valid claim is made by or on behalf of the Participant or Beneficiary for all or part of the forfeited benefit. The Employer and Committee will be responsible for determining whether unclaimed property laws are applicable to forfeited benefits.

17.4 Reliance on Data. The Employer and the Committee shall have the right to rely on any data provided by the Participant or by any Beneficiary. Representations of such data shall be binding upon any party seeking to claim a benefit through a Participant,

and the Employer and the Committee shall have no obligation to inquire into the accuracy of any representation made at any time by a Participant or Beneficiary.

17.5 Headings. The headings and subheadings of the Plan have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.

17.6 Continuation of Employment. The establishment of the Plan shall not be construed as conferring any legal or other rights upon any Employee or any persons for continuation of employment, nor shall it interfere with the right of the Employer to discharge any Employee without regard to the effect thereof under the Plan.

17.7 Merger or Consolidation; Assumption of Plan. No Employer shall consolidate or merge into or with another corporation or entity, or transfer all or substantially all of its assets to another corporation, partnership, trust or other entity (a "Successor Entity") unless such Successor Entity shall assume the rights, obligations and liabilities of the Employer under the Plan and upon such assumption, the SuccessorEntity shall become obligated to perform the terms and conditions of the Plan. Nothing herein shall prohibit the assumption of the obligations and liabilities of the Employer under the Plan by any Successor Entity.

17.8 Construction. The Employer shall designate in the Adoption Agreement the state or commonwealth according to whose laws the provisions of the Plan shall be construed and enforced, except to the extent that such laws are superseded by ERISA and the applicable requirements of the Code.

17.9 Taxes. The Employer or other payor may withhold a benefit payment under the Plan or a Participant's wages, or the Employer may reduce a Participant's Deferred Compensation Account balance, in order to meet any federal, state, or local or

employment tax withholding obligations with respect to Plan benefits, as permitted under Section 409A of the Code. The Employer or other payor shall report Plan payments and other Plan-related information to the appropriate governmental agencies as required under applicable laws.

17.10 Administration Fees. Any Plan or Plan related fees related to the administration of the Plan shall be paid by the Employer.

17.11 Savings Clause. To the extent that any of the provisions of the Plan are found by a court of competent jurisdiction to be illegal, invalid, or unenforceable for any reason, such provision shall be deleted, and the balance of the Plan shall not be affected.

NOTE: Execution of this Adoption Agreement creates a legal liability of the Employer with significant tax consequences to the Employer and Participants. Principal Life Insurance Company disclaims all liability for the legal and tax consequences which result from the elections made by the Employer in this Adoption Agreement. Nothing set forth in this agreement or related documents may be taken or relied upon as legal, tax, investment, or accounting advice, nor as any investment recommendation. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

Principal Life Insurance Company, Raleigh, NC 27612
A member of the Principal Financial Group®

THE NONQUALIFIED DEFERRED COMPENSATION PLAN ADOPTION AGREEMENT

THIS AGREEMENT is the adoption of the Nonqualified Deferred Compensation Plan ("Plan") by **HollyFrontier Corporation** (the "Company") with an EIN of **75-1056913**.

WITNESSETH:

WHEREAS, the Company desires to adopt the Plan as an unfunded, nonqualified deferred compensation plan for members of a select group of management or highly compensated employees and under Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA") or independent contractors; and

WHEREAS, the provisions of the Plan are intended to comply with the requirements of Section 409A of the Code and the regulations thereunder and shall apply to amounts subject to Section 409A; and

WHEREAS, the Company has been advised by Principal Life Insurance Company ("the Recordkeeper") to obtain legal and tax advice from its professional advisors before adopting the Plan,

NOW, THEREFORE, the Company hereby adopts the Plan in accordance with the terms and conditions set forth in this Adoption Agreement:

ARTICLE I

Terms used in this Adoption Agreement shall have the same meaning as in the Plan, unless some other meaning is expressly herein set forth. The Company hereby represents and warrants that the Plan has been adopted by the Company upon proper authorization and the Company hereby elects to adopt the Plan for the benefit of its Participants as referred to in the Plan. By the execution of this Adoption Agreement, the Company hereby agrees to be bound by the terms of the Plan.

ARTICLE II

The Company hereby makes the following designations or elections for the purpose of the Plan:

2.13 Effective Date: This is a newly established Plan, and the Effective Date of the Plan is **October 1, 2021**.

2.26 Plan: The name of the Plan is

HollyFrontier Corporation Director's Stock Compensation Deferral Plan.

4.1 Participant Deferral Credits: Subject to the limitations in Section 4.1 of the Plan, a **Participant** may elect to have their Compensation, as elected below, deferred within the annual limits below by the following percentage or amount as designated in writing to the Committee:

Base Salary:

(a) **Base Salary:**

maximum deferral: 80 %

(b) Base salary deferral in an amount equal to a 401(k) refund ("**401(k) Refund Offset**") as defined in Section 2.0 of the Plan:

mandatory deferral: 100 %

Bonus:

(c) **Service Bonus:**

Service Bonus: earned from 1/1-12/31, paid on or around first quarter of the following Plan Year.

maximum deferral: 80 %

(d) **Performance-Based Compensation:**

Performance Based Bonus: earned from 1/1-12/31, paid on or around the first quarter of the following Plan Year and whose election must be no later than six months prior to the end of the earnings period.

maximum deferral: 80 %

(e) Participant deferrals not allowed.

(f) **Equity Grants:**

mandatory deferral: 0% or 100%

4.1.2 Participant Deferral Credits and Employer Credits – Election Period (Evergreen Elections):

An election made by the Participant shall continue in effect for subsequent years until modified by the Participant as permitted in Section 4.1 and Section 4.2 of the Plan.

4.2 Employer Credits (Section 4.2 of the Plan) and Vesting (Section 6 of the Plan): Employer Credits will be made in the following manner:

- (a) Employer Credits not allowed.
- (b) **Employer Discretionary Credits:** The Employer may make discretionary credits to the Deferred Compensation Account of each Active Participant in an amount determined each Plan Year by the Employer.

- (i) Immediate 100% vesting.

<input type="checkbox"/> (ii)	Number of Years of Service	Vested Percentage
	Less than 1	___ %
	1	___ %
	2	___ %
	3	___ %
	4	___ %
	5	___ %
	6	___ %
	7	___ %
	8	___ %
	9	___ %
	10 or more	___ %

For this purpose, Years of Service of a Participant shall be calculated from the date designated below:

- (1) First day the Participant begins to provide services to the Employer and all Participating Employers
- (2) Each Crediting Date. Under this option (2), each Employer Credit shall vest based on the Years of Service of a Participant from the Crediting Date on which each Employer Discretionary Credit is made to the Deferred Compensation Account.

Further, an Active Participant shall be fully vested in **ALL** Employer Credits, as noted above, upon the first to occur of the following events:

- (a) Full Vesting Age (as defined in Section 2.20 of the Plan) shall mean age .
- (b) Death.
- (c) Disability.
- (d) Change in Control Event.

If Change in Control or Disability is not a Vesting event, amounts not vested at the time payments due under this Section cease will be:

- Forfeited
- Distributed upon a Qualifying Distribution Event if vested at that time

4.3 Deferred Compensation Account: A Participant may establish only one account to be distributed upon Separation from Service. One set of payment options for that account is allowed as permitted in Section 7.1 of the Plan. Additional In-Service accounts may be established as permitted in Section 5.4 of the Plan.

5.2 Disability of a Participant: A Participant's becoming Disabled shall be a Qualifying Distribution Event and the Deferred Compensation Account shall be paid by the Employer as provided in Section 7.1 of the Plan.

5.3 Death of a Participant: A Participant's death shall be a Qualifying Distribution Event and the Deferred Compensation Account shall be paid by the Employer as provided in Section 7.1 of the Plan.

5.4 In-Service Distributions: In-Service Accounts are permitted under the Plan:

- (a) In-Service Accounts are allowed with respect to:
- Participant Deferral Credits only.
 - Employer Credits only.
 - Participant Deferral and Employer Credits.

In-service distributions may be made in the following manner:

- Single lump sum payment.
- Annual installments over a term certain not to exceed **5** years.

If applicable, amounts not vested at the time in-service payments are distributed will be distributed at Separation from Service if vested at that time.

- (b) No In-Service Distributions permitted.

5.5 Change in Control Event:

- (a) A Change in Control shall not be a Qualifying Distribution Event.
- (b) Participants may elect upon initial enrollment to have accounts distributed upon a Change in Control Event.

5.6 Upon an Unforeseeable Emergency (as defined in Section 2.36 of the Plan) Participants may apply to cancel deferral elections and/or have vested accounts distributed upon an Unforeseeable Emergency event.

7.1 Payment Options: If permitted by the plan design, any benefit payable under the Plan upon a permitted Qualifying Distribution Event may be made to the Participant or the Beneficiary (as applicable) in any of the following payment forms, as selected by the Participant, or mandated by the plan provisions in the Participation Agreement:

(a) Separation from Service

- (i) A lump sum.
- (ii) Annual installments over a term certain as elected by the Participant not to exceed years.

(b) Death shall be paid in a lump sum

(c) Disability shall be paid in a lump sum

(d) Unforeseeable Emergency shall be paid in a lump sum

7.4 De Minimis Amounts. The Employer *may* distribute a Participant's vested balance in all Deferred Compensation Account(s) of the Participant at any time, whether or not a Qualifying Distribution Event has occurred if the balance does not exceed the limit in Section 402(g)(1)(B) of the Code and results in the termination of the Participant's entire interest in the Plan and any other Employer plan subject to aggregation under Section 409A of the Code.

Notwithstanding any payment election made by the Participant, the vested balance in all Deferred Compensation Account(s) of the Participant *shall* be distributed in a single lump sum payment if at the time of a permitted Qualifying Distribution Event that is either a Separation from Service, death, Disability, or Change in Control Event the vested balance does not exceed:

\$150,000.

Not Applicable

14. Amendment and Termination of Plan: Notwithstanding any provision in this Adoption Agreement or the Plan to the contrary, Section _____ of the Plan shall be amended to read as provided in attached Exhibit _____

There are no amendments to the Plan.

17.8 Construction: The provisions of the Plan shall be construed and enforced **according** to the laws of the State/Commonwealth of **Texas**, except to the extent that such laws are superseded by ERISA and the applicable provisions of the Code.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year stated below.

HollyFrontier Corporation
Name of Company

By: /s/ Dale Kunneman
Authorized Person
Date: July 14, 2021

**SECOND AMENDMENT
TO
SEVENTH AMENDED AND RESTATED
MASTER THROUGHPUT AGREEMENT**

This Second Amendment (this "Amendment") to the Seventh Amended and Restated Master Throughput Agreement by and between HOLLYFRONTIER REFINING & MARKETING LLC ("HFRM") and HOLLY ENERGY PARTNERS-OPERATING, L.P. ("HEP Operating") is dated as of July 27, 2021, to be effective as of May 1, 2021 (the "Effective Date"). Each of HFRM and HEP Operating are referred to collectively herein as the "Parties." Capitalized terms used herein and not otherwise defined have the meaning ascribed to such terms in the Agreement (as defined herein).

WHEREAS, the Parties are party to the Seventh Amended and Restated Master Throughput Agreement, dated effective as of January 1, 2021, as amended effective as of April 1, 2021 (the "Agreement");

WHEREAS, pursuant to paragraph 5 of Exhibit K to the Agreement, (i) HFRM and HEP Operating agreed that if the Jayhawk Lease expires or is otherwise terminated or cancelled for any reason and the Jayhawk Tankage is not leased within 60 days to a third party, then (a) HEP Operating would make the Working Capacity of the Jayhawk Tankage available for HFRM's exclusive use, (b) HFRM would increase the Minimum Throughput Commitment, and (c) HFRM and HEP Operating would consider the term "El Dorado Crude Tankage" as used in the Agreement to include the Jayhawk Tankage, in each case, all as provided in the Agreement, and (ii) the Jayhawk Lease expired and the Jayhawk Tankage was not so leased; and

WHEREAS, the Parties desire to amend certain provisions of the Agreement to effect the foregoing and make certain other amendments, all as set forth herein.

NOW, THEREFORE, in consideration of the covenants and obligations contained herein, the Parties hereby agree as follows:

**ARTICLE 1
AMENDMENTS**

1.1. Amendment to Exhibit A. The definition of "Navajo Tank Commencement Date" in Exhibit A attached to the Agreement is hereby deleted and replaced in its entirety with the following: "Navajo Tank Commencement Date" means June 1, 2021.

1.2. Amendment to Exhibit C. The entry entitled "El Dorado Crude Tankage" in Exhibit C attached to the Agreement is hereby deleted and replaced in its entirety with the entry entitled "El Dorado Crude Tankage" in Exhibit C attached to this Amendment.

1.3. Amendment to Exhibit K. Exhibit K attached to the Agreement is hereby amended by (i) deleting paragraph 4 thereof and replacing it with the following paragraph:

4. **Right of First Refusal.** HEP Operating may not lease or pledge or commit to provide any storage services with respect to the El Dorado Crude Tankage at the El Dorado Terminal to a third party unless HEP Operating first offers to HFRM the

exclusive right to use the Working Capacity of such tanks on substantially the same terms as HEP Operating has previously negotiated with a third party in arms-length negotiations. HFRM will have thirty (30) days (the “El Dorado Crude Tank Farm Consideration Period”) to consider the option to utilize such Working Capacity and to provide notice to HEP Operating of its election to accept or decline such Working Capacity. If HFRM has not notified HEP Operating within 30 days, then HEP Operating may proceed to enter into an agreement with the third party for such Working Capacity; provided however, that if HEP Operating does not enter into an agreement with the third party within sixty (60) days following HFRM’s notice to decline or the expiration of the El Dorado Crude Tank Farm Consideration Period, then HFRM’s rights under this Section 4 will apply to any subsequent bona fide third party offer to HEP Operating regarding such Working Capacity. For clarity, HFRM did exercise their Right of First Refusal option on the Jayhawk Tankage as of May 1, 2021.

And (ii) by deleting paragraph 5 thereof and replacing it with the following paragraph:

5. **Jayhawk Tankage.** For clarity, the Jayhawk Lease was terminated as of May 1, 2021 and the Minimum Throughput Commitment has been amended per Section 1.2 of this Second Amendment to the Seventh Amended and Restated Master Throughput Agreement.

1.4. Amendment to Exhibit K-1. Exhibit K-1 attached to the Agreement is hereby deleted and replaced in its entirety with Exhibit K-1 attached to this Amendment.

1.5. Amendment to Exhibit P. Exhibit P attached to the Agreement is hereby deleted and replaced in its entirety with Exhibit P attached to this Amendment.

1.6. Amendment to Exhibit Q-1. Exhibit Q-1 attached to the Agreement is hereby deleted and replaced in its entirety with Exhibit Q-1 attached to this Amendment.

ARTICLE 2 MISCELLANEOUS

2.1. Counterparts. This Amendment may be executed in counterparts each of which shall be deemed an original. An executed counterpart of this Amendment transmitted by facsimile shall be equally as effective as a manually executed counterpart.

2.2. Successors and Assigns. Section 13.2 of the Agreement is hereby incorporated by reference into this Section 2.2, *mutatis mutandis*.

2.3. Entire Agreement. The Agreement, as amended by this Amendment, contains the entire agreement between the Parties as to the subject matter of the Agreement and, except as provided for in this Amendment, the terms and provisions of the Agreement shall remain in full force and effect as originally written.

[Remainder of page intentionally left blank. Signature pages follow.]

IN WITNESS WHEREOF, the undersigned Parties have executed this Amendment as of the date first written above to be effective as of the Effective Date.

HEP OPERATING:

Holly Energy Partners - Operating, L.P.

By: /s/ Richard L. Voliva III
Richard L. Voliva III
President

HFRM:

HollyFrontier Refining & Marketing LLC

By: /s/ Tim Go
Tim Go
Executive Vice President and Chief Operating Officer

[Signature Page 1 of 2 to the Second Amendment to the Seventh Amended and Restated Master Throughput Agreement]

ACKNOWLEDGED:

HOLLYFRONTIER CORPORATION

By: /s/ Michael C. Jennings

Name: Michael C. Jennings

Title: President and Chief Executive Officer

HOLLY ENERGY PARTNERS, L.P.

By: HEP Logistics Holdings, L.P.,
its General Partner

By: Holly Logistic Services, L.L.C.,
its General Partner

By: /s/ John Harrison

Name: John Harrison

Title: Senior Vice President, Chief Financial Officer and Treasurer

[Signature Page 2 of 2 to the Second Amendment to the Seventh Amended and Restated Master Throughput Agreement]

Exhibit C
to
Seventh Amended and Restated
Master Throughput Agreement
(as amended)

Applicable Assets, Product, Minimum Capacity Commitment, Tariffs, Tariff Adjustments and Applicable Terms

Applicable Assets	Type of Applicable Asset	Product	Minimum Capacity Commitment (aggregate capacity unless otherwise noted)	Minimum Throughput Commitment (in the aggregate, on average, for each Contract Quarter)	Base Tariff (applicable to all movements below the Incentive Tariff Threshold)	Incentive Tariff Threshold (in the aggregate, on average, for each Contract Quarter)	Incentive Tariff (applicable to all movements at or above the Incentive Tariff Threshold)	Excess Tariff (applicable to all movements above the Excess Tariff Thresholds set forth below, if any)	Tariff Adjustment	Tariff Adjustment Minimum/ Cap	Tariff Adjustment Commencement Date	Assumed OPEX	Applicable Term (all times are Dallas, TX time)
El Dorado Crude Tankage	Tankage	Crude Oil; Intermediate Products	140,000 bpd	140,000 bpd	\$ 0.1123 /bbl ¹	Each throughput barrel over the Minimum Throughput Commitment	\$0.0108/bbl	—	PPI Adjustment	Subject to 1% minimum / 3% cap ²	July 1, 2021	—	12:01 a.m. on March 6, 2015 to 12:01 a.m. on March 6, 2025

¹ Base Tariff is effective as of May 1, 2021.

² For the avoidance of doubt, if the change in PPI in any year is less than one percent (1%) it will be rounded up to one percent (1%) and if the change in PPI in any year is greater than three percent (3%) it will be rounded down to three percent (3%).

Exhibit K-1
to
Seventh Amended and Restated
Master Throughput Agreement
(as amended)

El Dorado Crude Tankage

Tank ID Number	Current Service/Product	Nominal Capacity, BBLs
4150	Crude	80,000
4151	Crude	80,000
4152	Crude	80,000
4153	Crude	80,000
4154	Crude	80,000
4155	Crude	125,000
4156	Crude	125,000
4157	Crude	125,000
4158	Crude	125,000
4159	Crude	125,000
4160	Crude	125,000

Exhibit P
to
Seventh Amended and Restated
Master Throughput Agreement
(as amended)

Crude Tankage

The Crude Tankage consists of the following:

Name	Tank Number	Refinery / Location
Woods Cross Tankage	103	Woods Cross Refinery
	121	
	126	
Artesia Tankage	437	Navajo Refinery (Artesia)
	1225	
Lovington Tankage	1201A	Navajo Refinery (Lovington)
	1201B	

Exhibit Q-1
to
Seventh Amended and Restated
Master Throughput Agreement
(as amended)

Tulsa West Lube Racks

The Tulsa West Lube Racks consists of the following assets located at the Tulsa West Refinery, in each case as further described in the Prior Tulsa Throughput Agreement:

1. Lube Oil Rail Rack
2. Wax Rail Rack
3. Black Oil Rail Rack
4. Lube Oil Truck Rack
5. Extract Truck Rack
6. Wax Truck Rack
7. Extract Rail Rack
8. Bright Stock Rail Rack, Diesel Rail Rack, L70 Rail Rack
9. SW MEK Tank 702 Truck Rack
10. Circosol Rack

CERTIFICATION

I, Michael C. Jennings, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HollyFrontier Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

August 6, 2021

/s/ Michael C. Jennings

Michael C. Jennings

Chief Executive Officer and President

CERTIFICATION

I, Richard L. Voliva III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HollyFrontier Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

/s/ Richard L. Voliva III

Richard L. Voliva III

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE
OFFICER UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the accompanying report on Form 10-Q for the quarterly period ended June 30, 2021 and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael C. Jennings, Chief Executive Officer of HollyFrontier Corporation (the "Company") hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2021

/s/ Michael C. Jennings

Michael C. Jennings

Chief Executive Officer and President

**CERTIFICATION OF CHIEF FINANCIAL
OFFICER UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the accompanying report on Form 10-Q for the quarterly period ended June 30, 2021 and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard L. Voliva III, Chief Financial Officer of HollyFrontier Corporation (the "Company") hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2021

/s/ Richard L. Voliva III

Richard L. Voliva III

Executive Vice President and Chief Financial Officer