HOLLY CORP
Form DEF 14A
March 25, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Holly Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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HOLLY CORPORATION
100 Crescent Court
Suite 1600
Dallas, Texas 75201-6915

March 25, 2010

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Holly Corporation (the Company) to be held on Wednesday, May 5, 2010, at 10:00 a.m., local time, at The Crescent Club, 200 Crescent Court, 17th Floor, Dallas, Texas 75201. Please find enclosed a notice to stockholders, a Proxy Statement describing the business to be transacted at the meeting, a form of proxy for use in voting at the meeting and an Annual Report for Holly Corporation.

At the Annual Meeting, you will be asked (i) to elect seven (7) directors to the Board of Directors of the Company, (ii) to ratify the recommendation of the Company s Audit Committee, and endorsed by the Board of Directors, of the selection of Ernst & Young, LLP, an independent registered public accounting firm, as the Company s auditor for the year 2010, and (iii) to act upon such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

We hope that you will be able to attend the Annual Meeting, and we urge you to read the enclosed Proxy Statement before you vote. Whether or not you plan to attend, please complete, sign, date and return the enclosed proxy card or grant your proxy by internet or telephone, as described on the enclosed proxy card, as promptly as possible. It is important that your shares be represented at the meeting.

Very truly yours,

MATTHEW P. CLIFTON
Chairman of the Board and Chief Executive Officer

YOUR VOTE IS IMPORTANT

All stockholders are cordially invited to attend the Annual Meeting in person. We urge you to access the proxy materials on the internet or to request an electronic or a paper copy of them as promptly as possible. Whether you plan to be present at the Annual Meeting or not, you are requested to submit your proxy electronically, via telephone or, if you received a paper copy, by completing, signing, and returning the proxy card to ensure that your shares will be represented. Returning your proxy card or granting your proxy by the internet or by telephone will help the Company assure that a quorum will be present at the meeting and avoid the additional expense of duplicate proxy solicitations. Any stockholder attending the meeting may vote in person even if he or she has returned the proxy card or has granted his or her proxy electronically or by telephone. When providing your proxy, please indicate whether you plan to attend the Annual Meeting in person. You may revoke your proxy before the Annual Meeting as described in the Proxy Statement under the heading Solicitation and Revocability of Proxies. The prompt return of proxies will save the expense involved in further communications.

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HOLLY CORPORATION
100 Crescent Court
Suite 1600
Dallas, Texas 75201-6915

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

March 25, 2010

PLEASE TAKE NOTICE that the 2010 Annual Meeting of Stockholders (the Annual Meeting) of Holly Corporation (the Company) will be held on Wednesday, May 5, 2010, at 10:00 a.m. local time at The Crescent Club, 200 Crescent Court, 17th Floor, Dallas, Texas, to consider and vote on the following matters:

1. Election of seven (7) directors to serve on the Board of Directors (the Board) of the Company until the Company s next annual meeting;

2. Ratification of the recommendation of the Company s Audit Committee, endorsed by the Board, of the selection of Ernst & Young, LLP, an independent registered public accounting firm, as the Company s auditor for the year 2010; and

3. Such other business as may properly come before the meeting, or any postponement or adjournment thereof.

The Company s Annual Report for the year ended December 31, 2009 is being distributed with this Proxy Statement.

The close of business on March 12, 2010 (the Record Date) has been fixed as the record date for the determination of stockholders entitled to receive notice of and the right to vote at the Annual Meeting and any adjournment or postponement thereof. Only holders of record of the Company s common stock (the Common Stock) at the close of business on the Record Date are entitled to notice of and the right to vote at the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection by any stockholder for any purpose germane to the Annual Meeting during ordinary business hours for the ten days preceding the Annual Meeting at the Company s offices at the address on this notice and will also be available at the Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 5, 2010:

As permitted by rules adopted by the Securities and Exchange Commission, we are making this Proxy Statement, the proxy card and the Company s 2009 annual report (the proxy materials) available to stockholders electronically via the internet. We believe that this process should expedite the receipt of proxy materials by our stockholders and lower the costs of our Annual Meeting. Instead of a paper copy of the proxy materials, most of our stockholders are receiving a notice, mailed on March 25, 2010, which includes instructions on how to access the proxy materials via the internet, how to vote your shares and how to request a paper copy of the proxy materials.

By Order of the Board of Directors:

DENISE C. MCWATTERS
Secretary

PROXY STATEMENT
OF
HOLLY CORPORATION
100 Crescent Court
Suite 1600
Dallas, Texas 75201-6915

SOLICITATION AND REVOCABILITY OF PROXIES

The Board requests your proxy for use at the Annual Meeting of Stockholders to be held on Wednesday, May 5, 2010, and at any adjournment or postponement thereof. By signing and returning the proxy card, or granting your proxy via the internet or via telephone, you authorize the persons named on the proxy card or in your telephonically or electronically submitted proxy (collectively, the Proxy), to represent you and to vote your shares at the Annual Meeting.

The Company made the proxy materials available to you over the internet or, upon your request, has delivered paper versions of these materials to you by mail, in connection with the solicitation of proxies by the Board for the 2010 Annual Meeting of Stockholders. Stockholders may request to receive proxy materials in paper form by mail or electronically by e-mail during the voting period. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to the proxy materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail will remain in effect until you terminate it. Choosing to receive your future proxy materials by e-mail will save the Company the cost of printing and mailing documents to you.

On or about March 25, 2010, the Company mailed a Notice of Internet Availability of Proxy Materials to stockholders containing instructions on how to access the Proxy Statement and vote online. Each registered stockholder (you own shares in your own name on the books of our transfer agent) received one copy of each such Notice per account even if at the same address, unless the Company has received contrary instructions from one or more of such stockholders, while most banks and brokers delivered only one copy of such Notice to consenting street-name stockholders (you own shares beneficially in the name of a bank, broker or other holder of record on the books of our transfer agent) who share the same address. This procedure reduces our printing and distribution costs. Those who wish to receive separate copies may do so by contacting their bank, broker or other holder of record. Similarly, most street-name stockholders who received multiple copies of the Notice at a single address may request that only a single copy be sent to them in the future by contacting their bank, broker or other nominee. In the alternative, most street-name stockholders may give instructions to receive separate copies or discontinue multiple mailings by contacting the third party that mails annual meeting materials for most banks and brokers by writing to Householding Department, Broadridge, 51 Mercedes Way, Edgewood, New York 11717, or telephoning (800) 542-1061. Your instructions must include the name of your bank or broker and your account number.

Officers, directors and employees of the Company may solicit proxies personally or by telephone, electronic mail, telegram or other forms of wire, wireless or facsimile communication. The Company may also request banking institutions, brokerage firms, custodians, nominees and fiduciaries forward solicitation material to the beneficial owners of the Company s Common Stock that those companies hold of record. The costs of the solicitation, including reimbursement of such forwarding expenses, will be paid by the Company.

If you attend the Annual Meeting, you may vote in person. If you are not present at the Annual Meeting, your shares can be voted only if you have returned a properly signed proxy card, are represented by another proxy, or have granted your proxy by the internet or by telephone. You may revoke your proxy, whether granted by the internet or by telephone or by returning the enclosed proxy card, at any time before it is exercised at the Annual Meeting by (a) signing and submitting a later-dated proxy to the Secretary of the Company, (b) delivering written notice of revocation of the proxy to the Secretary of the Company, or (c) voting in person at the Annual Meeting. In addition, if you granted your proxy by the internet or by telephone, you may revoke such grant by resubmitting your proxy by the internet or by telephone at any time prior to 11:59 p.m., Eastern Daylight Time, on May 4, 2010. In the absence of any such revocation, shares represented by the persons named in the Proxies will be voted at the Annual Meeting.

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VOTING AND QUORUM

The only outstanding voting securities of the Company are shares of Common Stock. As of the close of business on the Record Date, there were 53,260,409 shares of Common Stock outstanding and entitled to be voted at the Annual Meeting.

Each outstanding share of Common Stock is entitled to one vote. The presence, in person or by proxy, of a majority of the shares of Common Stock issued and outstanding and entitled to vote as of the Record Date shall constitute a quorum at the Annual Meeting. The holders of a majority of the Common Stock entitled to vote who are present or represented by proxy at the Annual Meeting have the power to adjourn the Annual Meeting from time to time without notice, other than an announcement at the Annual Meeting of the time and place of the holding of the adjourned meeting, until a quorum is present. At any such adjourned meeting at which a quorum is present, any business may be transacted that could have been transacted at the Annual Meeting had a quorum originally been present. Proxies solicited by this Proxy Statement may be used to vote in favor of any motion to adjourn the Annual Meeting. The persons named in the Proxy intend to vote in favor of any motion to adjourn the Annual Meeting to a subsequent day if, prior to the Annual Meeting, such persons have not received sufficient proxies to approve the proposals described in this Proxy Statement. If such a motion is approved but sufficient proxies are not received by the time set for the resumption of the Annual Meeting, this process will be repeated until sufficient proxies to vote in favor of the proposals described in this Proxy Statement have been received or it appears that sufficient proxies will not be received.

If you hold your shares in street name, you will receive instructions from your brokers or other nominees describing how to vote your shares. If you do not instruct your brokers or nominees how to vote your shares, they may vote your shares as they decide as to each matter for which they have discretionary authority under the rules of the New York Stock Exchange (NYSE). For Proposal 2 (*Ratification of the Appointment of Ernst & Young LLP*) to be voted on at the Annual Meeting, brokers and other nominees will have discretionary authority in the absence of timely instructions from you.

There are also non-discretionary matters for which brokers and other nominees do not have discretionary authority to vote unless they receive timely instructions from you. For Proposal 1 (*Election of Directors*) to be voted on at the Annual Meeting, you must provide timely instructions on how the broker or other nominee should vote your shares. When a broker or other nominee does not have discretion to vote on a particular matter, you have not given timely instructions on how the broker or other nominee should vote your shares and the broker or other nominee indicates it does not have authority to vote such shares on its proxy, a broker non-vote results. Any broker non-vote will not be included in the number of shares voting with respect to non-discretionary matters.

Abstentions and broker non-votes will count in determining if a quorum is present at the Annual Meeting. Abstentions occur when stockholders are present at the Annual Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting.

PROPOSAL ONE ELECTION OF DIRECTORS

The Board has designated Buford P. Berry, Matthew P. Clifton, Leldon E. Echols, Robert G. McKenzie, Jack P. Reid, Paul T. Stoffel and Tommy A. Valenta as nominees for election as directors of the Company at the Annual Meeting (each, a Nominee). All of the Nominees currently serve as directors of the Company. If elected, each Nominee will serve until the expiration of his term at the Annual Meeting of Stockholders in 2011 and until his successor is elected and qualified or until his earlier death, resignation or removal from office. For information about each Nominee, see Directors.

Each of the Nominees has consented to be named as a Nominee. The Board has no reason to believe that any of the Nominees will be unable or unwilling to serve if elected. If a Nominee becomes unable or unwilling to serve prior to the election, your proxy will be voted for the election of a substitute nominee recommended by the current Board, or the number of the Company s directors will be reduced.

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Required Vote and Recommendation

The election of directors requires the affirmative vote of a plurality of the shares of Common Stock present or represented by proxy and entitled to vote at the Annual Meeting. Accordingly, under Delaware law and the Company s Restated Certificate of Incorporation, as amended, and Bylaws, abstentions and broker non-votes will not have any effect on the election of a particular director. Unless otherwise instructed in the Proxy or unless authority to vote is withheld, the Proxy will be voted for the election of each of the Nominees.

The Board recommends a vote FOR the election of each of the Nominees.

PROPOSAL TWO AUDITORS

In accordance with its charter, the Audit Committee has selected the firm of Ernst & Young LLP, an independent registered public accounting firm, to be the Company s auditor for the year 2010 and, with the endorsement of the Board, recommends to the stockholders that they ratify that appointment. Ernst & Young LLP served in this capacity in 2009. Its representative will be present at the Annual Meeting and will have an opportunity to make a statement and will be available to respond to appropriate questions.

The Audit Committee reviews and approves in advance the audit scope, the types of non-audit services, if any, and the estimated fees for each category for the coming year. For each category of proposed services, Ernst & Young LLP is required to confirm that the provision of such services does not impair its independence. Before selecting Ernst & Young LLP, the Audit Committee carefully considered the firm s qualifications as an independent registered public accounting firm for the Company. This included a review of its performance in prior years, as well as its reputation for integrity and competence in the fields of accounting and auditing. The Audit Committee has expressed its satisfaction with Ernst & Young LLP in all of these respects. The Audit Committee s review included inquiry concerning any litigation involving Ernst & Young LLP and any proceedings by the Securities and Exchange Commission (the SEC) against the firm. In this respect, the Audit Committee has concluded that the ability of Ernst & Young LLP to perform the services for the Company is in no way adversely affected by any such litigation or other proceedings.

The Board and the Audit Committee recommend a vote FOR the ratification of the Board s selection of Ernst & Young LLP as the Company s auditor for 2010.

OWNERSHIP OF SECURITIES

The following table and the notes thereto set forth certain information regarding the beneficial ownership of Common Stock as of the Record Date by (i) each current director of the Company, (ii) the named executive officers of the Company, (iii) all executive officers and directors of the Company as a group and (iv) each other person known to the Company to own beneficially more than five percent of Common Stock outstanding on the Record Date. Unless otherwise indicated, the address for each stockholder listed in the following table is c/o Holly Corporation, 100 Crescent Court, Suite 1600, Dallas, Texas 75201-6915.

The Company has determined beneficial ownership in accordance with regulations of the SEC. The number of shares beneficially owned by a person includes shares of Common Stock that are subject to stock options that are either currently exercisable or exercisable within 60 days after the Record Date. These shares are also deemed outstanding for the purpose of computing the percentage of outstanding shares owned by such person. These shares are not deemed outstanding, however, for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, to the Company s knowledge, each stockholder has sole voting and dispositive power with respect to the securities beneficially owned by that stockholder. On the Record Date, there were 53,260,409 shares of Common Stock outstanding.

Name and Address of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership	Percent of Common Stock Outstanding
TCTC Holdings, LLC 2626 Cole Avenue, Suite 705 Dallas, Texas 75204	7,212,485(1)	13.54%
Allianz Global Investors Management Partners LLC 680 Newport Center Drive, Suite 250 Newport Beach, California 92660	3,007,200(2)	5.65%
Lazard Asset Management LLC 30 Rockefeller Plaza, New York, New York 10112	2,698,597(3)	5.07%
Jack P. Reid	597,495(4)(5)(6)	1.12%
Matthew P. Clifton	382,579(4)(5)	*
Paul T. Stoffel	263,288(4)	*
David L. Lamp	94,878(4)(5)	*
Marcus R. Hickerson	69,836(4)(7)	*
Bruce R. Shaw	35,950(4)	
Thomas K. Matthews, II	23,578(4)	*
Robert G. McKenzie	20,528(4)(8)	*
George J. Damiris	20,117(4)	*
Buford Berry	14,388(4)	*
Denise C. McWatters	5,838(4)	*
Leldon E. Echols	3,697(4)	*
Tommy A. Valenta	0	
All directors and executive officers as a group (13 persons)	1,532,172(4)(5)(9)	2.88%

* less than one percent.

(1) TCTC Holdings, LLC has sole voting power and sole dispositive power with respect to 7,212,485 shares and no shared voting power or shared dispositive power for any shares.

(2) Allianz Global Investors Management Partners LLC (AGIMP) has filed with the SEC a Schedule 13G, dated December 31, 2009. Based on the Schedule 13G, AGIMP, along with its wholly-owned subsidiaries Nicholas-Applegate Capital Management LLC (NACM), Oppenheimer Capital LLC (OpCap) and NFJ Investment Group LLC (NFJ), share beneficial ownership with respect to 3,007,200 shares. The Schedule 13G also

reported that (i) NFJ has sole voting power and sole dispositive power with respect to 3,007,200 shares and no shared voting power or shared dispositive power for any shares, and (ii) AGIMP, NACM and OpCap have no sole voting power, sole dispositive power, shared voting power or shared dispositive power for any shares.

(3) Lazard Asset Management LLC has filed with the SEC a Schedule 13G, dated January 30, 2010. Based on the Schedule 13G, Lazard Asset Management LLC has sole voting power with respect to 2,451,492 shares and sole dispositive power with respect to 2,698,597 shares and no shared voting power or shared dispositive power for any shares.

(4) The number of shares beneficially owned includes unvested shares of restricted stock (including restricted stock granted in March 2010 which (as of the Record Date) such individuals cannot dispose of until the restrictions on these shares lapse, as follows: 76,853 restricted shares for Mr. Clifton, 42,103 restricted shares for Mr. Lamp, 10,869 restricted shares for Mr. Shaw, 12,070 restricted shares for Mr. Damiris, 4,459 restricted shares for Ms. McWatters, and 146,354 restricted shares for all executive officers as a group. The number does not include unvested performance share units. The number of shares beneficially owned by Messrs. Berry, Echols, Hickerson, Matthews, McKenzie, Reid and Stoffel includes a total of 53,905 restricted share units granted to each of these directors as compensation between 2007 and 2009 (see description of restricted stock units under Compensation of Directors). This number does not include the 8,631 restricted stock units vesting May 14, 2010.

(5) The number of shares beneficially owned includes shares in the Thrift Plan for Employees of Holly Corporation, its Affiliates and Subsidiaries.

(6) This number includes 515,176 shares held in a family limited partnership of which Mr. Reid is the general partner. Mr. Reid disclaims beneficial ownership except to the extent of his partnership interest in the family limited partnership.

(7) Mr. Hickerson disclaims beneficial ownership as to 16,000 of these shares, which are held in trusts for the benefit of two of his children, of which he is the trustee.

(8) Mr. McKenzie disclaims beneficial ownership as to 500 of these shares, which are held as custodian for his granddaughter under the Uniform Transfer to Minors Act.

(9) Includes the 515,176 shares as to which Mr. Reid disclaims beneficial ownership, the 16,000 shares as to which Mr. Hickerson disclaims beneficial ownership, and the 500 shares as to which Mr. McKenzie disclaims beneficial ownership.

DIRECTORS

The following tables set forth certain information regarding the directors of the Company in 2009 and Nominees for election in 2010. Each director s term of office expires at the Annual Meeting.

Name of Nominee	Age	Current Title
Buford P. Berry	74	Director
Matthew P. Clifton	58	Chief Executive Officer, Chairman of the Board
Leldon E. Echols	54	Director
*Marcus R. Hickerson	83	Director
*Thomas K. Matthews, II	84	Director

Robert G. McKenzie	72	Director
Jack P. Reid	73	Director
Paul T. Stoffel	76	Director
Tommy A. Valenta (Director from February 2010 to present)	61	Director

* Not standing for reelection in 2010.

The Board believes that it is necessary for each of the Company s directors to possess many qualities and skills. When searching for new candidates, the Nominating/Corporate Governance Committee (the Nominating

Committee) considers the evolving needs of the Board and searches for candidates that fill any current or anticipated future needs. The Board also believes that all directors must possess a considerable amount of business management, business leadership and educational experience. When considering director candidates, the Nominating Committee first considers a candidate s management experience and then considers issues of judgment, background, stature, conflicts of interest, integrity, ethics and commitment to the goal of maximizing stockholder value. The Nominating Committee also focuses on issues of diversity, such as diversity of education, professional experience and differences in viewpoints and skills. The Nominating Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating Committee believe that it is essential that the Board members represent diverse viewpoints. In considering candidates for the Board, the Nominating Committee considers the entirety of each candidate s credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual s contributions to the Board are also considered.

All our directors bring to the Board executive leadership experience derived from their service in the many areas detailed below for each director. The process undertaken by the Nominating Committee in recommending qualified director candidates is described below under Director Nomination Procedures . Certain individual qualifications and skills of our directors that contribute to the Board s effectiveness as a whole are described in the following paragraphs.

The names of the current directors and Nominees, along with their present positions, their principal occupations and directorships held with other public corporations during the past five years, and the year first elected as a Director, are set forth below.

Buford P. Berry, a director since May 2004, has served as a director, an advisory committee member (which performs audit committee functions) and compensation committee member of Dorchester Minerals Management GP LLC, the general partner of Dorchester Minerals LP (NASDAQ: DMLP), since February 2003. He is currently of counsel to Thompson & Knight, L.L.P., a Texas based law firm. Mr. Berry has been an attorney with Thompson & Knight L.L.P., serving in various capacities since 1963, including as Managing Partner from 1986 to 1998. While in active practice with Thompson & Knight L.L.P., Mr. Berry s practice focused on federal income taxation with an emphasis on oil and gas taxation and tax litigation. Mr. Berry received his B.B.A. in Accounting from The University of Texas at Austin, and received his L.L.B. from The University of Texas School of Law. The Board selected Mr. Berry to be a director because he brings to the Board an additional perspective in dealing with complex legal, regulatory and risk matters affecting the Company due to his service as managing partner at a large law firm in Texas. His service on the advisory committee for Dorchester Minerals Management GP LLC and audit committees of other public companies provides additional valuable experience in managing risks.

Matthew P. Clifton, a director since 1995, has been with the Company for over twenty-five years and was elected as the Company s Chairman of the Board and Chief Executive Officer in April 2007. Mr. Clifton served as Chief Executive Officer from 2006 until April 2007. Mr. Clifton served as President of the Company from 1995 to 2006, and since March 2004, has served as Chairman of the Board and Chief Executive Officer of Holly Logistic Services, L.L.C. (HLS), the general partner of HEP Logistics Holdings, L.P., which is the general partner of Holly Energy Partners, L.P. (HEP), a Delaware limited partnership. The Company currently owns a 34% interest (including the general partner interest) in Holly Energy Partners, L.P. Mr. Clifton received his B.S. in Accounting and Financing from St. Joseph s University. Mr. Clifton serves on the Board because he is the Company s Chief Executive Officer and has been with the Company for over 25 years, having started in 1980. The Board selected Mr. Clifton to be a director because he has extensive knowledge of operations of the Company, the refining industry and macro-economic conditions, as well as valuable industry relationships throughout the country. Mr. Clifton brings a unique and valuable perspective as well as an understanding of the Company s history, culture, vision and strategy to the Board.

Leldon E. Echols, a director since January 2009, is a private investor. From 2000 to 2006, Mr. Echols served as Executive Vice President and Chief Financial Officer of Centex Corporation. Before joining Centex Corporation, Mr. Echols was a managing partner in Arthur Andersen LLP s audit and business advisory practice from 1997 to 2000, and he held various other positions with the firm between 1978 and 1997. Mr. Echols received a bachelor of science degree in accounting from Arkansas State University and is a certified public accountant. He is currently a member of the boards of directors of three public companies: Trinity Industries, Inc. (NYSE: TRN), where he serves

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on the audit and human resources (compensation) committees, and Crosstex Energy, L.P. (NASDAQ: XTEX) and a related company, Crosstex Energy, Inc. (NASDAQ: XTXI), where he serves on the audit committees. Mr. Echols also serves on the boards of directors of Roofing Supply Group Holdings, Inc. and Colemont Corporation, two private companies. From 2005 to 2007, Mr. Echols was a member of the board of directors of TXU Corp., where he served on the audit and compensation committees. Mr. Echols serves the community by serving as a board member of the Circle Ten Council of Boy Scouts of America, the Baylor Healthcare Foundation, and the Dallas Chapter of the American Red Cross. The Board selected Mr. Echols to be a director because he brings to the board executive management and directorship experience in public companies, together with extensive financial and management experience.
Mr. Echols also brings to the Board financial reporting expertise and a level of financial sophistication that qualifies him as a financial expert. Mr. Echols prior and current service on the audit committees of other publicly traded companies gives him a range of experiences and skills that compliment his current committee assignments with the Company. For purposes of the Company s succession planning, his audit committee services also provide him with the necessary skills and qualifications to serve as the chairman of the Audit Committee in the future.

Marcus R. Hickerson, a director since 1960, was a consultant to Centex Development Company from 1987 to 1999 and has been President and Director of Waxahachie Community Development Corporation since 1999. He has served as Director of the Ellis County Water Control & Improvement District since 1982. Mr. Hickerson received his B.S. in Business Administration from North Texas State University. As one of our longest serving independent outside directors, Mr. Hickerson brings historical, long-term perspective and leadership to the Board, together with knowledge of the Company s operations and growth strategy. Mr. Hickerson is retiring from the Board in May, 2010, so his qualifications for the 2010 director election are not presented.

Thomas K. Matthews, II, a director since 1978, was President of RepublicBank Houston from 1976 to 1985. Mr. Matthews also served as Executive Director of Republicbank Corporation from 1983 to 1985, and Vice Chairman of First City National Bank of Houston from 1985 to 1989. Mr. Matthews has been a financial consultant since 1989. Mr. Matthews educational background includes attendance at the Harvard Business School and the SMU Graduate School of Banking. As one of our longest serving independent outside directors, Mr. Matthews brings extensive education and background in business and the financial industry. Mr. Matthews is retiring from the Board in May, 2010, so his qualifications for the 2010 director election are not presented.

Robert G. McKenzie, a director since 1992, has been a financial consultant since 2000. From 1985 to 1990, Mr. McKenzie served as Executive Vice President of Republic Bank Dallas, and he held various other positions with the company between 1965 and 1985. From 1990 to 1999, he was Executive Vice President and Chief Operating Officer of Brown Brothers Harriman Trust Company of Texas. From 1999 to June 2009, Mr. McKenzie was a member of the board of directors of Brown Brothers Harriman Trust Company of Texas. In December 2009, he became a member of the board of directors of Turtle Creek Trust Company. Mr. McKenzie has also served as Chairman of the Trust Counsel committee of the American Bankers Association (and member of its taxation committee), Chairman of the Texas Bankers Association Legislative Committee (and member of its Board of Directors), and Secretary/Treasurer of the Dallas Bar Association Probate and Trust Law Section. Mr. McKenzie was named Outstanding Trust Banker by the Texas Bankers Association in 1986. The Board selected Mr. McKenzie as a director because he brings to the Board financial reporting expertise and a level of financial sophistication that qualify him as a financial expert in his role as the Chair of the Audit Committee. Mr. McKenzie s long history with the Company, combined with his leadership skills and operating experience, makes him particularly well suited to be our Presiding Director. Due to his service on several of the Company s committees, Mr. McKenzie possesses a broad range of expertise and knowledge of all committee functions, together with an invaluable overview of the Company s businesses. Mr. McKenzie received his B.A. and M.A. in History and his J.D. from the University of Texas.

Jack P. Reid, a director since 1977, was a consultant to the Company from August 1999 through July 2002. Until August 1999, Mr. Reid was Executive Vice President, Refining, of the Company, where his duties included a wide range of operational areas that give him a unique perspective and operational expertise that is valuable and needed by the Board. Mr. Reid serves on the Company s Public Policy Committee, where his operational expertise is valuable in reviewing, formulating and modifying the Company s policies and procedures on matters of public and governmental concern that significantly affect the Company. Mr. Reid received his B.S. in Chemical

Engineering from Kansas University. The Board selected Mr. Reid to be a director because, as one of our longest serving independent outside directors, Mr. Reid brings historical, long-term perspective and leadership to the Board, together with extensive knowledge of the Company s refining operations and growth strategy.

Paul T. Stoffel, a director since 2001, has been Chairman of Triple S Capital Corp. and of Paul Stoffel Investments since 1985, engaged in public and private equity investments. Mr. Stoffel also serves the community as a member of the board of directors of the Dallas Center for Performing Arts, the Dallas Museum of Art, and the Southwestern Medical Foundation. Mr. Stoffel received his MBA from Harvard Business School. The Board selected Mr. Stoffel to be a director because he brings to the Board knowledge of the investment community and a unique shareholder perspective.

Tommy A. Valenta, a director since February 2010, was the President, Chief Executive Officer and Director of Chaparral Steel Company from July 2005 until September 2007, when he retired. Prior to joining Chaparral Steel Company, Mr. Valenta was employed at Texas Industries, Inc. for 37 years, where he was the Executive Vice-President and Chief Operating Officer Steel from 1998 to 2005, and held various other positions with the company between 1970 and 1988. Throughout Mr. Valenta s career he has served as a director of various industry associations including the National Ready Mixed Concrete Association, American Institute of Steel Construction, International Iron and Steel Institute and the Steel Manufacturers Association. Mr. Valenta currently serves on the boards of directors of: American Excelsior Company (where he serves on the audit and compensation committees), the Circle Ten Council of the Boy Scouts of America, and Cashiers Community Fund. Mr. Valenta also serves as President of the Corporation for the Episcopal Diocese of Dallas and is a member of the Salesmanship Club of Dallas. Mr. Valenta received his MBA from Southern Methodist University. The Board selected Mr. Valenta as a director because he brings to the Board executive and general management experience and teambuilding leadership in a public company.

None of our directors reported any litigation for the period from 2000 to 2010 that is required to be reported in this Proxy Statement.

Compensation of Directors

For the year ended December 31, 2009, directors who are not employees of the Company or its subsidiaries were compensated as follows:

Annual Retainer (payable in 4 quarterly installments)	$40,000
Each Attended Board Meeting or Committee Meeting	$2,000
Telephonic Special Board or Committee Meetings (under 30 Minutes)	$0
Telephonic Special Board or Committee Meetings (over 30 minutes)	$1,000(1)
Annual Grant of Restricted Stock Units under the Long-Term Incentive Compensation Plan(2)	$120,000
Special Retainer for Chairman of Audit Committee	$15,000
Special Retainer for Chairman of Compensation, Nominating or Public Policy Committee	$10,000

Employees of the Company who also serve as directors are not entitled to any additional compensation for their services on the Board.

(1) $2,000 may be paid for telephonic meetings of longer duration as determined by the chairman of the meeting. As of the date of this Proxy Statement, no telephonic meetings have resulted in the payment of a $2,000 meeting fee.

(2) Restricted stock unit grants are based upon the market closing price of our Common Stock on the day of the grant. With respect to the restricted stock units, the restrictions generally lapse in 25% increments every three months and fully vest one year following the date of grant provided the Director has continued serving on the Board until the end of each three-month period. Restricted stock units are awarded on the date of our Annual Meeting of Stockholders. Accelerated vesting will occur upon a Change in Control, the Director s total and permanent disability or death, or the Director s retirement. Settlement of the vested restricted stock units in

shares of our Common Stock will only occur upon the earlier of: (a) the month following the Director s cessation of service as a member of the Board for any reason, (b) within thirty (30) days following the death of the Director, (c) within thirty (30) days following a Change in Control, or (d) on the third anniversary of the date of the grant. Until such time as the awards are settled, the Director shall be entitled to receive dividend equivalent rights, but not voting rights, with regard to the Common Stock underlying the awards.

For purposes of director restricted stock units, a Change in Control occurs after: (i) any Person or Group acquires stock of the Company that, together with stock held by such Person or Group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company (applies only when there is a transfer of stock of the Company (or issuance of stock of the Company) and stock in the Company remains outstanding after the transaction); (ii) any Person or Group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Group) ownership of stock of the Company possessing 35% or more of the total voting power of the stock of the Company; (iii) a majority of members of the Company s Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company s Board prior to the date of the appointment or election; or (iv) any Person or Group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Group) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. However, under subsection (i), if any Person or Group is considered to own more than 50% of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same Person or Group is not considered to cause a Change in Control, but an increase in the percentage of stock owned by any Person or Group as a result of a transaction in which the Company acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of subsection (i). Under subsection (ii), if any Person or Group is considered to own 35% of the total voting power of the stock of the Company, the acquisition of additional stock by the same Person or Group is not considered to cause a Change in Control. No Change in Control occurs occur under subsection (iv) as a result of a transfer of assets to: (a) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (b) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (c) a Person or Group that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company; or (d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in clause (c) above.

For these purposes, the term Person shall mean an individual, corporation, association, joint stock company, business trust or other similar organization, partnership, limited liability company, joint venture, trust, unincorporated organization or government or agency, instrumentality or political subdivision thereof. The term Group shall have the meaning set forth in Treasury Regulation Section 1.409A-3(i)(5)(v)(B), or any successor thereto in effect at the time a determination of whether a Change in Control has occurred is being made. In addition, the provisions of Section 318(a) of the Internal Revenue Code of 1986, as amended (the Tax Code), regarding the constructive ownership of stock will apply to determine stock ownership; provided, that stock underlying unvested options (including options exercisable for stock that is not substantially vested) are not treated as owned by the individual who holds the option.

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During the year ended December 31, 2009, compensation was provided to the Company s outside directors as set forth below:

Director[(1)]	Fees Earned or Paid in Cash[(2)]	Stock Awards[(3)]	All Other Compensation	Total
Buford P. Berry	$103,000	$119,996	$0	$222,996
Leldon E. Echols	$77,000	$119,996	$0	$196,996
Marcus R. Hickerson	$73,000	$119,996	$0	$192,996
Thomas K. Matthews, II	$103,000	$119,996	$0	$222,996
Robert G. McKenzie	$108,000	$119,996	$0	$227,996
Jack P. Reid	$63,000	$119,996	$0	$182,996
Paul T. Stoffel	$84,000	$119,996	$0	$203,996

(1) Tommy A. Valenta became a director in February 2010 and therefore is not included in this table.

(2) Represents fees earned or paid in cash for services as a director during 2009, including annual retainer fees, meeting fees, and committee chairmanship fees.

(3) Reflects the aggregate grant date fair value of all stock awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (formerly Statement of Financial Accounting Standards No. 123R) (FASB ASC 718). Each of the 2009 directors received an award of 4,930 restricted stock units under the Long-Term Incentive Compensation Plan on May 14, 2009 with a grant date fair value of $119,996 (computed using the closing price of $24.34 on the date of grant). Of the restricted stock units granted to each director, 25% vested on August 14, 2009, 25% vested on November 14, 2009, 25% vested on February 14, 2010, and the remaining 25% will vest on May 14, 2010. The fair value of each restricted stock unit grant is amortized over the vesting period. As of December 31, 2009, the aggregate number of stock awards outstanding for each director was as follows: Messrs. Berry, Hickerson, Matthews, McKenzie, Reid and Stoffel each held 9,601 restricted stock units, and Mr. Echols held 4,930 restricted stock units.

Guidelines for Stock Ownership for Outside Directors

Pursuant to the stock ownership guidelines approved by the Board in 2009, each director is expected to own at least 3,000 shares of our Common Stock. To the extent a director does not meet these guidelines he will be expected to retain 25% of the shares of Common Stock received upon settlement of his restricted stock unit award, until such time as the stock ownership requirement is met. Currently all of our directors are in compliance with the stock ownership guidelines.

MEETINGS AND COMMITTEES OF DIRECTORS

The Board is comprised of a majority of independent directors as defined in Section 303A.02 of the New York Stock Exchange (NYSE) listing standards. The directors determined by the Board to be independent under this standard are Buford P. Berry, Leldon E. Echols, Marcus R. Hickerson, Thomas K. Matthews, II, Robert G. McKenzie, Jack P. Reid, Paul T. Stoffel and Tommy A. Valenta.

In determining that Mr. Hickerson is an independent director, the Board considered the fact that Mr. Hickerson s 56-year-old son, M. Neale Hickerson, is employed as a Vice President of the Company and certain subsidiaries, including Holly Logistic Services, L.L.C. From January 2004 to February 2005, M. Neale Hickerson s title as an officer of the Company was Vice President, Treasury and Investor Relations, and his current title is Vice President, Investor Relations. The Board s determination that the employment of M. Neale Hickerson would not interfere with Marcus R. Hickerson s ability to act independently from the management of the Company was based particularly on the fact that Marcus R. Hickerson satisfies all of the independence requirements of Section 303A.02(b) of the NYSE s listing standards. Additionally, the Board based its determination on the role played in the Company by M. Neale Hickerson and the fact that he is not an executive officer of the Company.

In determining that Mr. Reid is an independent director, the Board considered the fact that Mr. Reid s 49-year-old son, Willie D. Reid, is employed as a Manager of Applications Infrastructure Support of the Company. From

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May 1986 to present, Willie D. Reid has maintained various IT positions, and his current title is Manager, Applications Infrastructure Support of the Company. The Board s determination that the employment of Willie D. Reid would not interfere with Jack P. Reid s ability to act independently from the management of the Company was based particularly on the fact that Jack P. Reid satisfies all of the independence requirements of Section 303A.02(b) of the NYSE s listing standards. Additionally, the Board based its determination on the role played in the Company by Willie D. Reid and the fact that he is not an executive officer of the Company.

The Board held thirteen meetings during 2009. The Board has five principal standing committees: the Executive Committee, the Audit Committee, the Compensation Committee (the Committee), the Nominating Committee, and the Public Policy Committee. Each of the committees is appointed by the Board. During 2009, each director attended at least 75% of the total number of meetings of the Board. During 2009, each director attended at least 75% of the meetings of each of the committees of the Board on which that director served. The Company does not have a policy requiring the Chairman of the Board or other directors to attend the Company s Annual Meeting. All of the Company s directors who were elected at the 2009 Annual Meeting of Stockholders attended that meeting.

Committee memberships as of the date of this Proxy Statement are set forth below:

Name	Executive	Audit	Compensation	Nominating/ Corporate Governance	Public Policy
Buford P. Berry		X	C	X	
Matthew P. Clifton	C				
Leldon E. Echols		X	X		X
Marcus R. Hickerson					C
Thomas K. Matthews, II		X	X	C	
Robert G. McKenzie	X	C	X	X	
Jack P. Reid	X				X
Paul T. Stoffel		X		X	X
Tommy A. Valenta					

A C indicates that the director serves as the chair of the committee.
An X indicates membership on the committee.

The Executive Committee of the Board has the authority of the Board, to the extent permitted by law and subject to any limitations that may be specified from time to time by the Board, for the management of the business and affairs of the Company between meetings of the Board. During 2009, the committee met in person or by telephone one time, and also took action by unanimous written consent one time.

The Audit Committee of the Board is responsible for monitoring the Company s internal accounting controls, selecting and engaging independent auditors, subject to ratification by the stockholders, reviewing quarterly and annual reports filed with the SEC, and reviewing certain activities of the independent auditors and their reports and conclusions. In addition, the committee selects persons to conduct internal audits of certain Company transactions and related financial controls and reviews the reports developed from such internal audits. During 2009, the committee met in person or by telephone thirteen times and also took action by unanimous written consent one time. The Board has adopted a written charter for the Audit Committee, which is available on the Company s website at www.hollycorp.com and is available in print to any stockholder without charge upon written request to the Vice

President, Investor Relations at: Holly Corporation, 100 Crescent Court, Suite 1600, Dallas, TX, 75201-6915. All members of the Audit Committee have been determined to be independent as independence is defined in Section 303A.02 of the NYSE s listing standards and of Rule 10A-3 under the Securities Exchange Act of 1934 (the Exchange Act). In accordance with Section 303A.07 of the NYSE s listing standards, the Board has determined that Mr. Echols simultaneous service as a member of the audit committees of Trinity Industries, Inc., Crosstex Energy, L.P. and

Crosstex Energy, Inc. will not impair Mr. Echols ability to efficiently serve on the Company s Audit Committee because of the amount of time he has to devote to this responsibility and the expertise that he has in this area. The Board has also determined that Mr. McKenzie satisfies the requirements of the SEC regulations for an audit committee financial expert and has designated Mr. McKenzie as the Company s audit committee financial expert.

The Compensation Committee of the Board is responsible for the oversight of compensation programs and plans for the executive officers of the Company. The Committee determines the level of compensation paid to the Company s Chief Executive Officer and all other executive officers. The Committee is also responsible for establishing and overseeing the compensation program for non-employee directors who serve on the Board. The Committee may delegate to its chairperson, any one of its members or any subcommittee it may form, the responsibility and authority for any particular matter, as it deems appropriate from time to time under the circumstances. However, subcommittees do not have the authority to engage independent legal counsel and other experts and advisors unless expressly granted such authority by the Committee. Each subcommittee is required to keep minutes and report them to the Committee. As described above, all members of the Committee have been determined to be independent as independence is defined in Section 303A.02 of the NYSE s listing standards. During 2009, the Committee met ten times. The Board has adopted a written charter for the Committee, which is available on the Company s website at www.hollycorp.com and is available in print to any stockholder without charge upon written request to the Vice President, Investor Relations at: Holly Corporation, 100 Crescent Court, Suite 1600, Dallas, TX, 75201-6915.

The Nominating Committee of the Board is responsible for advising the Board concerning the appropriate composition of the Board and its committees (including identifying individuals qualified to serve on the Board and its committees), the selection of director nominees for each annual meeting of the Company s stockholders, the selection of executive officers and officers of the Company, and appropriate corporate governance practices. As described above, all members of the Nominating Committee have been determined to be independent as independence is defined in Section 303A.02 of the NYSE s listing standards. During 2009, the committee met five times. The Board has adopted a written charter for the Nominating Committee, which is available on the Company s website at www.hollycorp.com and is available in print to any stockholder without charge upon written request to the Vice President, Investor Relations at: Holly Corporation, 100 Crescent Court, Suite 1600, Dallas, TX, 75201-6915.

The Public Policy Committee of the Board is responsible for reviewing the Company s policies and procedures on matters of public and governmental concern that significantly affect the Company, including but not limited to environmental, occupational health and safety, and equal employment opportunity matters. The committee is also responsible for recommending to management and the Board the formulation or modification of policies and procedures concerning such matters. During 2009, the committee met four times. As described above, all members of the Public Policy Committee have been determined to be independent as independence is defined in Section 303A.02 of the NYSE s listing standards.

DIRECTOR NOMINATION PROCEDURES

All of the Company s directors are elected each year by its stockholders at the annual meeting of stockholders. The Board has specified the number of directors to be seven (7) as of May 5, 2010, reflecting the upcoming retirement of Messrs. Hickerson and Matthews. The Board is responsible for filling vacancies on the Board at any time during the year, and for nominating director nominees to stand for election at the annual meeting of stockholders. The Nominating Committee reviews all potential director candidates, and recommends potential director candidates to the full Board. Director candidates may be identified by current directors of the Company, employees of the Company or through other sources, including stockholders as described below under Nomination of Directors by Stockholders. The Nominating Committee occasionally utilizes the services of search firms or consultants to assist in identifying and screening potential candidates. The Nominating Committee has an extensive diligence process for reviewing potential candidates, including an assessment of each candidate s independence under Section 303A.02 of the NYSE s listing standards and Rule 10A-3 under the Exchange Act, a candidate s relevant educational, business and financial experience, ability to read and understand financial statements, and other relevant factors, as described under Selection of Directors Criteria in the Company s Corporate Governance Guidelines, which can be found on the Company s website at www.hollycorp.com. A copy of the

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Corporate Governance Guidelines is available in print to any stockholder without charge upon written request to the Vice President, Investor Relations at: Holly Corporation, 100 Crescent Court, Suite 1600, Dallas, TX, 75201-6915. The full Board reviews and has final approval authority on all potential director candidates being recommended to the stockholders for election.

RECOMMENDATION OF DIRECTOR CANDIDATES BY STOCKHOLDERS

The Company does not have a formal policy by which its stockholders may recommend director candidates, but the Nominating Committee will consider candidates recommended by stockholders. A stockholder wishing to submit such a recommendation should send a letter to the Secretary of the Company at 100 Crescent Court, Suite 1600, Dallas, Texas 75201-6915. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Director Nominee Recommendation. The letter must identify the author as a stockholder and provide a brief summary of the candidate s qualifications based on the criteria described above under Director Nomination Procedures and in the Company s Corporate Governance Guidelines, as well as contact information for both the candidate and the stockholder. Candidates recommended by stockholders will be evaluated by the Nominating Committee in the same manner as other candidates submitted by directors, employees or obtained through other sources, although the members of the Nominating Committee may prefer candidates who are personally known to the existing directors and whose reputations are highly regarded. In evaluating proposed candidates, the Nominating Committee will consider all relevant qualifications as well as the needs of the Company in terms of compliance with the NYSE s listing standards and SEC rules. The Company s Bylaws provide additional procedures and requirements for stockholders wishing to nominate a director for election as part of the official business to be conducted at an annual meeting of stockholders, as described further under Stockholder Proposals.

BOARD LEADERSHIP STRUCTURE

The Board believes that the Company s Chief Executive Officer is best situated to serve as Chairman of the Board because he is the director most familiar with the Company s business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. Independent directors and management have different perspectives and roles in strategy development. The Company s independent directors bring experience, oversight and expertise from outside the Company and industry, while the Chief Executive Officer brings Company-specific experience and expertise. The Board believes that the combined role of Chairman of the Board and Chief Executive Officer promotes strategy development and execution, and facilitates information flow between management and the Board, which are essential to effective governance of the Company.

One of the key responsibilities of the Board is to develop strategic direction and hold management accountable for the execution of strategy once it is developed. The Board believes the combined role of Chairman of the Board and Chief Executive Officer, together with a lead independent director (the Presiding Director) having the duties described below, is in the best interest of stockholders because it provides the appropriate balance between strategy development and independent oversight of management.

PRESIDING DIRECTOR AND COMMUNICATIONS WITH THE BOARD

Robert G. McKenzie, an independent director who serves as Chairman of the Audit Committee, was selected by the Board to serve as the Presiding Director for all meetings of the non-management directors held in executive session. The Presiding Director has the responsibility of presiding at all executive sessions of the Board, consulting with the Chairman of the Board and Chief Executive Officer on Board and committee meeting agendas, acting as a liaison between management and the non-management directors, including maintaining frequent contact with the Chairman of the Board and Chief Executive and advising him on the efficiency of the board meetings, and facilitating teamwork and communication between the non-management directors and management.

Persons wishing to communicate with the non-management directors are invited to email the Presiding Director at presiding.director@hollycorp.com or write to: Robert G. McKenzie, Presiding Director, c/o Secretary, Holly Corporation, 100 Crescent Court, Suite 1600, Dallas, Texas 75201-6915. Although the Company has not to date developed formal processes by which stockholders may otherwise communicate directly with directors, the

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Company believes that its process with regard to communicating with non-management directors, and its informal process under which any communication sent to the Board in care of the Chief Executive Officer or Secretary of the Company is forwarded to the Board for consideration, serves the Board s and the stockholders needs. There is no screening process, and all stockholder communications that are received by officers for the Board s attention are forwarded to the Board.

RISK MANAGEMENT

The Board has an active role, as a whole and also at the committee level, in overseeing management of the Company s risks. The Board regularly reviews information regarding the Company s credit, liquidity and operations, as well as the risks associated with each. The Committee is responsible for overseeing the management of risks relating to the Company s executive compensation plans and arrangements. The Audit Committee oversees management of financial risks. The Nominating Committee manages risks associated with the independence of the Board and potential conflicts of interest. The Public Policy Committee oversees management of risks associated with environmental, health and safety. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks.

The Audit Committee and the Board also receive input from the Company s Risk Management Oversight Committee (the Risk Committee), made up of management personnel with a range of different backgrounds, skills and experiences with regard to the operational, financial and strategic risk profile of the Company. The Risk Committee monitors the risk environment for the Company as a whole, and reviews the activities that mitigate to an achievable and acceptable level the risks that may adversely affect the Company s ability to achieve its goals. The Risk Committee also supports the Audit Committee s efforts to monitor and evaluate guidelines and policies to govern the process by which risk assessment and management is undertaken.

EXECUTIVE OFFICERS

The following table sets forth information regarding the Executive Officers of the Company and certain of its subsidiaries for 2009:

Name	Age	Title as of December 31, 2009
Matthew P. Clifton	58	Chief Executive Officer
David L. Lamp	52	President
Bruce R. Shaw	42	Senior Vice President and Chief Financial Officer
George J. Damiris	50	Senior Vice President, Supply and Marketing
Denise C. McWatters	50	Vice President, General Counsel and Secretary

David L. Lamp, was appointed President of the Company in November, 2007. Mr. Lamp joined the Company in January 2004 as Vice President, Refining Operations and was elected Executive Vice President, Refining and Marketing in November 2005. From 2002 to 2004, Mr. Lamp was Vice President of El Paso Energy Corporation (El Paso) and General Manager of El Paso s 250,000 barrels per day Aruba refinery. Prior to his position with El Paso, Mr. Lamp was employed by Koch Industries, where he served as in various positions from 1980 to 2001. In 1998, Mr. Lamp served as Director of Operations for a large international chemical and fiber joint venture owned partially by Koch (KOSA). Mr. Lamp received a Bachelor of Science degree in Chemical Engineering from Michigan State University.

Bruce R. Shaw, was appointed Senior Vice President and Chief Financial Officer of the Company on January 7, 2008. Between January 2007 and June 2007, Mr. Shaw was Vice President, Corporate Development for the Company. Mr. Shaw briefly left the Company in June 2007 and served as President of Standard Supply and Distributing Company, Inc. and Bartos Industries, Ltd., two companies that are affiliated with each other in the heating, ventilation and air conditioning industry. Mr. Shaw also served as Vice President, Special Projects for the Company from September 2007 through December 2007. Prior to that, Mr. Shaw served the Company in various positions including Vice President of Crude Purchasing and Corporate Development from February 2005 to

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February 2006, Vice President of Corporate Development from March 2004 to February 2005, Vice President of Marketing and Corporate Development from November 2003 to March 2004, Vice President of Corporate Development from October 2001 to November 2003 and Director of Corporate Development from June 1997 to January 2000. Mr. Shaw also served as Vice President, Corporate Development for HLS from August 2004 to January 2007 and as a director from April 2007 through April 2008. Mr. Shaw received his undergraduate degree in Mechanical Engineering from Texas A&M University and his MBA from Dartmouth College.

George J. Damiris, was appointed Senior Vice President, Supply and Marketing of the Company in January 2008. Mr. Damiris joined the Company in June 2007 as Vice President, Corporate Development after an 18-year career with Koch Industries, where he was responsible for managing various refining, chemical, trading, and financial businesses most recently with its INVISTA subsidiary as President of its Intermediates business from January 2006 to May 2007 and Vice President of Corporate Development from January 2004 to December 2005. Prior to INVISTA, he served as Managing Director Capital Markets responsible for capital market transactions, Managing Director Ventures responsible for venture capital investments, Vice President Refining responsible for the Corpus Christi refining business, Vice President Chemicals responsible for the commodity chemical business, Vice President Supply & Trading responsible for natural gas, chemicals, and gasoline components, and Vice President Business Development for Refining. Prior to Koch, Mr. Damiris was employed by British Petroleum for 8 years in various engineering, operations, and business development positions. Mr. Damiris received his B.S. in Chemical Engineering from Case Western Reserve University, and his MBA from the Weatherhead School of Management at Case Western Reserve University.

Denise C. McWatters, was appointed Vice President, General Counsel and Secretary of the Company effective May 8, 2008. She joined the Company in October 2007 as Deputy General Counsel with more than 20 years of legal experience. Ms. McWatters served as the General Counsel of The Beck Group from 2005 through 2007. From 2002 through 2005, Ms. McWatters practiced law in the Law Offices of Denise McWatters. Prior to such practice, Ms. McWatters was a shareholder in the predecessor firm to Locke Lord Bissell & Liddell LLP, served as Counsel in the legal department at Citigroup, N.A. and was a shareholder in the law firm of Cox Smith Matthews Incorporated. Ms. McWatters received her B.S. and M.A. in Psychology from Southern Methodist University, and her J.D. from The University of Texas School of Law.

The Executive Officers named above were elected by the Board to serve in such capacities until their respective successors have been duly elected and qualified, or until their earlier death, resignation or removal from office. Biographical information on Mr. Clifton is set forth previously in this Proxy Statement under Directors.

None of our executive officers reported any litigation for the period from 2000 to 2010 that is required to be reported in this Proxy Statement.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has adopted a Code of Business Conduct and Ethics (the Code of Ethics) that applies to all officers, directors and employees, including the Company s principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. A copy of the Code of Ethics and a description of all amendments adopted thereto in the last twelve months are posted on the Company s website at www.hollycorp.com and a copy of the Code of Ethics is available in print to any stockholder without charge upon written request to the Vice President, Investor Relations at: Holly Corporation, 100 Crescent Court, Suite 1600, Dallas, TX, 75201-6915. If ever applicable, the Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of its Code of Ethics with respect to such officers, directors and employees by posting such information on the Company s website.

CORPORATE GOVERNANCE GUIDELINES

The Company has adopted Corporate Governance Guidelines (the Governance Guidelines) to promote the functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions. A copy of the Governance Guidelines is posted on the Company s website at

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www.hollycorp.com and is available in print to any stockholder without charge upon written request to the Vice President, Investor Relations at: Holly Corporation, 100 Crescent Court, Suite 1600, Dallas, TX, 75201-6915.

COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis (CD&A) provides information about our compensation objectives and policies for our principal executive officer, our principal financial officer and our other most highly compensated executive officers, and is intended to place in perspective the information contained in the executive compensation tables that follow this discussion. In this CD&A, we provide a general description of our compensation program and specific information about its various components. Immediately following the CD&A is the Committee Report (the Committee Report).

Our wholly-owned indirect subsidiary, HLS, is the general partner of HEP Logistics Holdings, L.P., which is the general partner of HEP, one of our consolidated subsidiaries in which we indirectly own a 34% interest, including the 2% general partner interest. HLS employs its own executive officers, some of whom are also our officers. The board of directors of HLS, through its compensation committee, makes compensation decisions with respect to the executive officers of HLS for the services they provide as executive officers of HLS. The compensation of the executive officers of HLS is discussed in the Compensation Discussion and Analysis contained in HEP s Annual Report on Form 10-K for the year ended December 31, 2009. Messrs. Clifton and Shaw and Ms. McWatters also receive compensation from HLS in the form of equity incentive plan compensation for the services these executives perform for HLS; however, the compensation information regarding these executives included within this CD&A relates solely to the services these individuals provide directly to us. Such awards made to Messrs. Clifton and Shaw are described in HEP s Annual Report on Form 10-K for the year ended December 31, 2009. The equity incentive compensation awarded to Ms. McWatters by HLS is described in the tables below.

Throughout this discussion, the following individuals are referred to as the Named Executive Officers and are included in the Summary Compensation Table:

- Matthew P. Clifton, Chief Executive Officer and Chairman of the Board
- David L. Lamp, President
- Bruce R. Shaw, Senior Vice President and Chief Financial Officer
- George J. Damiris, Senior Vice President, Supply and Marketing
- Denise C. McWatters, Vice President, General Counsel and Secretary

The position of Senior Vice President, Supply and Marketing, has not historically been an executive officer position; however, as of March 23, 2009, the Board designated Mr. Damiris as an executive officer, and we also included Mr. Damiris as one of our Named Executive Officers for fiscal year 2008.

Objectives of Compensation Program

Our compensation program is designed to attract and retain talented and productive executives who are motivated to protect and enhance our long-term value for the benefit of our stockholders. Our objective is to be competitive with our industry and encourage high levels of performance.

The Committee, comprised entirely of independent directors, administers the compensation program. The Committee reviews and approves the compensation to be paid to the Named Executive Officers and reviews the compensation policies and practices for all employees of the Company to verify that such policies and practices do not create unreasonable risk for the Company.

The Committee has not adopted any formal policies for allocating compensation among salaries, bonuses and equity compensation. The Committee, with the assistance of management, has sought to designate an appropriate mix of cash and long-term equity incentive compensation with the goal of providing sufficient current compensation to retain the Named Executive Officers, while at the same time providing incentives to the Named Executive

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Officers to exert their best efforts to maximize long-term value for both us and our stockholders. The Committee considers recommendations by management and many other factors in deciding on the final compensation factors that are appropriate for both us and for each Named Executive Officer. The Committee generally solicits the recommendations of our Chairman of the Board and Chief Executive Officer (except with respect to his own compensation) and of other members of management when the Committee considers its compensation determinations. See Role of Named Executive Officers in Determining Compensation below.

In addition to reviewing the recommendations of management and our Chief Executive Officer, prior to making compensation decisions for the 2009 year, the Committee also reviewed the total compensation provided to each of the Named Executive Officers during the 2008 year. The Committee, with the assistance of management, annually reviews each of the Named Executive Officers proposed long-term incentive compensation to determine whether the executives are being provided with equity awards that are effective in motivating the Named Executive Officers to create long-term value for us. The Committee also takes into consideration the compensation of similarly situated executives in comparable businesses. These long-term equity incentives are designed to retain the executives during the period of time during which their performance is expected to impact our business and reward them in accordance with the success of those long-term goals and policies.

Compensation Committee Consultant

The Committee has engaged Frederic W. Cook & Co. (the Compensation Consultant), an outside consulting firm specializing in executive compensation, to advise the Committee on matters related to executive and non-employee director compensation. The Compensation Consultant provides the Committee with relevant market data, updates on related trends and developments, advice on program design, and input on compensation decisions for executive officers and non-employee directors. The Compensation Consultant is independent, retained directly by the Committee, and provides no other services directly to us or to HEP (but did provide executive and director compensation consulting services directly to the HEP Compensation Committee).

Overview of 2009 Executive Compensation Components

After reviewing both the internal evaluations of the Named Executive Officers and the market data provided by the Compensation Consultant, the Committee believes that the 2009 compensation for the Named Executive Officers reflects an appropriate allocation of compensation between salary, bonuses and equity compensation.

The components of compensation for the Named Executive Officers in 2009 were:

- base salary
- annual incentive cash bonus compensation
- long-term incentive equity compensation
- retirement and benefit plans
- Change in Control Agreements

Base Salary

Base salaries for Messrs. Clifton, Lamp and Shaw for 2009 were approved in March 2009 by the Committee based on each executive s position, level of responsibility and individual performance, our salary range for individuals at each such executive s level, and market practices. The Committee also reviewed competitive market data relevant to each position provided by the Compensation Consultant. This market data analysis is discussed in detail below under the paragraph titled Review of Market Data. Following a review of these various factors, the Committee determined that increases in the base salaries for Messrs. Clifton, Lamp and Shaw were warranted. Base salaries for Mr. Damiris and Ms. McWatters for 2009 were approved in January 2009 by management since they were not designated as Named Executive Officers at the time their salaries were reviewed and were later ratified by the Committee.

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The base salaries for the following Named Executive Officers were increased over ten percent in 2009 so that their respective base salaries more closely reflected the median range for their respective peers and due to the excellent performance provided by the Named Executive Officers in 2009:

Named Executive Officer	Percentage of Salary Increase
Bruce R. Shaw	18%
George J. Damiris	11%
Denise C. McWatters	14%

The base salary increases received by our other Named Executive Officers for 2009 reflected minor cost of living adjustments.

The salary amounts for each of the 2009 Named Executive Officers are set forth in the Summary Compensation Table.

Annual Incentive Cash Bonus Compensation

Payment with respect to any annual cash bonuses to the Named Executive Officers is contingent upon the satisfaction of pre-established performance criteria as they apply to each individual Named Executive Officer. The amounts paid for 2009 are disclosed in the Summary Compensation Table and described in greater detail in the narrative following the 2009 Grants of Plan-Based Awards table. Generally, payment with respect to any 2009 cash bonus for Named Executive Officers is contingent upon the satisfaction of the following criteria:

A portion of the Named Executive Officer s bonus will equal a pre-established percentage of that executive s base salary, and is based upon the percentage that the Company s net income for 2009 bears to the Company s net income for 2008. This earned component of the bonus will be subject to a minimum and maximum adjustment percentage, as individually set for each Named Executive Officer.

A portion of the bonus is equal to a pre-established percentage of the employee s base salary, and is earned based on our performance for the year compared to that of our peers. The Committee determined that the following companies were the appropriate peer group for this performance component for calendar year 2009: Alon USA Energy, Inc., CVR Energy, Inc., Delek U.S. Holdings, Inc., Frontier Oil Corporation, Sunoco, Inc., Tesoro Corporation, Valero Energy Corp. and Western Refining Company (the 2009 Incentive Award Peer Group). The 2009 Incentive Award Peer Group differed from the peer group of companies that comprised the 2008 peer group for the annual incentive performance component because it better reflects the impact of the external economic conditions we are facing as a company and as an industry as a whole, and are also companies with which both management and investment analysts compare our financial results. Our performance was compared to the performance of the 2009 Incentive Award Peer Group based on the following factors: earnings per share growth, net profit margin, return on investment and return on assets. This component of the bonus is subject to being adjusted to a minimum amount of 0% and a maximum amount determined based on the multiple indicated in the section below in the narrative following the 2009 Grants of Plan-Based Awards table titled Annual Incentive Cash Bonus Compensation times the employee s pre-established percentage.

The Committee may also require that a portion of each Named Executive Officer s bonus will equal a pre-established percentage of base salary, based upon the executive s individual performance over the year. This component of the bonus will also be subject to a minimum and maximum adjustment percentage, as individually set for each Named Executive Officer. For 2009, Messrs. Lamp, Shaw and Damiris and Ms. McWatters were subject to the individual performance requirement, and each of the executives were evaluated through an annual performance review completed in February 2010, which review considered how well each individual performed various tasks for 2009 and considered and evaluated each individual s performance for the year.

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See Annual Incentive Cash Bonus Compensation in the narrative following the 2009 Grants of Plan-Based Awards table for a discussion of what portion of each Named Executive Officer s bonus for 2009 is comprised of each component.

The total bonus pool for all of our executives and non-bargaining unit employees is typically determined by the Committee after the end of each year or designated performance period, calculated pursuant to the achievement of the objective pre-established criteria described above and recommendations from management regarding possible discretionary adjustments. In determining the total bonus pool, the Committee reviews our performance during the previous year and the recommendations of management. Awards for executives for a given year are paid in cash in the first quarter of the following year. See the narrative following the 2009 Grants of Plan-Based Awards table below for a more detailed description of the actual bonuses awarded to the Named Executive Officers and earned in 2009.

Before the end of the first calendar quarter of each year, the Committee approves both the individual awards to be awarded for services provided in the previous year, and performance measures and targets to be used for the upcoming calendar year in determining the cash bonus amounts to be paid to the Named Executive Officers. Performance targets may be based on any factors as the Committee may determine.

In addition to the pre-defined performance criteria, the Committee has discretion to approve a decrease in a Named Executive Officer s bonus by using the same performance objectives for determining a bonus award, but noting that the objectives were not met or did not reach acceptable levels. In the case where the Committee believes that additional compensation is warranted to reward an executive for outstanding performance in a particular situation, the Committee may award additional bonuses in its discretion. In making the determination as to whether to exercise the discretion to either decrease an award or provide additional discretionary bonuses, the Committee reviews recommendations from management, except in the case of compensation for Mr. Clifton, for whom the Committee makes its determinations without management recommendations. For 2009, the Committee approved additional discretionary bonuses as shown in the Summary Compensation Table. A key factor contributing to the decision of the Committee to award additional discretionary bonuses was the effort and results achieved by the Named Executive Officers with regard to the acquisitions from Sunoco, Inc. (R&M) and Sinclair Tulsa Refining Company of two refineries located in Tulsa, Oklahoma. All bonuses were paid in March 2010. The adjustment of up to the multiple indicated in the section below in the narrative following the 2009 Grants of Plan-Based Awards table titled Annual Incentive Cash Bonus Compensation times the employee s pre-established percentage may vary from year to year in the Committee s discretion after consideration of several factors, including whether any performance or other goals are met. If the goals are met, the Committee retains discretion to reduce the percentage paid.

In making annual cash bonus awards in 2009, the Committee also reviewed an analysis of competitive market data prepared by the Compensation Consultant comparing compensation of our Named Executive Officers, including the bonus payments, to our peers and market practices (see the paragraph below titled Review of Market Data for further discussion). As described in greater detail below, this peer group differs from the 2009 Incentive Award Peer Group. The annual incentive targets were assessed on the basis of total cash, including base salary and annual incentive payments. The Committee believes this analysis indicates that total cash compensation to our Named Executive Officers is appropriate for the level of responsibility that each of these officers hold as well as in comparison to compensation levels of comparable executives at our peer organizations.

The targets and actual annual incentive cash bonus compensation awarded, and subsequently earned and payable, for each of the Named Executive Officers is described in the narrative following the 2009 Grants of Plan-Based Awards table.

For 2010, we have not made any substantive changes to the annual incentive cash bonus program.

Long-Term Incentive Equity Compensation

Long-term equity compensation is the cornerstone of the total compensation program for our Named Executive Officers, and generally receives the heaviest weighting of all compensation elements, which is in line with our philosophy that an executive s compensation should create long-term incentives and generate value for our stockholders. The long-term equity incentive compensation we provide is intended to be a key element in driving the creation of value for investors and in attracting and retaining executives capable of effectively executing our business strategies. Equity awards are provided under the Long-Term Incentive Compensation Plan (the LTIP) that was adopted by the Board in October 2002 and approved by our stockholders at the December 2002 Annual Meeting and as amended and restated and approved by our stockholders at the May 2007 Annual Meeting. The LTIP was also amended in 2008, retroactively effective to January 1, 2005, to reflect that the operation of the LTIP was in compliance with Section 409A of the Tax Code.

While the LTIP permits awards of options, restricted stock, bonus stock, stock appreciation rights, phantom stock and performance shares, our long-term equity incentive program currently consists of granting primarily restricted stock and performance share unit awards to our Named Executive Officers as described in more detail below. In 2009, the value of the total long-term incentive award made to each of our Named Executive Officers was equally split 50% in restricted stock and 50% in performance share units.

In determining the appropriate amount and type of long-term equity incentive awards to be made, the Committee considers the Named Executive Officer s position, scope of responsibility, base salary, performance and market compensation information for executives in similar positions in similar companies, prior year awards, and recommendation of the Chief Executive Officer (except in regard to his own award). The awards are granted annually during the first quarter of each year. Our goal is to reward the creation of value and high performance with variable compensation dependent on that performance; thus the market data we have accumulated for use in determining other areas of compensation is used subjectively (and not as an objective factor) to confirm that our executives are paid appropriately relative to comparable executives of other similar companies. The peer data allows the Committee to verify that the compensation paid to executives is appropriate. The total compensation may be adjusted if the Committee observes a material variation from the market data; however, no specific formula is used to benchmark this data.

Messrs. Clifton and Shaw and Ms. McWatters also receive long-term incentive compensation from HEP, in which we own a 34% interest (including the general partner interest). Please refer to Item 11 of HEP s Form 10-K for the fiscal year ended December 31, 2009 for further information concerning the compensation provided by HEP to Messrs. Clifton and Shaw.

Restricted Stock Awards

A restricted stock award is an award of shares of Common Stock which is subject to forfeiture upon termination of employment prior to the vesting of the award. The Committee may approve grants on the terms that it determines, including the period during which the award will vest. Under the LTIP, the Committee may condition vesting upon the achievement of specified financial objectives. The restricted stock will vest upon our change of control, unless provided otherwise by the Committee in the agreement governing the award. Named Executive Officers holding restricted stock have all the rights of a stockholder with respect to such restricted stock, including the right to receive all dividends paid with respect to such restricted stock and the right to vote with respect to the restricted stock, subject to limitations on transfer and disposition of the restricted stock during the restricted period. Restricted stock is subject to forfeiture in the event that the executive s employment or service relationship terminates, unless and to the extent that the Committee provides otherwise.

In 2009, Messrs. Clifton and Lamp were granted awards of restricted stock that will vest in three equal annual installments, and the awards also included performance requirements, one effect of which is to preserve the tax deductibility of the awards, under Section 162(m) of the Tax Code, as described in the Tax and Accounting Implications section below. Our other Named Executive Officers also received restricted stock awards in 2009; however, performance requirements were not placed on the restricted stock granted to any other Named Executive

Officer largely because the compensation paid to those officers did not exceed the limitations imposed by Section 162(m) of the Tax Code. Other specific terms for the restricted stock grants provided to each Named Executive Officer are described in the narrative following the 2009 Grants of Plan-Based Awards table.

The Committee determined that, beginning with the 2009 restricted stock grants, dividends to recipients of restricted stock grants with performance standards will be deferred until the applicable awards vest and such dividends shall be forfeited if such awards do not vest.

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Performance Share Unit Awards

A performance share unit is a notional phantom unit that entitles the executive to receive, as may be provided in the applicable agreement governing the award, Common Stock or a cash amount equal to the value of the Common Stock upon the vesting of the performance share units. A performance share unit will be earned depending upon our performance versus that of the 2009 Incentive Award Peer Group. The terms of an award are determined by the Committee at the time of the award, including the number of units in each grant, the performance targets, the method of determining the amounts payable for different levels of performance, and the nature and timing of payment. The specific goals for the awards granted for the 2009 year are specified below in the footnotes to the tables titled 2009 Grants of Plan-Based Awards and Outstanding Equity Awards at Fiscal Year End. Performance share units will vest upon a change of control and be paid at the performance percentage determined following the conclusion of the performance period, unless provided otherwise by the Committee. Performance share units are also subject to forfeiture in the event that the executive s employment or service relationship terminates, unless and to the extent that the Committee provides otherwise.

In 2009, all of our Named Executive Officers were granted awards of performance share units. The performance period for such awards will be from January 1, 2009 through September 30, 2011 and the Named Executive Officer must be employed by us on December 31, 2011 to receive a settlement for the performance share unit awards, except as provided otherwise in the award agreements governing the awards. Other specific terms of the awards, including the performance criteria and goals, are described in the narrative in the section below titled 2009 Grants of Plan-Based Awards.

Review of Market Data

Market pay practices are one of many factors considered by the Committee in setting compensation for the Named Executive Officers. We regularly compare our compensation program with market information regarding salary and annual incentive levels, long-term incentive award levels, and short and long term incentive programs. The purpose of this analysis is to provide a frame of reference in evaluating the reasonableness and competitiveness of compensation with the energy industry and to ensure that our compensation is generally comparable to companies of similar size and scope of operations. Market pay levels are obtained from various sources including published compensation surveys and information taken from the SEC filings of a number of similarly situated companies as compiled by our Compensation Consultant. The Committee reviews and discusses market data and recommendations provided by the Compensation Consultant, and the Committee retains the final decision making authority on all compensation decisions. The benchmark group that the Committee reviewed in the fall of 2008 in order to set 2009 compensation was comprised of BJ Services Company, Cameron International Corporation, Crosstex Energy, Inc., CVR Energy, Inc., El Paso Corp., Exterran Energy Corp., FMC Technologies, Inc., Frontier Oil Corporation, Murphy Oil Corporation, Spectra Energy Corp., Tesoro Corporation, Western Refining, Inc. and Williams Companies, Inc. This peer group is different than the 2009 Incentive Award Peer Group because the performance component utilized for purposes of our annual incentive cash bonuses and performance share unit awards is not properly reflected solely through the companies utilized for total compensation purposes. The additional companies comprising the 2009 Incentive Award Peer Group are companies with which both management and investment analysts compare our financial results; however, those companies are often too large in size (as with Valero Energy Corp.) or significantly differ in ownership and management composition from us (as with Alon USA Energy, Inc.) for the Committee to include them as suitable comparisons when considering total compensation packages. For purposes of determining overall compensation for our executives, a central objective is to position pay levels at approximately the middle range of market compensation. As noted, however, market pay levels are only one factor considered, with pay decisions ultimately reflecting an evaluation of individual contribution and value to us.

As discussed above, the Compensation Consultant does not have approval authority for the ultimate compensation that is provided to employees, including Named Executive Officers. Instead, the Compensation Consultant provides information and recommendations to the Committee and identifies the areas that do not appear to be consistent with the general practice of our peer group of companies (without setting specific benchmarks and using a discretionary standard). During 2009, the Compensation Consultant provided information and recommendations regarding compensation to management and to the Committee prior to the meetings when salaries were