



IDR Simplification

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Management Call: 8:30am EST

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Strategic Rationale

IDR restructuring is expected to improve the long-term cost of capital, simplify HEP's corporate structure, and provide stronger alignment of the GP and LP interests

- Eliminates IDR “drag,” which lowers the cost of equity
 - Decreases HEP cost of equity from 11% to 7.5% pro forma ¹
 - Enhances ability to pursue both organic projects and potential acquisitions
 - Allows for accelerated growth and improved valuation levels over time
- Provides more transparent valuation of HFC's ownership in HEP
 - Eliminates ambiguity in calculating the value of the IDRs
- Provides stronger alignment of GP and LP Interests

1) Assumes cost of equity is equal to current annualized distribution yield based on latest annualized quarterly distribution. Unit price and distribution information as of 10/18/17.

Transaction Details

IDR SIMPLIFICATION

- At closing, HEP will issue 37,250,000 HEP common units to its general partner, a wholly-owned subsidiary of HFC in exchange for the elimination of HEP's IDRs held by the general partner and conversion of the 2% GP interest in HEP into a non-economic interest
 - Pro forma HFC will own approximately 59% of HEP's outstanding common units

DISTRIBUTION WAIVER

- The general partner will waive \$2.5 million a quarter in LP distributions for a period of 12 consecutive quarters

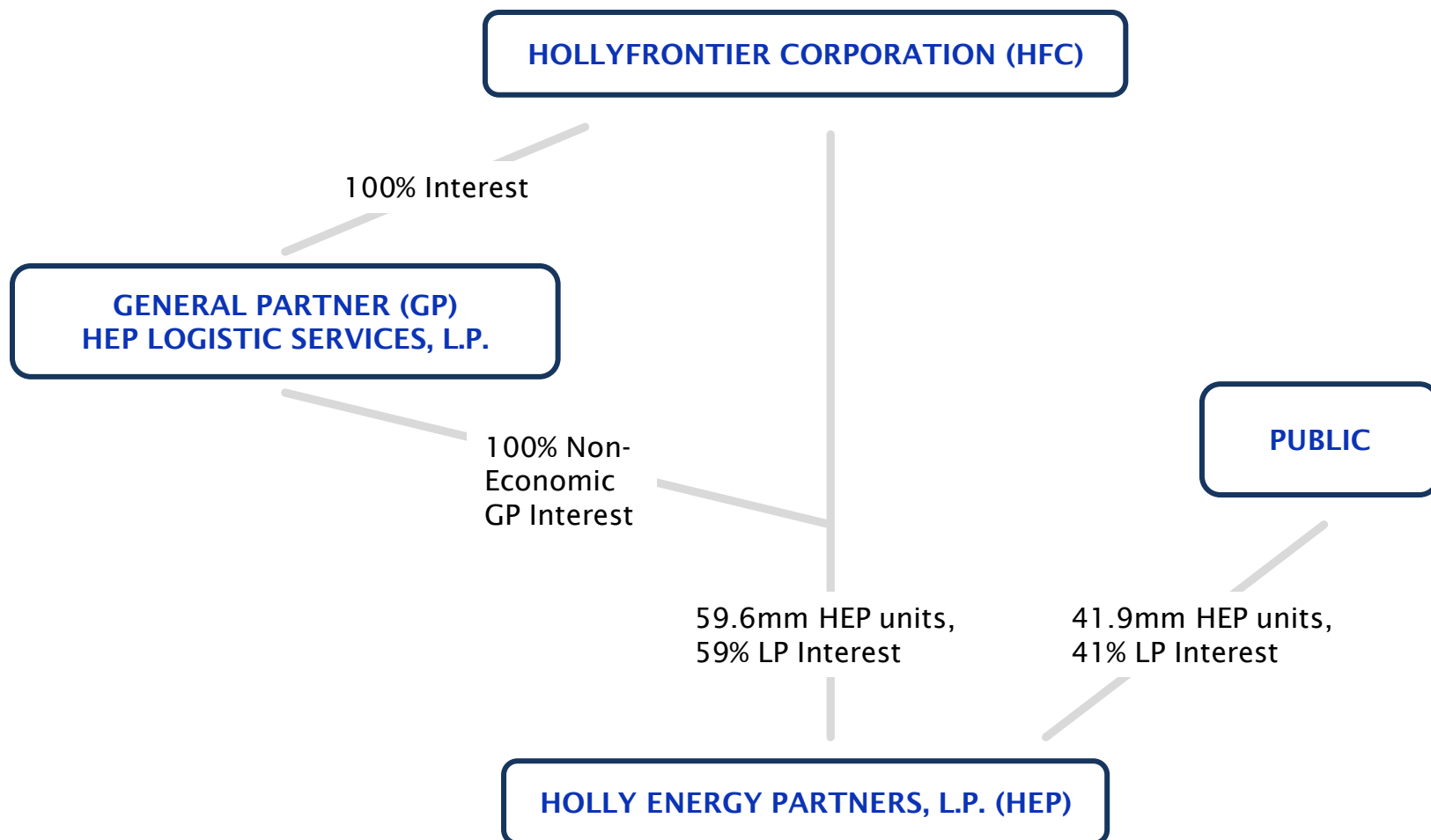
VALUATION

- Total equity value of approximately \$1.25 billion, representing 14.0x expected 2018 GP Cash flow based on closing price on October 18, 2017

CLOSING

- The transaction has been approved by the Audit Committee and Board of Directors of HFC and the Conflicts Committee and the Board of Directors of Holly Logistic Services, L.L.C., the ultimate general partner of HEP.
- We expect to close the transaction in the fourth quarter of 2017, subject to customary closing conditions

Pro Forma Ownership Structure



A low-angle photograph of an industrial refinery at dusk. The sky is a deep blue, and the refinery's structures, including tall distillation columns and a complex network of pipes, are illuminated from below, creating a warm, golden glow. The perspective is looking up, emphasizing the scale and height of the equipment.

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