

HOLLY CORP
Form DEF 14A
April 08, 2008

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
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

April 7, 2008

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Holly Corporation to be held on Thursday, May 8, 2008, at 10:00 a.m., local time, in Salons A & B, Hotel Crescent Court, 400 Crescent Court, Dallas, Texas. 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 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 2008, 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. However, to ensure your representation at the meeting, you are urged to complete, sign, date and return, in the enclosed postage paid envelope, the enclosed proxy card or to grant your proxy by the Internet or by telephone, as described on the enclosed proxy card, as promptly as possible. 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 by telephone. When providing your proxy, please indicate whether you plan to attend the Annual Meeting in person.

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 7, 2008

PLEASE TAKE NOTICE that the 2008 Annual Meeting of Stockholders (the Annual Meeting) of Holly Corporation (the Company) will be held on Thursday, May 8, 2008, at 10:00 a.m. local time in Salons A & B, Hotel Crescent Court, 400 Crescent Court, Dallas, Texas, to consider and vote on the following matters:

1. Election of 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 Directors, of the selection of Ernst & Young, LLP, an independent registered public accounting firm, as the Company s auditor for the year 2008; and
3. Such other business as may properly come before the meeting, or any postponement or adjournment thereof.

The Company s Annual Report for its year ended December 31, 2007 is being distributed with this Proxy Statement.

The close of business on March 26, 2008 (the Record Date), has been fixed as the record date for the determination of stockholders entitled to receive notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof. Only holders of record of the Company s Common Stock at the close of business on the Record Date are entitled to notice of, and 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 8, 2008.

The proxy statement, proxy card and 2007 Annual Report to Stockholders are available on the Company s website at www.hollycorp.com.

Whether or not you plan to attend the Annual Meeting, please complete, sign, date and return the enclosed proxy card or grant your proxy by the Internet or telephone, as described on the enclosed proxy card, as promptly as possible.

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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.

By Order of the Board of Directors:

W. JOHN GLANCY

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 Thursday, May 8, 2008, and at any adjournment or postponement thereof. By signing and returning the enclosed proxy card or granting your proxy by the Internet or by 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. This Proxy Statement and the proxy card were first mailed to stockholders of the Company on or about April 7, 2008.

This solicitation of proxies is made by the Board and will be conducted primarily by mail. Officers, directors and employees of the Company may solicit proxies personally or by telephone, electronic mail, telegram or other forms of wire or facsimile communication. The Company may also request banking institutions, brokerage firms, custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of the Company's common stock (the 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 7, 2008. In the absence of any such revocation, shares represented by the persons named in the Proxies will be voted at the Annual Meeting.

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 50,916,895 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. Abstentions and broker non-votes will count in determining if a quorum is present at the Annual Meeting. A broker non-vote occurs if a broker or other nominee attending the meeting in person or submitting a

proxy card does not have discretionary authority to vote on a particular item and has not received voting instructions with respect to that item.

PROPOSAL ONE ELECTION OF DIRECTORS

The Board has designated Buford P. Berry, Matthew P. Clifton, Marcus R. Hickerson, Thomas K. Matthews, II, Robert G. McKenzie, Jack P. Reid and Paul T. Stoffel 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 2009 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.

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.

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 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 public accounting firm, to be the Company's auditor for the year 2008 and, with the endorsement of the Board of Directors, recommends to the stockholders that they ratify that appointment. Ernst & Young LLP served in this capacity in 2007. 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 reviewed and approved 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 their 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 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 2008.

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 Securities and Exchange Commission (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 50,916,895 shares of Common Stock outstanding.

Name and Address of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership	Percent of Common Stock Outstanding
Brown Brothers Harriman Trust Company of Texas 2001 Ross Ave Dallas, Texas 75201-2996	7,525,217 ⁽¹⁾	14.78%
Renaissance Technologies LLC 800 Third Ave. 33rd Floor New York, New York 10022	2,781,200 ⁽²⁾	5.46%
Jack P. Reid	605,463 ⁽⁵⁾	1.19%
Paul T. Stoffel	446,757	*
Matthew P. Clifton	300,037 ⁽³⁾⁽⁴⁾	*
Stephen J. McDonnell	284,943 ⁽³⁾	*
W. John Glancy	81,360 ⁽³⁾	*
Marcus R. Hickerson	63,205 ⁽⁶⁾	*
David L. Lamp	47,258 ⁽³⁾⁽⁴⁾	*
William J. Gray	32,289	*
Thomas K. Matthews, II	23,957	*
Buford Berry	10,757	*
Robert G. McKenzie	13,897	*
P. Dean Ridenour	14,116	*
All directors and executive officers as a group (12 persons) ⁽³⁾	1,924,039 ⁽⁷⁾	3.78%

* less than one percent.

- (1) Brown Brothers Harriman Trust Company of Texas (Brown Brothers Texas) is deemed to beneficially own 7,525,217 shares in its capacity as trustee of trusts for the benefit of Betty Simmons Regard, Margaret Simmons Dear, Suzanne Simmons Bartolucci and their descendants, and for Lamar Norsworthy, Nona Norsworthy Barrett and their descendants. Brown Brothers Texas has sole voting power and sole investment power (as applicable) with respect to 6,538,353 shares. Brown Brothers Texas is deemed to own beneficially 986,864 shares in its capacity as co-trustee for the benefit of Mrs. Barrett, Mr. Norsworthy and Mary Frances Norsworthy Fernandes. These trusts own 100% of NBN Asset Management Company, L.L.C. and NBN Capital L.P. which between them hold the 986,864 shares. Brown Brothers Harriman & Co. and Brown Brothers Harriman Trust Company, (N.A.) are controlling entities of Brown Brothers Texas.

- (2) Renaissance Technologies LLC has filed with the SEC a Schedule 13G, dated February 13, 2008. Based on the Schedule 13G, Renaissance Technologies LLC has sole voting power and sole dispositive power with respect to 2,781,200 shares, and shared voting power and shared dispositive power with respect to no shares.
- (3) The number of shares beneficially owned includes shares of Common Stock of which such individuals or their trustees have the right to acquire beneficial ownership either currently or within 60 days after the record date, upon the exercise of options, as follows: 80,000 shares for Mr. Clifton, 15,000 shares for Mr. Glancy, 240,000 shares for Mr. McDonnell, and 411,000 shares for all executive officers as a group. The number of shares beneficially owned also includes unvested shares of restricted stock (including restricted stock granted in March 2008) which (as of the Record Date) such individuals cannot dispose of until the restrictions on these shares lapse, as follows: 60,368 restricted shares for Mr. Clifton, 15,903 restricted shares for Mr. Glancy, 19,987 restricted shares for Mr. Lamp, 10,256 restricted shares for Mr. McDonnell, 3,369 restricted shares for Mr. Ridenour and 109,833 restricted shares for all executive officers as a group. The number does not include unvested performance share units.
- (4) The number of shares beneficially owned does not include shares in the Thrift Plan for Employees of Holly Corporation, Its Affiliates and Subsidiaries as follows: 36,840 shares for Mr. Clifton, 10 shares for Mr. Lamp, and 126,707 shares for all executive officers as a group. All such shares are subject to the directions of the participant or the participant's trustee as to holding or selling such shares.
- (5) This number includes 90,287 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.
- (6) Mr. Hickerson disclaims beneficial ownership as to 16,000 of these shares.
- (7) Includes 16,000 shares as to which Mr. Hickerson disclaims beneficial ownership and the 90,287 shares as to which Mr. Reid disclaims beneficial ownership.

DIRECTORS

The following table sets forth certain information regarding the directors of the Company in 2007. Each director's term of office expires at the Annual Meeting.

Name of Nominee	Age	Current Title
Buford P. Berry	72	Director
Matthew P. Clifton	56	Chief Executive Officer, Chairman of the Board*
W. John Glancy	66	Senior Vice President, General Counsel and Secretary, Director
William J. Gray	67	Director
Marcus R. Hickerson	81	Director
Thomas K. Matthews, II	82	Director
Robert G. McKenzie	70	Director
Lamar Norsworthy	61	Chairman of the Board**
Jack P. Reid	71	Director
Paul T. Stoffel	72	Director

Buford P. Berry, a director since May 2004, has served as a manager and an Advisory Committee Member of Dorchester Minerals Management GP LLC 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.

**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 January 1, 2006 until April 2007. Mr. Clifton served as President of the Company from 1995 to January 1, 2006, and since March 2004, has served as Chairman of the Board and Chief Executive Officer of Holly Logistic Services, L.L.C., 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 46% interest (including the general partner interest) in Holly Energy Partners, L.P.

W. John Glancy, a director from 1975 to 1995 and since September 1999, has been Senior Vice President and General Counsel of the Company since April 1999. He also held the office of Secretary from April 1999 through February 2005, and since May 2007. From December 1998 to September 1999, he was Senior Vice President, Legal of the Company. From 1997 through March 1999, he practiced law in the Law Offices of W. John Glancy in Dallas. Mr. Glancy currently also serves as Vice President, General Counsel and Secretary of Holly Logistic Services, L.L.C. Mr. Glancy has not been nominated as a director for election at the annual meeting.

William J. Gray, a director since September 1996, is a private consultant. He has served as a governmental affairs consultant for the Company since January 2003 and also served as a consultant to the Company from October 1999 through September 2001. Until October 1999, Mr. Gray was Senior Vice President, Marketing and Supply of the Company. In November 2006, Mr. Gray was elected to the New Mexico House of Representatives. Mr. Gray has not been nominated as a director for election at the annual meeting.

Marcus R. Hickerson, a director since 1960, was a consultant to Centex Development Company from 1987 to 1999 and has been President of Waxahachie Community Development Corporation since October 1999.

Thomas K. Matthews, II, a director since 1978, is a financial consultant.

Robert G. McKenzie, a director since 1992, is a financial consultant. From January 1990 to August 1999, he was Executive Vice President and Chief Operating Officer of Brown Brothers Harriman Trust Company of Texas.

***Lamar Norsworthy*, a director from 1967 to May 2007, served as the Company's chief executive officer from 1971 to 2005, holding the title of President from 1971 to 1977 and the title of Chairman of the Board and Chief Executive Officer from 1977 through the end of 2005. From January 2006 until April 5, 2007, he held the office of Chairman of the Board. Mr. Norsworthy also served as a director of Cameron International Corporation from

May 2001 to May 2007 and served as a director of Holly Logistic Services, L.L.C. from March 2004 until April 2007. Effective April 3, 2007, in accord with normal Company practice, Mr. Norsworthy's employment with the Company terminated based on his long-term disability following an illness that began in October 2006. By action of the Board, Mr. Norsworthy ceased to hold the office of Chairman of the Board on April 5, 2007.

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.

Paul T. Stoffel, a director since 2001, is Chairman of Triple S Capital Corp. and of Paul Stoffel Investments, engaged in public and private equity investments.

Compensation of Directors

For the year ended December 31, 2007, directors who are not employees of the Company or its subsidiaries were compensated as follows:

	Prior to July 1, 2007	On and After July 1, 2007
Annual Retainer (payable in 4 quarterly installments)	\$ 35,000	\$ 40,000
Each Attended Board Meeting or Committee Meeting	\$ 1,500	\$ 2,000
Telephonic Special Board or Committee Meetings (under 30 Minutes)	\$ 0	\$ 0
Telephonic Special Board or Committee Meetings (over 30 minutes and under 2 hours)	\$ 750	\$ 1,000
Telephonic Special Board or Committee Meeting (lasting over 2 hours)	\$ 1,500	\$ 1,000 ⁽¹⁾
Annual Grant of Restricted Share Units ⁽²⁾	\$ 80,000	\$ 120,000
Special Retainer for Chairman of Audit Committee	\$ 10,000	\$ 15,000
Special Retainer for Chairman of Compensation, Nominating/Corporate Governance or Public Policy Committee	\$ 5,000	\$ 10,000
Officers of the Company who also serve as Directors	\$ 0	\$ 0

(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 statement, no telephonic meetings have resulted in the payment of a \$2,000 meeting fee.

(2) Share grants are based upon the market closing price on the day of the grant. With respect to the restricted share units, the restrictions lapse in 25% increments every three months and fully vest one year following the date of grant. Under the current compensation program for 2007, a number of shares of Holly Corporation Common Stock equal to vested restricted share units will be earned and transferred to the director as of the earlier of three years from the date of grant or the date the director ceases to serve on the Board. Until such time, the director will receive dividend equivalent rights, but not voting rights. The change in the amount of annual grant was effective May 25, 2007.

During the year ended December 31, 2007, compensation was provided to the Company's outside directors as set forth below:

Name	Fees Earned or Paid in Cash	Stock Awards ⁽¹⁾	All Other Compensation	Total
Buford P. Berry	\$ 79,750	\$ 119,214	\$ 0	\$ 198,964
William J. Gray	\$ 54,500	\$ 119,214	\$ 32,047 ⁽²⁾	\$ 205,761
Marcus R. Hickerson	\$ 67,750	\$ 119,214	\$ 0	\$ 186,964
Thomas K. Matthews, II	\$ 85,500	\$ 119,214	\$ 0	\$ 204,714
Robert G. McKenzie	\$ 90,500	\$ 119,214	\$ 0	\$ 209,714
Lamar Norsworthy ⁽³⁾	\$ 0	\$ 7,611,975 ⁽⁴⁾	\$ 166,727 ⁽⁵⁾	\$ 7,778,702
Jack P. Reid	\$ 54,500	\$ 119,214	\$ 0	\$ 173,714
Paul T. Stoffel	\$ 60,000	\$ 119,214	\$ 0	\$ 179,214

- (1) Reflects the dollar amount recognized in the year ended December 31, 2007 in accordance with SFAS 123(R), and includes amounts for awards granted prior to 2007. In 2007, each of the directors listed except Mr. Norsworthy, received an award of 1,737 restricted stock units with a May 25, 2007 grant date fair value of \$69.09 (based on the closing price at the date of grant). Of the restricted stock units granted to each director, 25% vested on August 25, 2007, 25% vested on November 25, 2007, 25% vested on February 25, 2008, and the remaining 25% will vest on May 25, 2008. The fair value of each restricted stock unit grant is amortized over the vesting period. As of December 31, 2007, each of the directors listed above (except for Mr. Norsworthy) held 3,018 unvested restricted shares.
- (2) Reflects payment for consulting services provided by Mr. Gray to the Company during 2007.
- (3) Mr. Norsworthy held the position of a director and Chairman of the Board of the Company until April 5, 2007, at which time he was replaced as Chairman of the Board by Mr. Clifton. He ceased to be a director at the 2007 Annual Meeting. Although Mr. Norsworthy was also an employee and held the title of an executive of the Company during the first quarter of 2007, he did not perform any policy-making functions for the Company during that period and, as a result, he is treated for purposes hereof solely as a director for 2007. The Company compensated Mr. Norsworthy as an employee and, therefore, did not provide him with the compensation package available to non-employee directors.
- (4) The amount reported for Mr. Norsworthy in the Stock Awards column above reflects the dollar amount recognized by the Company in the year ended December 31, 2007, in accordance with SFAS 123(R), with respect to stock awards to Mr. Norsworthy, and includes amounts for awards granted prior to 2007. See note 5 to our Consolidated Financial Statements for the fiscal year ended December 31, 2007 included in the Company's Annual Report on Form 10-K filed with the SEC on February 29, 2008 for a discussion of the assumptions used in determining the SFAS 123(R) compensation cost of these awards. No stock awards were made to Mr. Norsworthy in 2007, and all stock awards (and/or other equity awards) granted to Mr. Norsworthy prior to 2007 were made to him in his capacity as Chief Executive Officer and/or Chairman of the Board of the Company, as applicable, and not in his capacity as a non-employee member of the Board. Mr. Norsworthy held the following awards that were outstanding as of December 31, 2007 (see footnotes 7(c) and 7(e) to the

Outstanding Equity Awards at Fiscal Year End table below for more information regarding each award):

February 2005 Performance Share Units	44,550 (these shares vested in February 2008)
February 2006 Performance Share Units	20,930

The total market value of Mr. Norsworthy's 65,480 performance share units that were unvested as of December 31, 2007 based upon the closing market price on December 31, 2007, which was \$50.89, is \$3,332,277.

Though not reflected in the above table, Mr. Norsworthy exercised the following stock options during 2007 on the indicated dates and with the indicated exercise price:

Number of Options	Date Exercised	Exercise Price	Average Actual Price for Shares
505,800	October 26, 2007	\$1.75	\$66.56
113,100	October 29, 2007	\$1.75	\$64.25
100,000	October 30, 2007	\$1.75	\$62.15
81,100	October 31, 2007	\$1.75	\$62.07
96,000	October 31, 2007	\$2.975	\$62.07

In May 2004, Mr. Norsworthy was granted 99,800 performance share units (as adjusted for the August 2004 and June 2006 stock splits). Those performance share units were paid at 200% following the Compensation Committee's determination that the total stockholder return of the Company's Common Stock as compared to and ranked with the total stockholder return of the peer group identified in the agreement evidencing the performance share unit grants was above the 76th percentile. Mr. Norsworthy received a cash payment of \$8,463,588.00 for those performance share units in 2007. In addition, pursuant to the early termination provisions of the Holly Corporation Executive Restricted Stock Agreements to which Mr. Norsworthy is a party, the Compensation Committee vested, effective April 5, 2007:

- (a) 53,200 restricted shares with a performance standard (as adjusted for the August 2004 and June 2006 stock splits) granted in May 2004,
- (b) 44,550 restricted shares with a performance standard (as adjusted for the June 2006 stock split) granted in February 2005, and
- (c) 13,953 restricted shares with a performance standard (as adjusted for the June 2006 stock split) granted in February 2006.

In 2007, the total value realized by Mr. Norsworthy (a) upon the exercise of stock options was \$55,947,304 (value realized from the exercise of stock options is equal to the closing price of our Common Stock on the date of exercise less the exercise price multiplied by the number of options exercised (calculated before payment of any applicable withholding or other income taxes)); and (b) upon the vesting of restricted shares, was \$6,787,074 (calculated as the closing price per common share on the date of vesting multiplied by the number of shares that became vested, with no deduction for any applicable withholding or other taxes); and (c) upon the vesting of performance share units was \$8,463,588 (calculated based upon the average price per share for the 30 days of trading prior to the end of the performance period).

Also not reflected in the table above, Mr. Norsworthy was eligible to elect early retirement as of December 31, 2007, under the Company's Retirement Plan (which is a tax-qualified defined benefit plan) and the Company's Retirement Restoration Plan (which is a non-qualified defined benefit plan) (collectively, the pension plans), since he is over age 50 and has more than 10 years of service. As of December 31, 2007, Mr. Norsworthy had 36 years of credited service under the pension plans and the present value, as computed for financial reporting purposes, of his accumulated benefits in the pension plans was \$1,349,168 (more detail regarding our calculation is located in the section titled "Pension Benefits" below). Mr. Norsworthy has not begun receiving benefits under the pension plans; however, Mr. Norsworthy's early retirement benefits payable beginning January 1, 2008, are estimated to be \$9,228 per month payable for his lifetime or \$1,472,300 payable as a lump

sum from the Company's Retirement Plan, and \$19,222 per month payable for his lifetime or \$3,066,880 payable as a lump sum from the Company's Retirement Restoration Plan. Additional information about the pension plans may be found in the section of this proxy entitled Pension Benefits. Mr. Norsworthy's participation in the pension plans was based on his status as Chief Executive Officer and/or Chairman of the Board of the Company, as applicable, and not on his status as a director of the Company.

(5) Reflects short term disability payments made by the Company to Mr. Norsworthy in 2007.

Guidelines for Stock Ownership for Outside Directors

Under the Company's stock ownership guidelines approved by the Board in 2006, each director is expected to retain fifty percent of his restricted shares until the market value of the Company shares held by the director is equal to \$105,000.

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 listing standards. The directors determined by the Board to be independent under this standard are Buford P. Berry, William J. Gray, Thomas K. Matthews, II, Robert G. McKenzie, Paul T. Stoffel, Jack P. Reid and Marcus R. Hickerson.

In determining that Mr. Hickerson is an independent director, the Board considered the fact that Mr. Hickerson's 54-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 New York Stock Exchange (NYSE) rules and of Rule 10A-3 under the Exchange Act. 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. Gray is an independent director, the Board considered the fact that William J. Gray was elected to the New Mexico House of Representatives in November 2006 and that the Company has refining operations in New Mexico. The Board's determination that Mr. Gray's duties as a member of the New Mexico state legislature would not interfere with his ability to act as an independent fiduciary to the Company was based particularly on the fact that Mr. Gray satisfies all of the independence requirements of Section 303A.02(b) of the NYSE and of Rule 10A-3 under the Exchange Act. The Board also considered the conflicts of interest provisions of the Company's Code of Business Conduct and Ethics, discussed such provisions with Mr. Gray and determined that Mr. Gray's duties as a New Mexico state representative do not interfere with the interests of the Company as a whole.

In determining that Mr. Reid is an independent director, the Board considered the fact that Mr. Reid's 47 year old son, Willie D. Reid, is employed as a Manager of Applications Infrastructure Support of the Company. From 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 New York Stock Exchange (NYSE) rules and of Rule 10A-3 under the Exchange Act. 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 eight meetings during 2007. The Board has five principal standing committees: the Executive Committee, the Audit Committee, the Compensation Committee, the Nominating/Corporate Governance Committee, and the Public Policy Committee. Each of the committees is appointed by the Board. During 2007, each director, with the exception of Mr. Norsworthy, attended at least 75% of the total number of meetings of the Board. As a result of Mr. Norsworthy's illness beginning in October 2006, he missed all of the 2007 Board meetings held prior to his ceasing to be a director on May 24, 2007. During 2007, each director except Mr. Norsworthy attended at least 75% of

each of the meetings 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 except Mr. Norsworthy attended the 2007 Annual Meeting of Stockholders.

The current members of the Executive Committee are Messrs. Clifton (Chairman), Glancy, Reid and McKenzie. Mr. Norsworthy ceased to be a member and Chairman of the Executive Committee in April 2007

at which time the Board appointed Mr. McKenzie as a member and Mr. Clifton as Chairman. 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 2007, the committee met three times.

The current members of the Audit Committee are Messrs. McKenzie (Chairman), Berry, Matthews, and Stoffel. 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 2007, the committee met nine times. 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 who requests it. As described above, all members of the Audit Committee have been determined to be independent as independence is defined in Section 303A.02 of the New York Stock Exchange's listing standards. The Board has 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 current members of the Compensation Committee are Messrs. Berry (Chairman), Matthews and McKenzie. The Compensation Committee of the Board is responsible for the oversight of compensation programs and plans for the executive officers of the Company. The Compensation Committee determines the level of compensation, paid to the Company's Chief Executive Officer and all other executive officers. The Compensation Committee is also responsible for establishing and overseeing the compensation program for non-employee directors who serve on the Board. As described above, all members of the Compensation Committee have been determined to be independent as independence is defined in Section 303A.02 of the New York Stock Exchange's listing standards. During 2007, the Compensation Committee met eleven times. The Board has adopted a written charter for the Compensation Committee, which is available on the Company's website at www.hollycorp.com and is available in print to any stockholder who requests it.

The current members of the Nominating/Corporate Governance Committee are Messrs. Matthews (Chairman), Berry, McKenzie and Stoffel. The Nominating/Corporate Governance 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/Corporate Governance Committee have been determined to be independent as independence is defined in Section 303A.02 of the New York Stock Exchange's listing standards. During 2007, the committee met five times. The Board has adopted a written charter for the Nominating/Corporate Governance Committee, which is available on the Company's website at www.hollycorp.com and is available in print to any stockholder who requests it.

The current members of the Public Policy Committee are Messrs. Hickerson (Chairman), Gray, and Reid. 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 2007, 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 New York Stock Exchange'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 as of May 8, 2008. 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/Corporate Governance Committee reviews all potential director