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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014
OR

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

For the transition period from ___________ to ____________

Commission File Number: 1-32225

HOLLY ENERGY PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

Delaware	**20-0833098**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2828 N. Harwood, Suite 1300 **Dallas, Texas**	**75201**
(Address of principal executive offices)	**(Zip code)**

(214) 871-3555
(Registrant's telephone number, including area code) ____
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

The number of the registrant's outstanding common units at July 25, 2014 was 58,657,048.

HOLLY ENERGY PARTNERS, L.P.
INDEX

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain “forward-looking statements” within the meaning of the federal securities laws. All statements, other than statements of historical fact included in this Form 10-Q, including, but not limited to, those under “Results of Operations” and “Liquidity and Capital Resources” in Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I are forward-looking statements. Forward-looking statements use words such as “anticipate,” “project,” “expect,” “plan,” “goal,” “forecast,” “intend,” “should,” “would,” “could,” “believe,” “may,” and similar expressions and statements regarding our plans and objectives for future operations. These statements are based on our beliefs and assumptions and those of our general partner using currently available information and expectations as of the date hereof, are not guarantees of future performance and involve certain risks and uncertainties. Although we and our general partner believe that such expectations reflected in such forward-looking statements are reasonable, neither we nor our general partner can give assurance that our expectations will prove to be correct. All statements concerning our expectations for future results of operations are based on forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. Certain factors could cause actual results to differ materially from results anticipated in the forward-looking statements. These factors include, but are not limited to:

- risks and uncertainties with respect to the actual quantities of petroleum products and crude oil shipped on our pipelines and/or terminalled, stored or throughput in our terminals;
- the economic viability of HollyFrontier Corporation, Alon USA, Inc. and our other customers;
- the demand for refined petroleum products in markets we serve;
- our ability to purchase and integrate future acquired operations;
- our ability to complete previously announced or contemplated acquisitions;
- the availability and cost of additional debt and equity financing;
- the possibility of reductions in production or shutdowns at refineries utilizing our pipeline and terminal facilities;
- the effects of current and future government regulations and policies;
- our operational efficiency in carrying out routine operations and capital construction projects;
- the possibility of terrorist attacks and the consequences of any such attacks;
- general economic conditions; and
- other financial, operational and legal risks and uncertainties detailed from time to time in our Securities and Exchange Commission filings.

Cautionary statements identifying important factors that could cause actual results to differ materially from our expectations are set forth in this Form 10-Q, including without limitation, the forward-looking statements that are referred to above. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2013 , in “Risk Factors” and in this Form 10-Q in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” All forward-looking statements included in this Form 10-Q and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements speak only as of the date made and, other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

Item 1. **Financial Statements**

HOLLY ENERGY PARTNERS, L.P.
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

	June 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,066	$ 6,352
Accounts receivable:		
Trade	6,507	5,061
Affiliates	27,852	29,675
	34,359	34,736
Prepaid and other current assets	3,746	3,874
Total current assets	44,171	44,962
Properties and equipment, net	966,464	957,814
Transportation agreements, net	84,177	87,650
Goodwill	256,498	256,498
Investment in SLC Pipeline	24,637	24,741
Other assets	8,797	10,843
Total assets	$ 1,384,744	$ 1,382,508
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable:		
Trade	$ 13,717	$ 14,414
Affiliates	3,989	8,484
	17,706	22,898
Accrued interest	6,688	10,239
Deferred revenue	12,327	13,981
Accrued property taxes	4,514	2,603
Other current liabilities	2,998	1,845
Total current liabilities	44,233	51,566
Long-term debt	839,253	807,630
Other long-term liabilities	13,306	14,585
Deferred revenue	25,640	21,669
Class B unit	23,401	20,124
Equity:		
Partners' equity:		
Common unitholders (58,657,048 units issued and outstanding at June 30, 2014 and December 31, 2013)	489,980	516,147
General partner interest (2% interest)	(147,539)	(146,557)
Accumulated other comprehensive loss	(795)	(144)
Total partners' equity	341,646	369,446
Noncontrolling interest	97,265	97,488
Total equity	438,911	466,934
Total liabilities and equity	$ 1,384,744	$ 1,382,508

See accompanying notes.

HOLLY ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Revenues:				
Affiliates	$ 64,480	$ 63,187	$ 136,312	$ 124,699
Third parties	10,518	12,098	25,690	24,884
	74,998	75,285	162,002	149,583
Operating costs and expenses:				
Operations (exclusive of depreciation and amortization)	24,567	24,538	47,379	50,403
Depreciation and amortization	15,882	15,127	31,470	29,281
General and administrative	2,516	3,100	5,667	6,332
	42,965	42,765	84,516	86,016
Operating income	32,033	32,520	77,486	63,567
Other income (expense):				
Equity in earnings of SLC Pipeline	748	746	1,270	1,403
Interest expense	(8,329)	(11,629)	(18,783)	(24,113)
Interest income	—	4	3	107
Loss on early extinguishment of debt	—	—	(7,677)	—
Gain on sale of assets	—	—	—	2,022
Other (income) expense	26	—	34	—
	(7,555)	(10,879)	(25,153)	(20,581)
Income before income taxes	24,478	21,641	52,333	42,986
State income tax expense	(28)	(344)	(103)	(400)
Net income	24,450	21,297	52,230	42,586
Allocation of net income attributable to noncontrolling interests	(1,416)	(1,130)	(5,053)	(4,020)
Net income attributable to Holly Energy Partners	23,034	20,167	47,177	38,566
General partner interest in net income, including incentive distributions	(8,393)	(6,680)	(16,394)	(12,910)
Limited partners’ interest in net income	$ 14,641	$ 13,487	$ 30,783	$ 25,656
Limited partners’ per unit interest in earnings—basic and diluted	$ 0.25	$ 0.23	$ 0.52	$ 0.44
Weighted average limited partners’ units outstanding	58,657	58,657	58,657	57,828

See accompanying notes.

HOLLY ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Net income	$ 24,450	$ 21,297	$ 52,230	$ 42,586
Other comprehensive income:				
Change in fair value of cash flow hedging instruments	(1,299)	2,897	(1,742)	2,955
Amortization of unrealized loss attributable to discontinued cash flow hedge	—	—	—	849
Reclassification adjustment to net income on partial settlement of cash flow hedge	553	516	1,091	1,020
Other comprehensive income	(746)	3,413	(651)	4,824
Comprehensive income before noncontrolling interest	23,704	24,710	51,579	47,410
Allocation of comprehensive income to noncontrolling interests	(1,416)	(1,130)	(5,053)	(4,020)
Comprehensive income attributable to Holly Energy Partners	$ 22,288	$ 23,580	$ 46,526	$ 43,390

See accompanying notes.

HOLLY ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities		
Net income	$ 52,230	$ 42,586
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,470	29,281
Gain on sale of assets	—	(2,022)
Amortization of deferred charges	947	1,910
Amortization of restricted and performance units	1,658	1,880
Loss on early extinguishment of debt	7,677	—
(Increase) decrease in operating assets:		
Accounts receivable—trade	(1,446)	2,576
Accounts receivable—affiliates	1,823	22
Prepaid and other current assets	128	(695)
Increase (decrease) in operating liabilities:		
Accounts payable—trade	1,280	(518)
Accounts payable—affiliates	(4,495)	(301)
Accrued interest	(3,552)	88
Deferred revenue	2,315	5,787
Accrued property taxes	1,912	961
Other current liabilities	1,153	153
Other, net	(737)	335
Net cash provided by operating activities	92,363	82,043
Cash flows from investing activities		
Additions to properties and equipment	(38,574)	(17,224)
Proceeds from sale of assets	—	2,481
Distributions in excess of equity in earnings of SLC Pipeline	105	159
Net cash used for investing activities	(38,469)	(14,584)
Cash flows from financing activities		
Borrowings under credit agreement	477,100	154,500
Repayments of credit agreement borrowings	(297,100)	(220,500)
Proceeds from issuance of common units	—	73,444
Redemption of senior notes	(156,188)	—
Contribution from general partner	—	1,499
Distributions to HEP unitholders	(75,577)	(67,419)
Distributions to noncontrolling interest	(2,000)	(2,000)
Purchase of units for incentive grants	(406)	(3,254)
Deferred financing costs	(9)	—
Other	—	(250)
Net cash used by financing activities	(54,180)	(63,980)
Cash and cash equivalents		
Increase (decrease) for the period	(286)	3,479
Beginning of period	6,352	5,237
End of period	$ 6,066	$ 8,716

See accompanying notes.

HOLLY ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
(Unaudited)
(In thousands)

	Common Units	General Partner Interest	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
Balance December 31, 2013	$ 516,147	$ (146,557)	$ (144)	$ 97,488	$ 466,934
Distributions to HEP unitholders	(59,095)	(16,482)	—	—	(75,577)
Distributions to noncontrolling interest	—	—	—	(2,000)	(2,000)
Purchase of units for incentive grants	(406)	—	—	—	(406)
Amortization of restricted and performance units	1,658	—	—	—	1,658
Class B unit accretion	(3,211)	(66)	—	—	(3,277)
Net income	34,887	15,566	—	1,777	52,230
Other comprehensive income	—	—	(651)	—	(651)
Balance June 30, 2014	$ 489,980	$ (147,539)	$ (795)	$ 97,265	$ 438,911

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Description of Business and Presentation of Financial Statements

Holly Energy Partners, L.P. (“HEP”), together with its consolidated subsidiaries, is a publicly held master limited partnership which is 39% owned (including the 2% general partner interest) by HollyFrontier Corporation (“HFC”) and its subsidiaries. We commenced operations on July 13, 2004, upon the completion of our initial public offering. In these consolidated financial statements, the words “we,” “our,” “ours” and “us” refer to HEP unless the context otherwise indicates.

We own and operate petroleum product and crude oil pipelines and terminal, tankage and loading rack facilities that support HFC’s refining and marketing operations in the Mid-Continent, Southwest and Rocky Mountain regions of the United States and Alon USA, Inc.’s (“Alon”) refinery in Big Spring, Texas. Additionally, we own a 75% interest in UNEV Pipeline, LLC (“UNEV”), which owns a 417 -mile, 12 -inch refined products pipeline running from Woods Cross, Utah to Las Vegas, Nevada (the “UNEV Pipeline”), product terminals near Cedar City, Utah and Las Vegas, Nevada and related assets, and a 25% interest in SLC Pipeline LLC, which owns a 95 -mile intrastate crude oil pipeline system (the “SLC Pipeline”) that serves refineries in the Salt Lake City, Utah area.

We generate revenues by charging tariffs for transporting petroleum products and crude oil through our pipelines, by charging fees for terminalling and storing refined products and other hydrocarbons, and by providing other services at our storage tanks and terminals. We do not take ownership of products that we transport, terminal or store, and therefore, we are not exposed directly to changes in commodity prices.

The consolidated financial statements included herein have been prepared without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). The interim financial statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of our results for the interim periods. Such adjustments are considered to be of a normal recurring nature. Although certain notes and other information required by U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted, we believe that the disclosures in these consolidated financial statements are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with our Form 10-K for the year ended December 31, 2013 . Results of operations for interim periods are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2014 .

New Accounting Pronouncements

Revenue Recognition
In May 2014, an accounting standard update (ASU 2014-09, "Revenue from Contracts with Customers") was issued requiring revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the expected consideration for these goods or services. This standard is effective January 1, 2017, and we are evaluating the impact of this standard.

Note 2: Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, debt and interest rate swaps. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value. Debt consists of outstanding principal under our revolving credit agreement (which approximates fair value as interest rates are reset frequently at current interest rates) and our fixed interest rate senior notes.

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

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

The carrying amounts and estimated fair values of our senior notes and interest rate swaps were as follows:

		June 30, 2014		December 31, 2013	
Financial Instrument	**Fair Value Input Level**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
		(In thousands)			
Liabilities:					
Senior notes:					
6.5% senior notes	Level 2	$ 296,253	$ 320,250	$ 295,927	$ 313,500
8.25% senior notes	Level 2	—	—	148,703	158,250
		296,253	320,250	444,630	471,750
Interest rate swaps	Level 2	795	795	144	144
		$ 297,048	$ 321,045	$ 444,774	$ 471,894

Level 2 Financial Instruments
Our senior notes and interest rate swaps are measured at fair value using Level 2 inputs. The fair value of the senior notes is based on market values provided by a third-party, which were derived using market quotes for similar type instruments, a Level 2 input. The fair value of our interest rate swaps is based on the net present value of expected future cash flows related to both variable and fixed-rate legs of the swap agreement. The measurements are computed using the forward London Interbank Offered Rate ("LIBOR") yield curve, a market-based observable input.

See Note 6 for additional information on these instruments.

Note 3: Properties and Equipment

The carrying amounts of our properties and equipment are as follows:

	June 30, 2014	December 31, 2013
	(In thousands)	
Pipelines, terminals and tankage	$ 1,077,189	$ 1,077,037
Construction in progress	84,953	50,454
Land and right of way	63,430	63,425
Other	20,088	19,997
	1,245,660	1,210,913
Less accumulated depreciation	279,196	253,099
	$ 966,464	$ 957,814

We capitalized $0.9 million and $0.2 million in interest attributable to construction projects during the six months ended June 30, 2014 and 2013 , respectively.

Depreciation expense was $27.8 million and $25.6 million for the six months ended June 30, 2014 and 2013 , respectively.

Note 4: Transportation Agreements

Our transportation agreements represent a portion of the total purchase price of certain assets acquired from Alon in 2005 and from HFC in 2008 . The Alon agreement is being amortized over 30 years ending 2035 (the initial 15 -year term of the agreement plus an expected 15 -year extension period), and the HFC agreement is being amortized over 15 years ending 2023 (the term of the HFC agreement).

The carrying amounts of our transportation agreements are as follows:

	June 30, 2014	December 31, 2013
	(In thousands)	
Alon transportation agreement	$ 59,933	$ 59,933
HFC transportation agreement	74,231	74,231
	134,164	134,164
Less accumulated amortization	49,987	46,514
	$ 84,177	$ 87,650

We have additional transportation agreements with HFC resulting from historical transactions consisting of pipeline, terminal and tankage assets contributed to us or acquired from HFC. These transactions occurred while we were a consolidated variable interest entity of HFC, therefore, our basis in these agreements is zero and does not reflect a step-up in basis to fair value.

Note 5: Employees, Retirement and Incentive Plans

Direct support for our operations is provided by Holly Logistic Services, L.L.C., an HFC subsidiary, which utilizes personnel employed by HFC who are dedicated to performing services for us. Their costs, including salaries, bonuses, payroll taxes, benefits and other direct costs, are charged to us monthly in accordance with an omnibus agreement that we have with HFC. These employees participate in the retirement and benefit plans of HFC. Our share of retirement and benefit plan costs was $1.9 million for each of the three months ended June 30, 2014 and 2013 , and $3.6 million and $3.8 million for the six months ended June 30, 2014 and 2013 , respectively.

We have an incentive plan (“Long-Term Incentive Plan”) for employees and non-employee directors who perform services for us. The Long-Term Incentive Plan consists of four components: restricted or phantom units, performance units, unit options and unit appreciation rights. Our accounting policy for the recognition of compensation expense for awards with pro-rata vesting (a significant proportion of our awards) is to expense the costs ratably over the vesting periods.

As of June 30, 2014 , we have three types of incentive-based awards which are described below. The compensation cost charged against income was $0.8 million for each of the three months ended June 30, 2014 and 2013 , and $1.7 million and $1.9 million for the six months ended June 30, 2014 and 2013 , respectively. We currently purchase units in the open market instead of issuing new units for settlement of all unit awards under our Long-Term Incentive Plan. As of June 30, 2014 , 2,500,000 units were authorized to be granted under our Long-Term Incentive Plan, of which 1,632,388 have not yet been granted, assuming no forfeitures of the unvested units and full achievement of goals for the performance units already granted.

Restricted and Phantom Units

Under our Long-Term Incentive Plan, we grant restricted units to non-employee directors and selected employees who perform services for us, with most awards vesting over a period of one to three years. Although full ownership of the units does not transfer to the recipients until the units vest, the recipients have distribution and voting rights on these units from the date of grant.

In addition, we grant phantom units to certain employees, which vest over a period of one year. Vested units are paid in common units. Full ownership of the units does not transfer to the recipient until the units vest, and the recipients do not have voting or distribution rights on these units until they vest.

The fair value of each restricted unit and phantom unit award is measured at the market price as of the date of grant and is amortized over the vesting period.

A summary of restricted and phantom unit activity and changes during the six months ended June 30, 2014 , is presented below:

Restricted and Phantom Units	Units	Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2014 (nonvested)	122,951	$ 33.36
Granted	3,081	32.46
Vesting and transfer of common units to recipients	(2,244)	40.86
Forfeited	(3,968)	37.82
Outstanding at June 30, 2014 (nonvested)	119,820	$ 33.05

As of June 30, 2014 , there was $1.6 million of total unrecognized compensation expense related to nonvested restricted unit and phantom unit grants, which is expected to be recognized over a weighted-average period of 1.0 years.

Performance Units

Under our Long-Term Incentive Plan, we grant performance units to selected executives who perform services for us. Performance units granted are payable based upon the growth in our distributable cash flow per common unit over the performance period, and vest over a period of three years. As of June 30, 2014 , estimated unit payouts for outstanding nonvested performance unit awards were at 100% .

No performance units were granted during the six months ended June 30, 2014 . Performance units granted in 2013 vest over a three -year performance period ending December 31, 2015 , for performance units granted in February 2013, and December 31, 2016, for performance units granted in November 2013. The performance units granted are payable in HEP common units. The number of units actually earned will be based on the growth of our distributable cash flow per common unit over the performance period and can range from 0% to 200% of the target number of performance units granted (in the case of our Chairman, who received a performance unit award in March 2013 prior to his retirement from Holly Logistic Services, L.L.C., our ultimate general partner ("HLS")) or from 50% to 150% of the target number of performance units granted (in the case of other officers granted performance units). Although common units are not transferred to the recipients until the performance units vest, the recipients have distribution rights with respect to the common units from the date of grant.

A summary of performance unit activity and changes during the six months ended June 30, 2014 , is presented below:

Performance Units	Units
Outstanding at January 1, 2014 (nonvested)	75,216
Granted	—
Vesting and transfer of common units to recipients	(17,938)
Outstanding at June 30, 2014 (nonvested)	57,278

The grant-date fair value of performance units vested and transferred to recipients during the six months ended June 30, 2014 , was $0.5 million . As of June 30, 2014 , there was $1.0 million of total unrecognized compensation expense related to nonvested performance units, which is expected to be recognized over a weighted-average period of 1.5 years.

Note 6: Debt

Credit Agreement

We have a $650 million senior secured revolving credit facility expiring in November 2018 (the “Credit Agreement”) that is available to fund capital expenditures, investments, acquisitions, distribution payments and working capital and for general partnership purposes. It is also available to fund letters of credit up to a $50 million sub-limit.

Our obligations under the Credit Agreement are collateralized by substantially all of our assets. Indebtedness under the Credit Agreement involves recourse to HEP Logistics Holdings, L.P. (“HEP Logistics”), our general partner, and is guaranteed by our material wholly-owned subsidiaries. Any recourse to HEP Logistics would be limited to the extent of its assets, which other than its investment in us, are not significant. We may prepay all loans at any time without penalty, except for payment of certain breakage and related costs.

The Credit Agreement imposes certain requirements on us with which we are currently in compliance, including: a prohibition against distribution to unitholders if, before or after the distribution, a potential default or an event of default as defined in the agreement would occur; limitations on our ability to incur debt, make loans, acquire other companies, change the nature of our business, enter into a merger or consolidation, or sell assets; and covenants that require maintenance of a specified EBITDA to interest expense ratio, total debt to EBITDA ratio and senior debt to EBITDA ratio. If an event of default exists under the Credit Agreement, the lenders will be able to accelerate the maturity of the debt and exercise other rights and remedies.

Senior Notes
In March 2014, we redeemed the $150 million aggregate principal amount of 8.25% senior notes (the "8.25% Senior Notes")maturing March 2018 at a redemption cost of $156.2 million , at which time we recognized a $7.7 million early extinguishment loss consisting of a $6.2 million debt redemption premium and unamortized discount and financing costs of $1.5 million . We funded the redemption with borrowings under our Credit Agreement.

We have $300 million in aggregate principal amount outstanding of 6.5% senior notes (the "6.5% Senior Notes") maturing March 2020. The 6.5% Senior Notes are unsecured and impose certain restrictive covenants, with which we are currently in compliance, including limitations on our ability to incur additional indebtedness, make investments, sell assets, incur certain liens, pay distributions, enter into transactions with affiliates, and enter into mergers. At any time when the 6.5% Senior Notes are rated investment grade by both Moody’s and Standard & Poor’s and no default or event of default exists, we will not be subject to many of the foregoing covenants. Additionally, we have certain redemption rights at varying premiums over face value under the 6.5% Senior Notes.

Indebtedness under the 6.5% Senior Notes involves recourse to HEP Logistics, our general partner, and is guaranteed by our wholly-owned subsidiaries. However, any recourse to HEP Logistics would be limited to the extent of its assets, which other than its investment in us, are not significant.

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

	June 30, 2014	December 31, 2013
	(In thousands)	
Credit Agreement	$ 543,000	$ 363,000
6.5% Senior Notes		
Principal	300,000	300,000
Unamortized discount	(3,747)	(4,073)
	296,253	295,927
8.25% Senior Notes		
Principal	—	150,000
Unamortized discount	—	(1,297)
	—	148,703
Total long-term debt	$ 839,253	$ 807,630

Interest Rate Risk Management
We use interest rate swaps (derivative instruments) to manage our exposure to interest rate risk.

As of June 30, 2014 , we have three interest rate swaps that hedge our exposure to the cash flow risk caused by the effects of LIBOR changes on $305 million of Credit Agreement advances. Our first interest rate swap effectively converts $155 million of our LIBOR based debt to fixed rate debt having an interest rate of 0.99% plus an applicable margin of 2.00% as of June 30, 2014 , which equaled an effective interest rate of 2.99% . This swap contract matures in February 2016. We also have two additional interest rate swaps with identical terms which effectively convert $150 million of our LIBOR based debt to fixed rate debt having an interest rate of 0.74% plus an applicable margin of 2.00% as of June 30, 2014 , which equaled an effective interest rate of 2.74% . Both of these swap contracts mature in July 2017.

We have designated these interest rate swaps as cash flow hedges. Based on our assessment of effectiveness using the change in variable cash flows method, we have determined that these interest rate swaps are effective in offsetting the variability in interest payments on $305 million of our variable rate debt resulting from changes in LIBOR. Under hedge accounting, we adjust our cash flow hedges on a quarterly basis to their fair values with the offsetting fair value adjustments to accumulated other comprehensive income (loss). Also on a quarterly basis, we measure hedge effectiveness by comparing the present value of the cumulative change in the expected future interest to be paid or received on the variable leg of our swaps against the expected future interest payments on $305 million of our variable rate debt. Any ineffectiveness is recorded directly to interest expense. As of June 30, 2014 , we had no ineffectiveness on our cash flow hedges.

At June 30, 2014 , we have accumulated other comprehensive loss of $0.8 million that relates to our current cash flow hedging instruments. Approximately $0.7 million will be transferred from accumulated other comprehensive loss into interest expense as interest is paid on the underlying swap agreement over the next twelve-month period, assuming interest rates remain unchanged.

Additional information on our interest rate swaps is as follows:

Derivative Instrument	**Balance Sheet Location**	**Fair Value**	**Location of Offsetting Balance**	**Offsetting Amount**
		(In thousands)		
June 30, 2014				
Interest rate swaps designated as cash flow hedging instrument:				
Variable-to-fixed interest rate swap contracts ($155 million of LIBOR-based debt interest)	Other long-term liabilities	$ (1,629)	Accumulated other comprehensive loss	$ (1,629)
Variable-to-fixed interest rate swap contracts ($150 million of LIBOR-based debt interest)	Other long-term assets	834	Accumulated other comprehensive gain	834
		$ (795)		$ (795)
December 31, 2013				
Interest rate swaps designated as cash flow hedging instrument:				
Variable-to-fixed interest rate swap contracts ($155 million of LIBOR-based debt interest)	Other long-term liabilities	$ (1,814)	Accumulated other comprehensive loss	$ (1,814)
Variable-to-fixed interest rate swap contracts ($150 million of LIBOR-based debt interest)	Other long-term assets	1,670	Accumulated other comprehensive gain	1,670
		$ (144)		$ (144)

Interest Expense and Other Debt Information

Interest expense consists of the following components:

	Six Months Ended June 30,	
	2014	**2013**
	(In thousands)	
Interest on outstanding debt:		
Credit Agreement, net of interest on interest rate swaps	$ 6,165	$ 6,043
6.5% Senior Notes	9,696	9,755
8.25% Senior Notes	2,544	6,193
Amortization of discount and deferred debt issuance costs	948	1,063
Amortization of unrecognized loss attributable to terminated cash flow hedge	—	849
Commitment fees	293	365
Total interest incurred	19,646	24,268
Less capitalized interest	863	155
Net interest expense	$ 18,783	$ 24,113
Cash paid for interest	$ 22,249	$ 22,258

Note 7: Significant Customers

All revenues are domestic revenues, of which 93% are generated currently from our two largest customers: HFC and Alon. The vast majority of our revenues are derived from activities conducted in the southwest United States.

The following table presents the percentage of total revenues generated by each of these customers:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
HFC	86%	84%	84%	83%
Alon	7%	11%	9%	10%

Note 8: Related Party Transactions

We serve HFC's refineries under long-term pipeline and terminal, tankage and throughput agreements expiring from 2019 to 2026. Under these agreements, HFC agrees to transport, store and throughput volumes of refined product and crude oil on our pipelines and terminal, tankage and loading rack facilities that result in minimum annual payments to us. These minimum annual payments or revenues are subject to annual tariff rate adjustments on July 1st each year, based on the Producer Price Index (“PPI”) or Federal Energy Regulatory Commission (“FERC”) index. Following the July 1, 2014, PPI adjustment, HFC's minimum annual payments to us under these agreements increased by $3.3 million to $228.7 million .

If HFC fails to meet its minimum volume commitments under the agreements in any quarter, it will be required to pay us the amount of any shortfall in cash by the last day of the month following the end of the quarter. Under certain of these agreements, a shortfall payment may be applied as a credit in the following four quarters after its minimum obligations are met.

Under certain provisions of an omnibus agreement we have with HFC (the “Omnibus Agreement”), we pay HFC an annual administrative fee (currently $2.3 million) for the provision by HFC or its affiliates of various general and administrative services to us. This fee does not include the salaries of personnel employed by HFC who perform services for us on behalf of HLS or the cost of their employee benefits, which are charged to us separately by HFC. Also, we reimburse HFC and its affiliates for direct expenses they incur on our behalf.

Related party transactions with HFC are as follows:

- Revenues received from HFC were $64.5 million and $63.2 million for the three months ended June 30, 2014 and 2013 , respectively, and $136.3 million and $124.7 million for the six months ended June 30, 2014 and 2013 , respectively.
- HFC charged us general and administrative services under the Omnibus Agreement of $0.6 million for each of the three months ended June 30, 2014 and 2013 , and $1.2 million for each of the six months ended June 30, 2014 and 2013 .
- We reimbursed HFC for costs of employees supporting our operations of $9.6 million and $9.4 million for the three months ended June 30, 2014 and 2013 , respectively, and $18.8 million and $19.2 million for the six months ended June 30, 2014 and 2013 , respectively.
- HFC reimbursed us $3.9 million and $4.3 million for the three months ended June 30, 2014 and 2013 , respectively, and $8.4 million and $9.2 million for the six months ended June 30, 2014 and 2013 , respectively, for certain reimbursable costs and capital projects.
- We distributed $19.8 million and $17.4 million for the three months ended June 30, 2014 and 2013 , respectively, to HFC as regular distributions on its common units and general partner interest, including general partner incentive distributions. For the six months ended June 30, 2014 and 2013 , we distributed $39.0 million and $34.8 million , respectively.
- Accounts receivable from HFC were $27.9 million and $29.7 million at June 30, 2014 , and December 31, 2013 , respectively.
- Accounts payable to HFC were $4.0 million and $8.5 million at June 30, 2014 , and December 31, 2013 , respectively.
- Revenues for the three and the six months ended June 30, 2014 , include $0.2 million and $7.6 million , respectively, of shortfall payments billed in 2013, as HFC did not exceed its minimum volume commitment in any of the subsequent four quarters. Deferred revenue in the consolidated balance sheets at June 30, 2014 , and December 31, 2013 , includes

$5.7 million and $10.1 million , respectively, relating to certain shortfall billings. It is possible that HFC may not exceed its minimum obligations to receive credit for any of the $5.7 million deferred at June 30, 2014 .

Note 9: Partners' Equity

As of June 30, 2014 , HFC held 22,380,030 of our common units and the 2% general partner interest, which together constituted a 39% ownership interest in us.

Allocations of Net Income

Net income attributable to HEP is allocated between limited partners and the general partner interest in accordance with the provisions of the partnership agreement. HEP net income allocated to the general partner includes incentive distributions that are declared subsequent to quarter end. After the amount of incentive distributions is allocated to the general partner, the remaining net income attributable to HEP is allocated to the partners based on their weighted-average ownership percentage during the period.

The following table presents the allocation of the general partner interest in net income for the periods presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands)			
General partner interest in net income	$ 299	$ 275	$ 628	$ 522
General partner incentive distribution	8,094	6,405	15,766	12,388
Total general partner interest in net income	$ 8,393	$ 6,680	$ 16,394	$ 12,910

Cash Distributions

Our general partner, HEP Logistics, is entitled to incentive distributions if the amount we distribute with respect to any quarter exceeds specified target levels.

On July 24, 2014 , we announced our cash distribution for the second quarter of 2014 of $0.515 per unit. The distribution is payable on all common and general partner units and will be paid August 14, 2014 , to all unitholders of record on August 4, 2014 .

The following table presents the allocation of our regular quarterly cash distributions to the general and limited partners for the periods in which they apply. Our distributions are declared subsequent to quarter end; therefore, the amounts presented do not reflect distributions paid during the periods presented below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands, except per unit data)			
General partner interest in distribution	$ 807	$ 737	$ 1,597	$ 1,456
General partner incentive distribution	8,094	6,405	15,766	12,388
Total general partner distribution	8,901	7,142	17,363	13,844
Limited partner distribution	30,209	28,448	59,977	56,457
Total regular quarterly cash distribution	$ 39,110	$ 35,590	$ 77,340	$ 70,301
Cash distribution per unit applicable to limited partners	$ 0.515	$ 0.485	$ 1.0225	$ 0.9625

As a master limited partnership, we distribute our available cash, which historically has exceeded our net income attributable to HEP because depreciation and amortization expense represents a non-cash charge against income. The result is a decline in our partners' equity since our regular quarterly distributions have exceeded our quarterly net income attributable to HEP. Additionally, if the asset contributions and acquisitions from HFC had occurred while we were not a consolidated variable interest entity of HFC, our acquisition cost, in excess of HFC's historical basis in the transferred assets of $305.3 million would have been recorded in our financial statements at the time of acquisition, as increases to our properties and equipment and intangible assets instead of decreases to our partners' equity.

Note 10: Supplemental Guarantor/Non-Guarantor Financial Information

Obligations of HEP ("Parent") under the Senior Notes have been jointly and severally guaranteed by each of its direct and indirect 100% owned subsidiaries ("Guarantor Subsidiaries"). These guarantees are full and unconditional, subject to certain customary release provisions. These circumstances include (i) when a Guarantor Subsidiary is sold or sells all or substantially all of its assets, (ii) when a Guarantor Subsidiary is declared "unrestricted" for covenant purposes, (iii) when a Guarantor Subsidiary's guarantee of other indebtedness is terminated or released and (iv) when the requirements for legal defeasance or covenant defeasance or to discharge the Senior Notes have been satisfied.

The following financial information presents condensed consolidating balance sheets, statements of comprehensive income, and statements of cash flows of the Parent, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. The information has been presented as if the Parent accounted for its ownership in the Guarantor Subsidiaries, and the Guarantor Restricted Subsidiaries accounted for the ownership of the Non-Guarantor Non-Restricted Subsidiaries, using the equity method of accounting.

Condensed Consolidating Balance Sheet

June 30, 2014	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Non-Restricted Subsidiaries	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Current assets:					
Cash and cash equivalents	$ 2	$ 2,085	$ 3,979	$ —	$ 6,066
Accounts receivable	—	30,619	3,936	(196)	34,359
Intercompany accounts receivable	—	310,451	—	(310,451)	—
Prepaid and other current assets	16	2,690	1,040	—	3,746
Total current assets	18	345,845	8,955	(310,647)	44,171
Properties and equipment, net	—	577,883	388,581	—	966,464
Investment in subsidiaries	954,142	291,795	—	(1,245,937)	—
Transportation agreements, net	—	84,177	—	—	84,177
Goodwill	—	256,498	—	—	256,498
Investment in SLC Pipeline	—	24,637	—	—	24,637
Other assets	1,381	7,416	—	—	8,797
Total assets	$ 955,541	$ 1,588,251	$ 397,536	$ (1,556,584)	$ 1,384,744
LIABILITIES AND PARTNERS' EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 15,467	$ 2,435	$ (196)	$ 17,706
Intercompany accounts payable	310,451	—	—	(310,451)	—
Accrued interest	6,500	188	—	—	6,688
Deferred revenue	—	9,193	3,134	—	12,327
Accrued property taxes	—	1,763	2,751	—	4,514
Other current liabilities	569	2,426	3	—	2,998
Total current liabilities	317,520	29,037	8,323	(310,647)	44,233
Long-term debt	296,253	543,000	—	—	839,253
Other long-term liabilities	122	13,031	153	—	13,306
Deferred revenue	—	25,640	—	—	25,640
Class B unit	—	23,401	—	—	23,401
Equity - partners	341,646	954,142	389,060	(1,343,202)	341,646
Equity - noncontrolling interest	—	—	—	97,265	97,265
Total liabilities and partners' equity	$ 955,541	$ 1,588,251	$ 397,536	$ (1,556,584)	$ 1,384,744

Condensed Consolidating Balance Sheet

December 31, 2013	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Non-Restricted Subsidiaries	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Current assets:					
Cash and cash equivalents	$ 2	$ 1,447	$ 4,903	$ —	$ 6,352
Accounts receivable	—	31,107	4,543	(914)	34,736
Intercompany accounts receivable	—	62,516	—	(62,516)	—
Prepaid and other current assets	234	2,590	1,050	—	3,874
Total current assets	236	97,660	10,496	(63,430)	44,962
Properties and equipment, net	—	564,847	392,967	—	957,814
Investment in subsidiaries	885,598	292,464	—	(1,178,062)	—
Transportation agreements, net	—	87,650	—	—	87,650
Goodwill	—	256,498	—	—	256,498
Investment in SLC Pipeline	—	24,741	—	—	24,741
Other assets	1,684	9,159	—	—	10,843
Total assets	$ 887,518	$ 1,333,019	$ 403,463	$ (1,241,492)	$ 1,382,508
LIABILITIES AND PARTNERS' EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 18,966	$ 4,846	$ (914)	$ 22,898
Intercompany accounts payable	62,516	—	—	(62,516)	—
Accrued interest	10,198	41	—	—	10,239
Deferred revenue	—	6,406	7,575	—	13,981
Accrued property taxes	—	1,661	942	—	2,603
Other current liabilities	629	1,216	—	—	1,845
Total current liabilities	73,343	28,290	13,363	(63,430)	51,566
Long-term debt	444,630	363,000	—	—	807,630
Other long-term liabilities	99	14,338	148	—	14,585
Deferred revenue	—	21,669	—	—	21,669
Class B unit	—	20,124	—	—	20,124
Equity - partners	369,446	885,598	389,952	(1,275,550)	369,446
Equity - noncontrolling interest	—	—	—	97,488	97,488
Total liabilities and partners' equity	$ 887,518	$ 1,333,019	$ 403,463	$ (1,241,492)	$ 1,382,508

Condensed Consolidating Statement of Comprehensive Income

Three Months Ended June 30, 2014	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Non-restricted Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenues:					
Affiliates	$ —	$ 61,427	$ 3,359	$ (306)	$ 64,480
Third parties	—	8,533	1,985	—	10,518
	—	69,960	5,344	(306)	74,998
Operating costs and expenses:					
Operations (exclusive of depreciation and amortization)	—	22,179	2,694	(306)	24,567
Depreciation and amortization	—	12,288	3,594	—	15,882
General and administrative	585	1,931	—	—	2,516
	585	36,398	6,288	(306)	42,965
Operating income (loss)	(585)	33,562	(944)	—	32,033
Equity in earnings (loss) of subsidiaries	28,631	(708)	—	(27,923)	—
Equity in earnings of SLC Pipeline	—	748	—	—	748
Interest expense	(5,012)	(3,317)	—	—	(8,329)
Other (income) expense	—	26	—	—	26
	23,619	(3,251)	—	(27,923)	(7,555)
Income before income taxes	23,034	30,311	(944)	(27,923)	24,478
State income tax expense	—	(28)	—	—	(28)
Net income	23,034	30,283	(944)	(27,923)	24,450
Allocation of net income attributable to noncontrolling interests	—	—	—	(1,416)	(1,416)
Net income attributable to Holly Energy Partners	23,034	30,283	(944)	(29,339)	23,034
Other comprehensive income	(746)	(746)	—	746	(746)
Comprehensive income	$ 22,288	$ 29,537	$ (944)	$ (28,593)	$ 22,288

Condensed Consolidating Statement of Comprehensive Income

Three Months Ended June 30, 2013	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Non-Restricted Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenues:					
Affiliates	$ —	$ 60,797	$ 2,698	$ (308)	$ 63,187
Third parties	—	10,116	1,982	—	12,098
	—	70,913	4,680	(308)	75,285
Operating costs and expenses:					
Operations (exclusive of depreciation and amortization)	—	22,104	2,742	(308)	24,538
Depreciation and amortization	—	11,543	3,584	—	15,127
General and administrative	983	2,117	—	—	3,100
	983	35,764	6,326	(308)	42,765
Operating income (loss)	(983)	35,149	(1,646)	—	32,520
Equity in earnings (loss) of subsidiaries	29,413	(1,234)	—	(28,179)	—
Equity in earnings of SLC Pipeline	—	746	—	—	746
Interest expense	(8,263)	(3,366)	—	—	(11,629)
Interest income	—	3	1	—	4
	21,150	(3,851)	1	(28,179)	(10,879)
Income before income taxes	20,167	31,298	(1,645)	(28,179)	21,641
State income tax expense	—	(344)	—	—	(344)
Net income	20,167	30,954	(1,645)	(28,179)	21,297
Allocation of net income attributable to noncontrolling interests	—	—	—	(1,130)	(1,130)
Net income attributable to Holly Energy Partners	20,167	30,954	(1,645)	(29,309)	20,167
Other comprehensive income	3,413	3,413	—	(3,413)	3,413
Comprehensive income	$ 23,580	$ 34,367	$ (1,645)	$ (32,722)	$ 23,580

Condensed Consolidating Statement of Comprehensive Income

Six Months Ended June 30, 2014	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Non-restricted Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenues:					
Affiliates	$ —	$ 123,042	$ 13,883	$ (613)	$ 136,312
Third parties	—	19,614	6,076	—	25,690
	—	142,656	19,959	(613)	162,002
Operating costs and expenses:					
Operations (exclusive of depreciation and amortization)	—	42,330	5,662	(613)	47,379
Depreciation and amortization	—	24,281	7,189	—	31,470
General and administrative	1,643	4,024	—	—	5,667
	1,643	70,635	12,851	(613)	84,516
Operating income (loss)	(1,643)	72,021	7,108	—	77,486
Equity in earnings (loss) of subsidiaries	69,195	5,331	—	(74,526)	—
Equity in earnings of SLC Pipeline	—	1,270	—	—	1,270
Interest expense	(12,698)	(6,085)	—	—	(18,783)
Loss on early extinguishment of debt	(7,677)	—	—	—	(7,677)
Interest income	—	3	—	—	3
Other	—	34	—	—	34
	48,820	553	—	(74,526)	(25,153)
Income (loss) before income taxes	47,177	72,574	7,108	(74,526)	52,333
State income tax expense	—	(103)	—	—	(103)
Net income (loss)	47,177	72,471	7,108	(74,526)	52,230
Allocation of net income attributable to noncontrolling interests	—	—	—	(5,053)	(5,053)
Net income (loss) attributable to Holly Energy Partners	47,177	72,471	7,108	(79,579)	47,177
Other comprehensive loss	(651)	(651)	—	651	(651)
Comprehensive income (loss)	$ 46,526	$ 71,820	$ 7,108	$ (78,928)	$ 46,526

Condensed Consolidating Statement of Comprehensive Income

Six Months Ended June 30, 2013	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Non-Restricted Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenues:					
Affiliates	$ —	$ 115,210	$ 10,100	$ (611)	$ 124,699
Third parties	—	18,523	6,361	—	24,884
	—	133,733	16,461	(611)	149,583
Operating costs and expenses:					
Operations (exclusive of depreciation and amortization)	—	45,471	5,543	(611)	50,403
Depreciation and amortization	—	22,113	7,168	—	29,281
General and administrative	1,791	4,541	—	—	6,332
	1,791	72,125	12,711	(611)	86,016
Operating income (loss)	(1,791)	61,608	3,750	—	63,567
Equity in earnings (loss) of subsidiaries	56,872	2,890	—	(59,762)	—
Equity in earnings of SLC Pipeline	—	1,403	—	—	1,403
Interest expense	(16,515)	(7,598)	—	—	(24,113)
Interest income	—	3	104	—	107
Gain on sale of assets	—	2,022	—	—	2,022
	40,357	(1,280)	104	(59,762)	(20,581)
Income (loss) before income taxes	38,566	60,328	3,854	(59,762)	42,986
State income tax expense	—	(400)	—	—	(400)
Net income (loss)	38,566	59,928	3,854	(59,762)	42,586
Allocation of net income attributable to noncontrolling interests	—	—	—	(4,020)	(4,020)
Net income (loss) attributable to Holly Energy Partners	38,566	59,928	3,854	(63,782)	38,566
Other comprehensive income (loss)	4,824	4,824	—	(4,824)	4,824
Comprehensive income (loss)	$ 43,390	$ 64,752	$ 3,854	$ (68,606)	$ 43,390

Condensed Consolidating Statement of Cash Flows

Six Months Ended June 30, 2014	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Non-Restricted Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Cash flows from operating activities	$ (15,764)	$ 96,308	$ 11,819	$ —	$ 92,363
Cash flows from investing activities					
Additions to properties and equipment	—	(33,831)	(4,743)	—	(38,574)
Distributions from noncontrolling interest	—	6,000	—	(6,000)	—
Distributions in excess of earnings of SLC Pipeline	—	105	—	—	105
	—	(27,726)	(4,743)	(6,000)	(38,469)
Cash flows from financing activities					
Net borrowings under credit agreement	—	180,000	—	—	180,000
Net intercompany financing activities	247,935	(247,935)	—	—	—
Redemption of senior notes	(156,188)	—	—	—	(156,188)
Distributions to HEP unitholders	(75,577)	—	—	—	(75,577)
Distributions to noncontrolling interest	—	—	(8,000)	6,000	(2,000)
Deferred financing cost	—	(9)	—	—	(9)
Purchase of units for incentive grants	(406)	—	—	—	(406)
Other	—	—	—	—	—
	15,764	(67,944)	(8,000)	6,000	(54,180)
Cash and cash equivalents					
Increase (decrease) for the period	—	638	(924)	—	(286)
Beginning of period	2	1,447	4,903	—	6,352
End of period	$ 2	$ 2,085	$ 3,979	$ —	$ 6,066

Condensed Consolidating Statement of Cash Flows

Six Months Ended June 30, 2013	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Non-Restricted Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Cash flows from operating activities [1]	$ (18,915)	$ 87,918	$ 13,040	$ —	$ 82,043
Cash flows from investing activities					
Additions to properties and equipment	—	(16,486)	(738)	—	(17,224)
Proceeds from sale of assets	—	2,481	—	—	2,481
Distributions from noncontrolling interest	—	6,000	—	(6,000)	—
Distributions in excess of earnings of SLC Pipeline	—	159	—	—	159
	—	(7,846)	(738)	(6,000)	(14,584)
Cash flows from financing activities					
Net repayments under credit agreement	—	(66,000)	—	—	(66,000)
Net intercompany financing activities [1]	14,895	(14,895)	—	—	—
Proceeds from issuance of common units	73,444	—	—	—	73,444
Contribution from general partner	1,499	—	—	—	1,499
Distributions to noncontrolling interests	—	—	(8,000)	6,000	(2,000)
Distributions to HEP unitholders	(67,419)	—	—	—	(67,419)
Purchase of units for incentive grants	(3,254)	—	—	—	(3,254)
Other	(250)	—	—	—	(250)
	18,915	(80,895)	(8,000)	6,000	(63,980)
Cash and cash equivalents					
Increase (decrease) for the period	—	(823)	4,302	—	3,479
Beginning of period	2	823	4,412	—	5,237
End of period	$ 2	$ —	$ 8,714	$ —	$ 8,716

(1) Effective with fiscal year 2013, we revised the cash flow presentation of transactions associated with the partnership's intercompany lending activities by reclassifying certain amounts from operating cash flows to financing cash flows.

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

This Item 2, including but not limited to the sections on "Results of Operations" and "Liquidity and Capital Resources," contains forward-looking statements. See "Forward-Looking Statements" at the beginning of Part I of this Quarterly Report on Form 10-Q. In this document, the words "we," "our," "ours" and "us" refer to Holly Energy Partners, L.P. ("HEP") and its consolidated subsidiaries or to HEP or an individual subsidiary and not to any other person.

OVERVIEW

HEP is a Delaware limited partnership. We own and operate petroleum product and crude pipelines and terminal, tankage and loading rack facilities that support the refining and marketing operations of HollyFrontier Corporation ("HFC") in the Mid-Continent, Southwest and Rocky Mountain regions of the United States and Alon USA, Inc's ("Alon") refinery in Big Spring, Texas. HFC owns a 39% interest in us including the 2% general partnership interest. Additionally, we own a 75% interest in UNEV Pipeline, LLC ("UNEV"), the owner of a pipeline running from Woods Cross, Utah to Las Vegas, Nevada (the "UNEV Pipeline"), product terminals and a 25% interest in SLC Pipeline LLC, a 95-mile intrastate crude oil pipeline system (the "SLC Pipeline"), that serves refineries in the Salt Lake City, Utah area.

We generate revenues by charging tariffs for transporting petroleum products and crude oil through our pipelines, by charging fees for terminalling and storing refined products and other hydrocarbons and providing other services at our storage tanks and terminals. We do not take ownership of products that we transport, terminal or store, and therefore, we are not directly exposed to changes in commodity prices.

We have a long-term strategic relationship with HFC. Our current growth plan is to continue to pursue purchases of logistic assets at HFC's existing refining locations in New Mexico, Utah, Oklahoma, Kansas and Wyoming. We also expect to work with HFC on logistic asset acquisitions in conjunction with HFC's refinery acquisition strategies. Furthermore, we plan to continue to pursue third-party logistic asset acquisitions that are accretive to our unitholders and increase the diversity of our revenues.

Agreements with HFC and Alon

We serve HFC's refineries under long-term pipeline and terminal, tankage and throughput agreements expiring from 2019 to 2026. Under these agreements, HFC has agreed to transport, store and throughput volumes of refined product and crude oil on our pipelines and terminal, tankage and loading rack facilities that result in minimum annual payments to us. These minimum annual payments or revenues are subject to annual tariff rate adjustments on July 1st each year, based on the Producer Price Index ("PPI") or Federal Energy Regulatory Commission ("FERC") index. Following the July 1, 2014, PPI adjustment, HFC's minimum annual payments to us under these agreements increased by $3.3 million to $228.7 million .

If HFC fails to meet its minimum volume commitments under the agreements in any quarter, it will be required to pay us the amount of any shortfall in cash by the last day of the month following the end of the quarter. Under certain of the agreements, a shortfall payment may be applied as a credit in the following four quarters after minimum obligations are met.

We also have a pipelines and terminals agreement with Alon expiring in 2020 under which Alon has agreed to transport on our pipelines and throughput through our terminals volumes of refined products that result in a minimum level of annual revenue that is also subject to annual tariff rate adjustments. We also have a capacity lease agreement under which we lease Alon space on our Orla to El Paso pipeline for the shipment of refined product. The terms under this agreement expire beginning in 2018 through 2022. As of June 30, 2014 , these agreements with Alon will result in minimum annualized payments to us of $32.1 million .

A significant reduction in revenues under these agreements could have a material adverse effect on our results of operations.

Under certain provisions of an omnibus agreement we have with HFC ("Omnibus Agreement"), we pay HFC an annual administrative fee, currently $2.3 million, for the provision by HFC or its affiliates of various general and administrative services to us. This fee does not include the salaries of personnel employed by HFC who perform services for us on behalf of HLS or the cost of their employee benefits, which are separately charged to us by HFC. We also reimburse HFC and its affiliates for direct expenses they incur on our behalf.

RESULTS OF OPERATIONS (Unaudited)

Income, Distributable Cash Flow and Volumes

The following tables present income, distributable cash flow and volume information for the three and the six months ended June 30, 2014 and 2013 .

	Three Months Ended June 30,		Change from
	2014	2013	2013
	(In thousands, except per unit data)		
Revenues:			
Pipelines:			
Affiliates—refined product pipelines	$ 17,536	$ 16,952	$ 584
Affiliates—intermediate pipelines	6,683	7,291	(608)
Affiliates—crude pipelines	13,032	12,187	845
	37,251	36,430	821
Third parties—refined product pipelines	7,480	9,823	(2,343)
	44,731	46,253	(1,522)
Terminals, tanks and loading racks:			
Affiliates	27,229	26,757	472
Third parties	3,038	2,275	763
	30,267	29,032	1,235
Total revenues	74,998	75,285	(287)
Operating costs and expenses:			
Operations (exclusive of depreciation and amortization)	24,567	24,538	29
Depreciation and amortization	15,882	15,127	755
General and administrative	2,516	3,100	(584)
	42,965	42,765	200
Operating income	32,033	32,520	(487)
Other income (expense):			
Equity in earnings of SLC Pipeline	748	746	2
Interest expense, including amortization	(8,329)	(11,629)	3,300
Interest income	—	4	(4)
Other	26	—	26
	(7,555)	(10,879)	3,324
Income before income taxes	24,478	21,641	2,837
State income tax	(28)	(344)	316
Net income	24,450	21,297	3,153
Allocation of net income attributable to noncontrolling interests	(1,416)	(1,130)	(286)
Net income attributable to Holly Energy Partners	23,034	20,167	2,867
General partner interest in net income, including incentive distributions [(1)]	(8,393)	(6,680)	(1,713)
Limited partners' interest in net income	$ 14,641	$ 13,487	$ 1,154
Limited partners' earnings per unit—basic and diluted [(1)]	$ 0.25	$ 0.23	$ 0.02
Weighted average limited partners' units outstanding	58,657	58,657	—
EBITDA [(2)]	$ 47,273	$ 47,263	$ 10
Distributable cash flow [(3)]	$ 43,495	$ 36,065	$ 7,430
Volumes (bpd)			
Pipelines:			
Affiliates—refined product pipelines	119,328	119,519	(191)
Affiliates—intermediate pipelines	143,396	142,406	990
Affiliates—crude pipelines	178,564	184,267	(5,703)
	441,288	446,192	(4,904)
Third parties—refined product pipelines	43,858	67,044	(23,186)
	485,146	513,236	(28,090)
Terminals and loading racks:			
Affiliates	269,260	274,040	(4,780)
Third parties	56,563	59,810	(3,247)
	325,823	333,850	(8,027)
Total for pipelines and terminal assets (bpd)	810,969	847,086	(36,117)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Change from 2013
	(In thousands, except per unit data)		
Revenues:			
Pipelines:			
Affiliates—refined product pipelines	$ 41,709	$ 33,723	$ 7,986
Affiliates—intermediate pipelines	14,594	13,463	1,131
Affiliates—crude pipelines	25,650	23,765	1,885
	81,953	70,951	11,002
Third parties—refined product pipelines	19,098	20,166	(1,068)
	101,051	91,117	9,934
Terminals, tanks and loading racks:			
Affiliates	54,359	53,748	611
Third parties	6,592	4,718	1,874
	60,951	58,466	2,485
Total revenues	162,002	149,583	12,419
Operating costs and expenses:			
Operations (exclusive of depreciation and amortization)	47,379	50,403	(3,024)
Depreciation and amortization	31,470	29,281	2,189
General and administrative	5,667	6,332	(665)
	84,516	86,016	(1,500)
Operating income	77,486	63,567	13,919
Other income (expense):			
Equity in earnings of SLC Pipeline	1,270	1,403	(133)
Interest expense, including amortization	(18,783)	(24,113)	5,330
Interest income	3	107	(104)
Loss on early extinguishment of debt	(7,677)	—	(7,677)
Gain on sale of assets	—	2,022	(2,022)
Other	34	—	34
	(25,153)	(20,581)	(4,572)
Income before income taxes	52,333	42,986	9,347
State income tax	(103)	(400)	297
Net income	52,230	42,586	9,644
Allocation of net income attributable to noncontrolling interests	(5,053)	(4,020)	(1,033)
Net income attributable to Holly Energy Partners	47,177	38,566	8,611
General partner interest in net income, including incentive distributions [(1)]	(16,394)	(12,910)	(3,484)
Limited partners' interest in net income	$ 30,783	$ 25,656	$ 5,127
Limited partners' earnings per unit—basic and diluted [(1)]	$ 0.52	$ 0.44	$ 0.08
Weighted average limited partners' units outstanding	58,657	57,828	829
EBITDA [(2)]	$ 105,207	$ 92,253	$ 12,954
Distributable cash flow [(3)]	$ 85,303	$ 68,450	$ 16,853
Volumes (bpd)			
Pipelines:			
Affiliates—refined product pipelines	121,239	106,904	14,335
Affiliates—intermediate pipelines	141,015	131,651	9,364
Affiliates—crude pipelines	177,763	165,203	12,560
	440,017	403,758	36,259
Third parties—refined product pipelines	55,014	60,054	(5,040)
	495,031	463,812	31,219
Terminals and loading racks:			
Affiliates	265,966	267,179	(1,213)
Third parties	67,075	57,647	9,428
	333,041	324,826	8,215
Total for pipelines and terminal assets (bpd)	828,072	788,638	39,434

(1) Net income attributable to HEP is allocated between limited partners and the general partner interest in accordance with the provisions of the partnership agreement. HEP net income allocated to the general partner includes incentive distributions that are declared subsequent to quarter end. After the amount of incentive distributions is allocated to the general partner, the remaining net income attributable to HEP is allocated to the partners based on their weighted average ownership percentage during the period.

(2) EBITDA is calculated as net income attributable to Holly Energy Partners plus (i) interest expense, net of interest income, (ii) state income tax and (iii) depreciation and amortization. EBITDA is not a calculation based upon U.S. generally accepted accounting principles ("GAAP"). However, the amounts included in the EBITDA calculation are derived from amounts included in our consolidated financial statements. EBITDA should not be considered as an alternative to net income or operating income as an indication of our operating performance or as an alternative to operating cash flow as a measure of liquidity. EBITDA is not necessarily comparable to similarly titled measures of other companies. EBITDA is presented here because it is a widely used financial indicator used by investors and analysts to measure performance. EBITDA is also used by our management for internal analysis and as a basis for compliance with financial covenants. Set forth below is our calculation of EBITDA.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands)			
Net income attributable to Holly Energy Partners	$ 23,034	$ 20,167	$ 47,177	$ 38,566
Add (subtract):				
Interest expense	7,893	11,096	17,836	22,201
Interest income	—	(4)	(3)	(107)
Amortization of discount and deferred debt issuance costs	436	533	947	1,063
Loss on early extinguishment of debt	—	—	7,677	—
Increase in interest expense - non-cash charges attributable to interest rate swaps and swap settlement amortization	—	—	—	849
State income tax	28	344	103	400
Depreciation and amortization	15,882	15,127	31,470	29,281
EBITDA	$ 47,273	$ 47,263	$ 105,207	$ 92,253

(3) Distributable cash flow is not a calculation based upon GAAP. However, the amounts included in the calculation are derived from amounts presented in our consolidated financial statements, with the general exceptions of maintenance capital expenditures. Distributable cash flow should not be considered in isolation or as an alternative to net income or operating income as an indication of our operating performance or as an alternative to operating cash flow as a measure of liquidity. Distributable cash flow is not necessarily comparable to similarly titled measures of other companies. Distributable cash flow is presented here because it is a widely accepted financial indicator used by investors to compare partnership performance. Also it is used by management for internal analysis and for our performance units. We believe that this measure provides investors an enhanced perspective of the operating performance of our assets and the cash our business is generating. Set forth below is our calculation of distributable cash flow.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands)			
Net income attributable to Holly Energy Partners	$ 23,034	$ 20,167	$ 47,177	$ 38,566
Add (subtract):				
Depreciation and amortization	15,882	15,127	31,470	29,281
Amortization of discount and deferred debt issuance costs	436	533	947	1,063
Loss on early extinguishment of debt	—	—	7,677	—
Increase in interest expense - non-cash charges attributable to interest rate swaps and swap settlement amortization	—	—	—	849
Increase (decrease) in deferred revenue related to minimum revenue commitments	4,760	1,375	(1,138)	152
Maintenance capital expenditures [4]	(842)	(2,176)	(1,691)	(4,512)
Crude revenue settlement	—	—	—	918
Other non-cash adjustments	225	1,039	861	2,133
Distributable cash flow	$ 43,495	$ 36,065	$ 85,303	$ 68,450

(4) Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of our assets and to extend their useful lives. Maintenance capital expenditures include expenditures required to maintain equipment reliability, tankage and pipeline integrity, safety and to address environmental regulations.

	June 30, 2014	December 31, 2013
	(In thousands)	
Balance Sheet Data		
Cash and cash equivalents	$ 6,066	$ 6,352
Working capital (deficit)	$ (62)	$ (6,604)
Total assets	$ 1,384,744	$ 1,382,508
Long-term debt	$ 839,253	$ 807,630
Partners' equity (5)	$ 341,646	$ 369,446

(5) As a master limited partnership, we distribute our available cash, which historically has exceeded our net income because depreciation and amortization expense represents a non-cash charge against income. The result is a decline in partners' equity since our regular quarterly distributions have exceeded our quarterly net income. Additionally, if the assets contributed and acquired from HFC while under common control of HFC had been acquired from third parties, our acquisition cost in excess of HFC's basis in the transferred assets of $305.3 million would have been recorded in our financial statements as increases to our properties and equipment and intangible assets instead of decreases to partners' equity.

Results of Operations—Three Months Ended June 30, 2014 Compared with Three Months Ended June 30, 2013

Summary

Net income attributable to HEP for the second quarter was $23.0 million compared to $20.2 million for the second quarter of 2013 . The increase in earnings is primarily due to decreased interest expense incurred on our 8.25% Senior Notes due to early retirement in March 2014, which was partially offset by lower pipeline shipments due to a major maintenance turnaround at Alon's Big Spring refinery.

Revenues for the three months ended June 30, 2014 , include the recognition of $0.2 million of prior shortfalls billed to shippers in 2013 compared to revenues at June 30, 2013 , which included the recognition of $0.7 million of prior shortfalls billed to shippers in 2012. Deficiency payments of $5.5 million associated with certain guaranteed shipping contracts were deferred during the three months ended June 30, 2014 . Such deferred revenue will be recognized in earnings either as payment for shipments in excess of guaranteed levels, if and to the extent the pipeline system will not have the necessary capacity for shipments in excess of guaranteed levels, or when shipping rights expire unused over the contractual make-up period.

Revenues

Revenues for the quarter were $75.0 million , a $0.3 million decrease compared to the second quarter of 2013 due to the effect of lower pipeline volumes offset by higher terminal volumes. Major maintenance performed at Alon's Big Spring refinery affected revenue and resulted in overall pipeline volumes being down 5% compared to the three months ended June 30, 2013 .

Revenues from our refined product pipelines were $25.0 million , a decrease of $1.8 million compared to the second quarter of 2013, primarily due to decreased volumes. Shipments averaged 163.2 mbpd compared to 186.6 mbpd for the second quarter of 2013 .

Revenues from our intermediate pipelines were $6.7 million , a decrease of $0.6 million , on shipments averaging 143.4 mbpd compared to 142.4 mbpd for the second quarter of 2013 . Revenues decreased mainly due to a $0.5 million decrease in deferred revenue recognized.

Revenues from our crude pipelines were $13.0 million , an increase of $0.8 million , on shipments averaging 178.6 mbpd compared to 184.3 mbpd for the second quarter of 2013 . Although crude pipeline shipments were down, revenues from our crude pipelines increased due to annual tariff increases, increased volumes on certain pipeline segments and minimum quarterly revenue billings on segments where volumes decreased.

Revenues from terminal, tankage and loading rack fees were $30.3 million , an increase of $1.2 million compared to the second quarter of 2013 . Refined products terminalled in our facilities averaged 325.8 mbpd compared to 333.9 mbpd for the second quarter of 2013 . Although volumes were down at the loading rack facilities, revenue increased due to annual fee increases, higher tank cost reimbursement receipts from HFC and minimum quarterly revenue billings at facilities where volumes decreased.

Operations Expense
Operations expense for the three months ended June 30, 2014 , remained level compared to the three months ended June 30, 2013 .

Depreciation and Amortization
Depreciation and amortization for the three months ended June 30, 2014 increased by $0.8 million compared to the three months ended June 30, 2013 . The increase is due principally to asset abandonment charges related to tankage permanently removed from service.

General and Administrative
General and administrative costs for the three months ended June 30, 2014 , decreased by $0.6 million compared to the three months ended June 30, 2013 , due to decreased employee costs and professional fees.

Equity in Earnings of SLC Pipeline
Our equity in earnings of the SLC Pipeline was $0.7 million for each of the three months ended June 30, 2014 , and 2013.

Interest Expense
Interest expense for the three months ended June 30, 2014 , totaled $8.3 million , a decrease of $3.3 million compared to the three months ended June 30, 2013 . The decrease is due primarily to the early retirement of our 8.25% Senior Notes in March 2014. Our aggregate effective interest rates were 4.0% and 5.8% for the three months ended June 30, 2014 and 2013 , respectively.

State Income Tax
We recorded state income tax expense of $28,000 and $344,000 for the three months ended June 30, 2014 and 2013 , respectively. All tax expense is solely attributable to the Texas margin tax. Due to a statutory change in June 2013, there was a one-time charge of $366,000 to establish a deferred tax liability. This statutory change will result in lower cash taxes to HEP from 2013 forward.

Results of Operations—Six Months Ended June 30, 2014 Compared with Six Months Ended June 30, 2013

Summary
Net income attributable to Holly Energy Partners for the six months ended June 30, 2014 , was $47.2 million compared to $38.6 million for the six months ended June 30, 2013 . The increase in net income is due primarily to higher pipeline and terminal volumes. Additionally, a charge of $7.7 million related to the redemption of our $150 million 8.25% Senior Notes significantly impacted earnings in the first quarter of 2014.

Revenues for the six months ended June 30, 2014 , include the recognition of $9.5 million of prior shortfalls billed to shippers in 2013 . Deficiency payments of $7.3 million associated with certain guaranteed shipping contracts were deferred during the six months ended June 30, 2014 . Such deferred revenue will be recognized in earnings either as payment for shipments in excess of guaranteed levels, if and to the extent the pipeline system will not have the necessary capacity for shipments in excess of guaranteed levels, or when shipping rights expire unused over the contractual make-up period.

Revenues
Revenues for six months ended June 30, 2014 , were $162.0 million , a $12.4 million increase compared to the first six months of 2013. This is due principally to increased pipeline shipments in the first quarter, the effect of annual tariff increases, and a $2.2 million increase in deferred revenue realized. Overall pipeline volumes were up 6.7% for the six months ended June 30, 2014 , as compared to the six months ended June 30, 2013 .

Revenues from our refined product pipelines were $60.8 million , an increase of $6.9 million compared to the six months ended June 30, 2013 , primarily due to increased volumes and due to the effects of a $2.0 million increase in deferred revenue realized. Shipments averaged 176.3 mbpd compared to 167.0 mbpd for the six months ended June 30, 2013 .

Revenues from our intermediate pipelines were $14.6 million , an increase of $1.1 million , on shipments averaging 141.0 mbpd compared to 131.7 mbpd for the six months ended June 30, 2013 . Overall intermediate pipeline shipments were up and revenues also increased partially due to a $0.2 million increase in deferred revenue realized.

Revenues from our crude pipelines were $25.7 million , an increase of $1.9 million , on shipments averaging 177.8 mbpd compared to 165.2 mbpd for the six months ended June 30, 2013 .

Revenues from terminal, tankage and loading rack fees were $61.0 million , an increase of $2.5 million compared to the six months ended June 30, 2013. This increase is due principally to increased tankage revenues. Refined products terminalled in our facilities averaged 333.0 mbpd compared to 324.8 mbpd for the six months ended June 30, 2013 .

Revenues for the six months ended June 30, 2014 , include the recognition of $9.5 million of prior shortfalls billed to shippers in 2013, as they did not meet their minimum volume commitments within the contractual makeup period.

Operations Expense
Operations expense for the six months ended June 30, 2014 , decreased by $3.0 million compared to the six months ended June 30, 2013 . This decrease is due to lower maintenance costs.

Depreciation and Amortization
Depreciation and amortization for the six months ended June 30, 2014 , increased by $2.2 million compared to the six months ended June 30, 2013 . The increase is due principally to asset abandonment charges related to tankage permanently removed from service.

General and Administrative
General and administrative costs for the six months ended June 30, 2014 , decreased by $0.7 million compared to the six months ended June 30, 2013 due to decreased employee costs and professional fees.

Equity in Earnings of SLC Pipeline
Our equity in earnings of the SLC Pipeline was $1.3 million and $1.4 million for the six months ended June 30, 2014 and 2013, respectively.

Interest Expense
Interest expense for the six months ended June 30, 2014 , totaled $18.8 million , a decrease of $5.3 million compared to the six months ended June 30, 2013 . The decrease is due principally to amortization of costs related to a terminated cash flow hedge that became fully amortized in February 2013 as well as decreased interest expense incurred on our 8.25% Senior Notes due to early retirement in March 2014. Our aggregate effective interest rates were 4.5% and 5.8% for the six months ended June 30, 2014 and 2013 , respectively.

Loss on Early Extinguishment of Debt
We recognized a charge of $7.7 million upon the early extinguishment of our 8.25% Senior Notes in March 2014. This charge is for the premium paid to noteholders upon their tender of an aggregate principal amount of $150.0 million and related financing costs that were previously deferred.

Gain on Sale of Assets
The $2.0 million gain on the sale of assets for the six months ended June 30, 2013 , is from the sale of property in El Paso, Texas.

State Income Tax
We recorded state income tax expense of $103,000 and $400,000 for the six months ended June 30, 2014 and 2013 , respectively. All tax expense is solely attributable to the Texas margin tax. Due to a statutory change in June 2013, there was a one-time charge of $366,000 to establish a deferred tax liability. This statutory change will result in lower cash taxes to HEP from 2013 forward.

LIQUIDITY AND CAPITAL RESOURCES

Overview
We have a $650 million senior secured revolving credit facility expiring in November 2018 (the “Credit Agreement”) that is available to fund capital expenditures, investments, acquisitions, distribution payments and working capital and for general partnership purposes. It also is available to fund letters of credit up to a $50 million sub-limit.

During the six months ended June 30, 2014 , we received advances totaling $477.1 million and repaid $297.1 million resulting in a net increase of $180.0 million under the Credit Agreement and an outstanding balance of $543.0 million at June 30, 2014 .

If any particular lender under the Credit Agreement could not honor its commitment, we believe the unused capacity that would be available from the remaining lenders would be sufficient to meet our borrowing needs. Additionally, we review publicly available information on the lenders in order to monitor their financial stability and assess their ongoing ability to honor their commitments under the Credit Agreement. We do not expect to experience any difficulty in the lenders’ ability to honor their respective commitments, and if it were to become necessary, we believe there would be alternative lenders or options available.

In March 2014, we redeemed the $150 million aggregate principal amount of our 8.25% senior notes (the "8.25% Senior Notes") maturing March 2018 at a redemption cost of $156.2 million , at which time we recognized a $7.7 million early extinguishment loss consisting of a $6.2 million debt redemption premium and an unamortized discount of $1.5 million . We funded the redemption with borrowings under our Credit Agreement.

Under our registration statement filed with the SEC using a “shelf” registration process, we currently have the ability to raise up to $2.0 billion by offering securities, through one or more prospectus supplements that would describe, among other things, the specific amounts, prices and terms of any securities offered and how the proceeds would be used. Any proceeds from the sale of securities would be used for general business purposes, which may include, among other things, funding acquisitions of assets or businesses, working capital, capital expenditures, investments in subsidiaries, the retirement of existing debt and/or the repurchase of common units or other securities.

We believe our current cash balances, future internally generated funds and funds available under the Credit Agreement will provide sufficient resources to meet our working capital liquidity needs for the foreseeable future.

In February and May 2014, we paid regular quarterly cash distributions of $0.50 and $0.5075 , respectively, on all units in an aggregate amount of $75.6 million including $14.9 million of incentive distribution payments to the general partner.

Contemporaneously with our UNEV Pipeline interest acquisition on July 12, 2012, HEP Logistics, our general partner, agreed to forego its right to incentive distributions of $1.25 million per quarter over twelve consecutive quarterly periods following the close of the transaction and up to an additional four quarters in certain circumstances.

Cash and cash equivalents decreased by $0.3 million during the six months ended June 30, 2014 . The cash flows provided by operating activities of $92.4 million were less than the sum of cash flows used for financing and investing activities of $54.2 million and $38.5 million , respectively. Working capital increased by $6.5 million to a negative $0.1 million at June 30, 2014 , from a negative $6.6 million at December 31, 2013 .

Cash Flows—Operating Activities
Cash flows from operating activities increased by $10.3 million from $82.0 million for the six months ended June 30, 2013 , to $92.4 million for the six months ended June 30, 2014 . This increase is due principally to $10.5 million of greater cash receipts for services performed in the six months ended June 30, 2014 , as compared to the prior year.

Our major shippers are obligated to make deficiency payments to us if they do not meet their minimum volume shipping obligations. Under certain agreements with these shippers, they have the right to recapture these amounts if future volumes exceed minimum levels. We billed $9.5 million during 2013 related to shortfalls that subsequently expired without recapture and were recognized as revenue during the six months ended June 30, 2014 . Another $5.5 million is included as deferred revenue on our balance sheet at June 30, 2014 , related to shortfalls billed during the three months ended June 30, 2014 .

Cash Flows—Investing Activities
Cash flows used for investing activities increased by $23.9 million from $14.6 million for the six months ended June 30, 2013 , to $38.5 million for the six months ended June 30, 2014 . During the six months ended June 30, 2014 and 2013 , we invested $38.6 million and $17.2 million in additions to properties and equipment, respectively. During the six months ended June 30, 2013 , we received $2.5 million proceeds from the sale of assets.

Cash Flows—Financing Activities
Cash flows used for financing activities were $54.2 million for the six months ended June 30, 2014 , compared to $64.0 million for the six months ended June 30, 2013 , a decrease of $9.8 million . During the six months ended June 30, 2014 , we received $477.1 million and repaid $297.1 million in advances under the Credit Agreement and paid $156.2 million to redeem the 8.25% Senior Notes. Additionally, we paid $75.6 million in regular quarterly cash distributions to our general and limited partners, paid $2.0 million to our noncontrolling interest and paid $0.4 million for the purchase of common units for recipients of our incentive grants. During the six months ended June 30, 2013 , we received $154.5 million and repaid $220.5 million in advances under the Credit Agreement, received net proceeds of $73.4 million from the common unit public offering and and $1.5 million from the general partner to maintain its 2% interest. We paid $67.4 million in regular quarterly cash distributions to our general and limited partners and paid $3.3 million for the purchase of common units for recipients of our incentive grants.

Capital Requirements
Our pipeline and terminalling operations are capital intensive, requiring investments to maintain, expand, upgrade or enhance existing operations and to meet environmental and operational regulations. Our capital requirements have consisted of, and are

expected to continue to consist of, maintenance capital expenditures and expansion capital expenditures. “Maintenance capital expenditures” represent capital expenditures to replace partially or fully depreciated assets to maintain the operating capacity of
existing assets. Maintenance capital expenditures include expenditures required to maintain equipment reliability, tankage and pipeline integrity, safety and to address environmental regulations. “Expansion capital expenditures” represent capital expenditures to expand the operating capacity of existing or new assets, whether through construction or acquisition. Expansion capital expenditures include expenditures to acquire assets, to grow our business and to expand existing facilities, such as projects that increase throughput capacity on our pipelines and in our terminals. Repair and maintenance expenses associated with existing assets that are minor in nature and do not extend the useful life of existing assets are charged to operating expenses as incurred.

Each year the board of directors of Holly Logistic Services, L.L.C., our ultimate general partner ("HLS"), approves our annual capital budget, which specifies capital projects that our management is authorized to undertake. Additionally, at times when conditions warrant or as new opportunities arise, additional projects may be approved. The funds allocated for a particular capital project may be expended over a period in excess of a year, depending on the time required to complete the project. Therefore, our planned capital expenditures for a given year consist of expenditures approved for capital projects included in the current year's capital budget as well as, in certain cases, expenditures approved for capital projects in capital budgets for prior years. The 2014 capital budget is comprised of $7.3 million for maintenance capital expenditures and $26.2 million for expansion capital expenditures. We expect to spend approximately $52 million in cash for capital projects approved in 2014 plus those approved in prior years but not yet completed, including the planned expansion of our crude oil transportation system in southeastern New Mexico and the UNEV project discussed below. In addition to our capital budget, we may spend funds periodically to perform capital upgrades to our assets where a customer reimburses us for such costs. These reimbursements would be required under contractual agreements, and the upgrades would generally benefit the customer over the remaining life of such agreements.

We are proceeding with the expansion of our crude oil transportation system in southeastern New Mexico in response to increased crude oil production in the area. The expansion should provide shippers with additional pipeline takeaway capacity to either common carrier pipeline stations for transportation to major crude oil markets or to HFC's New Mexico refining facilities. To complete the project, we are converting an existing refined products pipeline to crude oil service, constructing several new pipeline segments, expanding an existing pipeline, and building new truck unloading stations and crude storage capacity. Excluding the value of the existing pipeline to be converted, total capital expenditures are expected to be approximately $50 million. We expect that the increase over the original budget range of $35 million to $40 million will be recovered from HFC over a five year period through an additional fee on shipped volumes. We estimate the project will provide increased capacity of up to 100,000 barrels per day across the system. Certain segments of this project are already in service, and we anticipate it will be in full service by September 2014.

UNEV is proceeding with a project to enhance its product terminal in Las Vegas, Nevada. We expect that the project will cost approximately $13 million with construction expected to be completed no later than the third quarter of 2014.

We have announced that we are evaluating the potential construction of several new tanks at HFC’s El Dorado Refinery as well as additional pipeline connections that could increase the refinery’s crude flexibility. As this potential project is still under consideration, the HLS board has not yet approved a capital budget for such project. We are proceeding with engineering estimates for this potential project.

We expect that our currently planned sustaining and maintenance capital expenditures, as well as expenditures for acquisitions and capital development projects, will be funded with cash generated by operations, the sale of additional limited partner common units, the issuance of debt securities and advances under our Credit Agreement, or a combination thereof. With volatility and uncertainty at times in the credit and equity markets, there may be limits on our ability to issue new debt or equity financing. Additionally, due to pricing movements in the debt and equity markets, we may not be able to issue new debt and equity securities at acceptable pricing. Without additional capital beyond amounts available under the Credit Agreement, our ability to obtain funds for some of these capital projects may be limited.

Under the terms of the transaction to acquire HFC's 75% interest in UNEV, we issued to HFC a Class B unit comprising a noncontrolling equity interest in a wholly-owned subsidiary subject to redemption to the extent that HFC is entitled to a 50% interest in our share of annual UNEV earnings before interest, income taxes, depreciation, and amortization above $30 million beginning July 1, 2016, and ending in June 2032, subject to certain limitations.

Credit Agreement
We have a $650 million senior secured revolving credit facility expiring in November 2018 (the “Credit Agreement”) that is available to fund capital expenditures, investments, acquisitions, distribution payments and working capital and for general partnership purposes. It is also available to fund letters of credit up to a $50 million sub-limit.

Our obligations under the Credit Agreement are collateralized by substantially all of our assets. Indebtedness under the Credit Agreement involves recourse to HEP Logistics Holdings, L.P. ("HEP Logistics"), our general partner, and is guaranteed by our material wholly-owned subsidiaries. Any recourse to HEP Logistics would be limited to the extent of its assets, which other than its investment in us, are not significant. We may prepay all loans at any time without penalty, except for payment of certain breakage and related costs.

The Credit Agreement imposes certain requirements on us which we are currently in compliance with, including: a prohibition against distribution to unitholders if, before or after the distribution, a potential default or an event of default as defined in the agreement would occur; limitations on our ability to incur debt, make loans, acquire other companies, change the nature of our business, enter into a merger or consolidation, or sell assets; and covenants that require maintenance of a specified EBITDA to interest expense ratio, total debt to EBITDA ratio and senior debt to EBITDA ratio. If an event of default exists under the Credit Agreement, the lenders will be able to accelerate the maturity of the debt and exercise other rights and remedies.

Senior Notes
In March 2014, we redeemed the $150.0 million aggregate principal amount of 8.25% senior notes (the "8.25% Senior Notes") maturing March 2018 at a redemption cost of $156.2 million at which time we recognized a $7.7 million early extinguishment loss consisting of a $6.2 million debt redemption premium and unamortized discount and financing costs of $1.5 million . We funded the redemption with borrowings under our Credit Agreement.

We have $300.0 million in aggregate principal amount outstanding of 6.5% senior notes (the "6.5% Senior Notes") maturing March 2020. The 6.5% Senior Notes are unsecured and impose certain restrictive covenants, with which we are currently in compliance, including limitations on our ability to incur additional indebtedness, make investments, sell assets, incur certain liens, pay distributions, enter into transactions with affiliates and enter into mergers. At any time when the 6.5% Senior Notes are rated investment grade by both Moody's and Standard & Poor's and no default or event of default exists, we will not be subject to many of the foregoing covenants. Additionally, we have certain redemption rights at varying premiums over face value under the 6.5% Senior Notes.

Indebtedness under the 6.5% Senior Notes involves recourse to HEP Logistics, our general partner, and is guaranteed by our wholly-owned subsidiaries. However, any recourse to HEP Logistics would be limited to the extent of its assets, which other than its investment in us, are not significant.

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

	June 30, 2014	December 31, 2013
	(In thousands)	
Credit Agreement	$ 543,000	$ 363,000
6.5% Senior Notes		
Principal	300,000	300,000
Unamortized discount	(3,747)	(4,073)
	296,253	295,927
8.25% Senior Notes		
Principal	—	150,000
Unamortized discount	—	(1,297)
	—	148,703
Total long-term debt	$ 839,253	$ 807,630

See "Risk Management" for a discussion of our interest rate swaps.

Contractual Obligations
There were no significant changes to our long-term contractual obligations during this period.

Impact of Inflation

Inflation in the United States has been relatively moderate in recent years and did not have a material impact on our results of operations for the six months ended June 30, 2014 and 2013 . Historically, the PPI has increased an average of 2.2% annually over the past five calendar years.

The substantial majority of our revenues are generated under long-term contracts that provide for increases in our rates and minimum revenue guarantees annually for increases in the PPI. Certain of these contracts have provisions that limit the level of annual PPI percentage rate increases. Although the recent PPI increase may not be indicative of additional increases to be realized in the future, a significant and prolonged period of high inflation could adversely affect our cash flows and results of operations if costs increase at a rate greater than the fees we charge our shippers.

Environmental Matters

Our operation of pipelines, terminals, and associated facilities in connection with the transportation and storage of refined products and crude oil is subject to stringent and complex federal, state, and local laws and regulations governing the discharge of materials into the environment, or otherwise relating to the protection of the environment. As with the industry generally, compliance with existing and anticipated laws and regulations increases our overall cost of business, including our capital costs to construct, maintain, and upgrade equipment and facilities. While these laws and regulations affect our maintenance capital expenditures and net income, we believe that they do not affect our competitive position given that the operations of our competitors are similarly affected. We believe our operations are in substantial compliance with applicable environmental laws and regulations. However, these laws and regulations, and the interpretation or enforcement thereof, are subject to frequent change by regulatory authorities, and we are unable to predict the ongoing cost to us of complying with these laws and regulations or the future impact of these laws and regulations on our operations. Violation of environmental laws, regulations, and permits can result in the imposition of significant administrative, civil and criminal penalties, injunctions, and construction bans or delays. A major discharge of hydrocarbons or hazardous substances into the environment could, to the extent the event is not insured, subject us to substantial expense, including both the cost to comply with applicable laws and regulations and claims made by employees, neighboring landowners and other third parties for personal injury and property damage.

Under the Omnibus Agreement and certain transportation agreements and purchase agreements with HFC, HFC has agreed to indemnify us, subject to certain monetary and time limitations, for environmental noncompliance and remediation liabilities associated with certain assets transferred to us from HFC and occurring or existing prior to the date of such transfers.

We have an environmental agreement with Alon with respect to pre-closing environmental costs and liabilities relating to the pipelines and terminals acquired from Alon in 2005, under which Alon will indemnify us subject to certain monetary and time limitations.

There are environmental remediation projects that are currently in progress that relate to certain assets acquired from HFC. Certain of these projects were underway prior to our purchase and represent liabilities of HFC as the obligation for future remediation activities was retained by HFC. At June 30, 2014 , we have an accrual of $3.9 million that relates to environmental clean-up projects for which we have assumed liability or for which the indemnity provided for by HFC has expired or will expire. The remaining projects, including assessment and monitoring activities, are covered under the HFC environmental indemnification discussed above and represent liabilities of HFC.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies are described in “Item 7. Management’s Discussion and Analysis of Financial Condition and Operations—Critical Accounting Policies” in our Annual Report on Form 10-K for the year ended December 31, 2013 . Certain critical accounting policies that materially affect the amounts recorded in our consolidated financial statements include revenue recognition, assessing the possible impairment of certain long-lived assets and goodwill, and assessing contingent liabilities for probable losses. There have been no changes to these policies in 2014 . We consider these policies to be the most critical to understanding the judgments that are involved and the uncertainties that could impact our results of operations, financial condition and cash flows.

New Accounting Pronouncements

Revenue Recognition

In May 2014, an accounting standard update (ASU 2014-09, "Revenue from Contracts with Customers") was issued requiring revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the expected consideration for these goods or services. This standard is effective January 1, 2017, and we are evaluating the impact of this standard.

RISK MANAGEMENT

We use interest rate swaps (derivative instruments) to manage our exposure to interest rate risk.

As of June 30, 2014 , we have three interest rate swaps, designated as a cash flow hedge, that hedge our exposure to the cash flow risk caused by the effects of LIBOR changes on $305.0 million of Credit Agreement advances. Our first interest rate swap effectively converts $155.0 million of our LIBOR based debt to fixed rate debt having an interest rate of 0.99% plus an applicable margin of 2.00% as of June 30, 2014 , which equaled an effective interest rate of 2.99% . This swap contract matures in February 2016. Also we have two similar interest rate swaps with identical terms which effectively convert $150.0 million of our LIBOR based debt to fixed rate debt having an interest rate of 0.74% plus an applicable margin of 2.00% as of June 30, 2014 , which equaled an effective interest rate of 2.74% . Both of these swap contracts mature in July 2017.

We review publicly available information on our counterparties in order to monitor their financial stability and assess their ongoing ability to honor their commitments under the interest rate swap contracts. These counterparties are large financial institutions. Furthermore, we have not experienced, nor do we expect to experience, any difficulty in the counterparties honoring their respective commitments.

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

At June 30, 2014 , we had an outstanding principal balance on our 6.5% Senior Notes of $300 million . A change in interest rates generally would affect the fair value of the Senior Notes, but not our earnings or cash flows. At June 30, 2014 , the fair value of our 6.5% Senior Notes was $320.3 million . We estimate a hypothetical 10% change in the yield-to-maturity applicable to the 6.5% Senior Notes at June 30, 2014 , would result in a change of approximately $8.0 million in the fair value of the underlying notes.

For the variable rate Credit Agreement, changes in interest rates would affect cash flows, but not the fair value. At June 30, 2014 , borrowings outstanding under the Credit Agreement were $543.0 million . By means of our cash flow hedges, we have effectively converted the variable rate on $305.0 million of outstanding borrowings to a fixed rate. For the remaining unhedged Credit Agreement borrowings of $238.0 million , a hypothetical 10% change in interest rates applicable to the Credit Agreement would not materially affect our cash flows.

Our operations are subject to normal hazards of operations, including fire, explosion and weather-related perils. We maintain various insurance coverages, including business interruption insurance, subject to certain deductibles. We are not fully insured against certain risks because such risks are not fully insurable, coverage is unavailable, or premium costs, in our judgment, do not justify such expenditures.

We have a risk management oversight committee that is made up of members from our senior management. This committee monitors our risk environment and provides direction for activities to mitigate, to an acceptable level, identified risks that may adversely affect the achievement of our goals.

Item 3. **Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the risk of loss arising from adverse changes in market rates and prices. See “Risk Management” under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion of market risk exposures that we have with respect to our long-term debt, which disclosure should be read in conjunction with the quantitative and qualitative disclosures about market risk contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 . We utilize derivative instruments to hedge our interest rate exposure, as discussed under “Risk Management.”

Since we do not own products shipped on our pipelines or terminalled at our terminal facilities, we do not have direct market risks associated with commodity prices.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures
Our principal executive officer and principal financial officer have evaluated, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report on Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2014 , at a reasonable level of assurance.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are a party to various legal and regulatory proceedings, which we believe will not have a material adverse impact on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes in our risk factors as previously disclosed in Part 1, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 . In addition to the other information set forth in this quarterly report, you should consider carefully the factors discussed in our 2013 Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our 2013 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition or future results.

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

(c) Common Unit Repurchases Made in the Quarter

The following table discloses purchases of our common units made by us or on our behalf for the periods shown below:

Period	Total Number of Units Purchased	Average Price Paid Per Unit	Total Number of Units Purchased as Part of Publicly Announced Plan or Program	Maximum Number of Units that May Yet be Purchased Under a Publicly Announced Plan or Program
April 2014	—	$ —	—	$ —
May 2014	614	$ 32.20	—	$ —
June 2014	—	$ —	—	$ —
Total for April through June	614		—	

The units reported represent purchases settled during the three months ended June 30, 2014 , related to withholdings made under the terms of our equity award agreements to provide funds for the payment of payroll and income taxes due at vesting in the case of officers or employees who did not elect to satisfy such taxes by other means.

Item 6. Exhibits

The Exhibit Index on page 40 of this Quarterly Report on Form 10-Q lists the exhibits that are filed or furnished, as applicable, as part of the Quarterly Report on Form 10-Q.

SIGNATURES

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

HOLLY ENERGY PARTNERS, L.P.
(Registrant)

By: HEP LOGISTICS HOLDINGS, L.P.
its General Partner

By: HOLLY LOGISTIC SERVICES, L.L.C.
its General Partner

Date: August 6, 2014

/s/ Douglas S. Aron
Douglas S. Aron
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: August 6, 2014

/s/ Kenneth P. Norwood
Kenneth P. Norwood
Vice President and Controller
(Principal Accounting Officer)

Exhibit Index

Exhibit Number	Description
3.1	First Amended and Restated Agreement of Limited Partnership of Holly Energy Partners, L.P. (incorporated by reference to Exhibit 3.1 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2004, File No. 1-32225).
3.2	Amendment No. 1 to the First Amended and Restated Agreement of Limited Partnership of Holly Energy Partners, L.P., dated February 28, 2005 (incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K Current Report dated February 28, 2005, File No. 1-32225).
3.3	Amendment No. 2 to the First Amended and Restated Agreement of Limited Partnership of Holly Energy Partners, L.P., as amended, dated July 6, 2005 (incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K Current Report dated July 6, 2005, File No. 1-32225).
3.4	Amendment No. 3 to First Amended and Restated Agreement of Limited Partnership of Holly Energy Partners, L.P., dated April 11, 2008 (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K dated April 15, 2008, File No. 1-32225).
3.5	Amendment No. 4 to First Amended and Restated Agreement of Limited Partnership of Holly Energy Partners, L.P., dated January 16, 2013 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K dated January 16, 2013, File No. 1-32225).
3.6	Limited Partial Waiver of Incentive Distribution Rights under the First Amended and Restated Agreement of Limited Partnership of Holly Energy Partners, L.P., dated as of July 12, 2012 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K dated July 12, 2012, File No. 1-32225).
3.7	First Amended and Restated Agreement of Limited Partnership of Holly Energy Partners - Operating Company, L.P. (incorporated by reference to Exhibit 3.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2004, File No. 1-32225).
3.8	First Amended and Restated Agreement of Limited Partnership of HEP Logistics Holdings, L.P. (incorporated by reference to Exhibit 3.4 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2004, File No. 1-32225).
3.9	First Amended and Restated Limited Liability Company Agreement of Holly Logistic Services, L.L.C. (incorporated by reference to Exhibit 3.5 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2004, File No. 1-32225).
3.10	Amendment No. 1 to the First Amended and Restated Limited Liability Company Agreement of Holly Logistic Services, L.L.C., dated April 27, 2011 (incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K Current Report dated May 3, 2011, File No. 1-32225).
3.11	First Amended and Restated Limited Liability Company Agreement of HEP Logistics GP, L.L.C. (incorporated by reference to Exhibit 3.6 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2004, File No. 1-32225).
10.1+*	Form of Amended and Restated Restricted Unit Agreement (Chairman).
10.2+*	Form of Amended and Restated Performance Unit Agreement (Chairman) (2012 Grant).
10.3+*	Form of Amended and Restated Performance Unit Agreement (Chairman) (2013 Grant).
31.1+	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1++	Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2++	Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
101**	The following financial information from Holly Energy Partners, L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statement of Partners' Equity, and (vi) Notes to Consolidated Financial Statements.

\+ Filed herewith.

++ Furnished herewith.

* Constitutes management contracts or compensatory plans or arrangements.

** Filed electronically herewith.

Exhibit 10.1

HOLLY ENERGY PARTNERS, L.P.
LONG-TERM INCENTIVE PLAN

AMENDED AND RESTATED RESTRICTED UNIT AGREEMENT

This Agreement was made and entered into as of the Date of Grant set forth in the Notice of Grant of Restricted Units (" ***Notice of Grant*** ") by and between Holly Logistic Services, L.L.C. (the " ***Company*** "), and you and is amended and restated as of April 29, 2014 to be effective as of February 28, 2014 to clarify the continued "double-trigger" vesting of the Award in connection with a Special Involuntary Termination.

WHEREAS , the Company, in order to induce you to enter into and to continue and dedicate service to the Company and Holly Energy Partners, L.P. (the " ***Partnership*** ") and to materially contribute to the success of the Company and the Partnership, previously granted you this restricted unit award;

WHEREAS , the Company adopted the Holly Energy Partners, L.P. Long-Term Incentive Compensation Plan as it may be amended from time to time (the " ***Plan*** ") under which the Company is authorized to grant restricted unit awards to certain employees and service providers of the Company;

WHEREAS , a copy of the Plan has been furnished to you and was and is deemed a part of this restricted unit agreement (" ***Agreement*** ") as if fully set forth herein and the terms capitalized but not defined herein shall have the meanings set forth in the Plan; and

WHEREAS , you previously accepted the restricted unit award made pursuant to this Agreement and desire to enter into this amendment and restatement.

NOW, THEREFORE, in consideration of and mutual covenants set forth herein and for other valuable consideration hereinafter set forth, the parties agree as follows:

1. Grant . Subject to the conditions set forth below, the Company previously granted to you effective as of the Date of Grant set forth in the Notice of Grant, as a matter of separate inducement but not in lieu of any salary or other compensation for your services for the Company, an award (the " ***Award*** ") consisting of the aggregate number of Units set forth in the Notice of Grant in accordance with the terms and conditions set forth herein and in the Plan.

2. Restricted Units . The Company shall obtain the Units subject to this Agreement and cause such Units to be held for you in book entry form by the Partnership's transfer agent with a notation that the Units are subject to restrictions. You hereby agree that the Restricted Units shall be held subject to restrictions as provided in the Agreement until the restrictions on such Restricted Units expire or the Restricted Units are forfeited as provided in Section 4 of this Agreement. You hereby agree that if part or all of the Restricted Units are forfeited pursuant to this Agreement, the Company shall have the right to direct the Partnership's transfer agent to cancel such forfeited

Restricted Units or, at the Company's election, transfer such Restricted Units to the Company or to any designee of the Company.

3. Ownership of Restricted Units . Effective from the Date of Grant, you are a unitholder with respect to all of the Restricted Units granted to you pursuant to Section 1 and have all of the rights of a unitholder with respect to all such Restricted Units, including the right to receive all distributions paid with respect to such Restricted Units and any right to vote with respect to such Restricted Units; provided, however, that such Restricted Units shall be subject to the restrictions hereinafter described, including, without limitation, those described in Section 5.

4. Forfeiture and Expiration of Restrictions .

(a) Expiration of Restrictions and Risk of Forfeiture . The restrictions on the Restricted Units granted pursuant to this Agreement and described in Section 5 will expire and the Restricted Units will become transferable, except to the extent provided in Section 9 of this Agreement and nonforfeitable as set forth in the Notice of Grant and in this Section 4, provided that you remain in the employ of, or a service provider to, the Company or its subsidiaries until the applicable dates and times set forth therein. Restricted Units that become vested and non-forfeitable as provided in this Agreement are referred to herein as "Vested Units."

(b) Termination Generally **.** Subject to subsections (c), (d) and (e), if your employment and service relationship with the Company or its subsidiaries is terminated for any reason, then those Restricted Units for which the restrictions have not lapsed as of the date of termination shall become null and void and those Restricted Units shall be forfeited. The Restricted Units for which the restrictions have lapsed as of the date of such termination shall not be forfeited.

(c) Termination Due to Death, Disability or Retirement . In the event of your (i) death, (ii) total and permanent disability, as determined by the Committee in its sole discretion, or (iii) retirement from any service relationship with the Company and its subsidiaries after attaining the normal retirement age of 62 or retirement after attaining an earlier retirement age approved by the Committee, in its sole discretion, before lapse of all restrictions pursuant to Section 4(a) above before all of the Restricted Units have become Vested Units, you will forfeit a number of Restricted Units equal to the number of Restricted Units specified in Notice of Grant times the percentage that the period of full months beginning on the first day of the calendar month following the date of death, disability or retirement, as applicable, and ending on December 31 of the second calendar year following the calendar year of the Date of Grant, bears to thirty-six (36) and any remaining Restricted Units that are not vested will become Vested Units; provided, however, that any fractional Units will become null and void and automatically forfeited. In its sole discretion, the Committee may decide to vest all of the Restricted Units in-lieu of the prorated number of Restricted Units as provided in this Section 4(c). Unless the Committee determines otherwise, in its sole discretion, neither you nor your beneficiary or estate will have any right to any Restricted Units that remain subject to restrictions, and those Restricted Units will be forfeited.

(d) Special Involuntary Termination . In the event of a Special Involuntary Termination before lapse of all restrictions pursuant to Section 4(a) above, all restrictions described in Section 5 shall lapse and the Restricted Units will become Vested Units and the Company shall deliver the Vested Units to you as soon as practicable thereafter.

5. Limitations on Transfer. You agree that you shall not dispose of (meaning, without limitation, sell, transfer, pledge, exchange, hypothecate or otherwise dispose of) any Restricted Units hereby acquired prior to the expiration of the relevant restrictions imposed by this Section 5 which expiration shall be determined pursuant to Section 4 of this Agreement. Any attempted disposition of the Restricted Units in violation of the preceding sentence shall be null and void, and the Company shall not recognize or give effect to such transfer on its books and records or recognize the person or persons to whom such proposed transfer has been made as the legal or beneficial holder thereof. Notwithstanding the foregoing, part or all of the Restricted Units or rights under this Agreement may be transferred to a spouse pursuant to a domestic relations order issued by a court of competent jurisdiction; provided, however, such Restricted Units shall continue to be held pursuant to Section 2 of this Agreement, and the transferee under the domestic relations order shall agree that the Restricted Units so transferred shall continue to be subject to the terms of this Agreement, including forfeiture and pro rata forfeiture in accordance with Sections 4 of this Agreement.

6. Nontransferability of Agreement. This Agreement and all rights under this Agreement shall not be transferable by you during your life other than by will or pursuant to applicable laws of descent and distribution. Any of your rights and privileges in connection herewith shall not be transferred, assigned, pledged or hypothecated by you or by any other person or persons, in any way, whether by operation of law, or otherwise, and shall not be subject to execution, attachment, garnishment or similar process. In the event of any such occurrence, this Agreement shall automatically be terminated and shall thereafter be null and void. Notwithstanding the foregoing, all or some of the Restricted Units or rights under this Agreement may be transferred to a spouse pursuant to a domestic relations order issued by a court of competent jurisdiction, subject to the limitations on such transfer described in Section 5.

7. Adjustment of Restricted Units. The number of Restricted Units granted to you pursuant to this Agreement shall be adjusted to reflect distributions of the Partnership paid in units, unit splits or other changes in the capital structure of the Partnership, all in accordance with the Plan. All provisions of this Agreement shall be applicable to such new or additional or different units or securities distributed or issued pursuant to the Plan to the same extent that such provisions are applicable to the units with respect to which they were distributed or issued. In the event that the outstanding Units of the Partnership are exchanged for a different number or kind of units or other securities, or if additional, new or different units are distributed with respect to the Units through merger, consolidation, or sale of all or substantially all of the assets of the Partnership, each remaining unit subject to this Agreement shall have substituted for it a like number and kind of units or shares of new or replacement securities as determined in the sole discretion of the Committee, subject to the terms and provisions of the Plan.

8. Delivery of Vested Units. No Vested Units shall be delivered pursuant to this Agreement until the approval of any governmental authority required in connection with this Agreement, or the issuance of Vested Units hereunder, has been received by the Company.

9. Securities Act. The Company shall have the right, but not the obligation, to cause the Restricted Units to be registered under the appropriate rules and regulations of the Securities and Exchange Commission. The Company shall not be required to deliver any Vested Units hereunder if, in the opinion of counsel for the Company, such delivery would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations.

10. Federal and State Taxes. You may incur certain liabilities for Federal, state or local taxes and the Company may be required by law to withhold such taxes for payment to taxing authorities. If you make the election permitted by section 83(b) of the Internal Revenue Code, the taxes shall be due and payable for the year in which this Agreement is executed. If you do not make such election, the taxes shall be payable for the year in which the restrictions lapse pursuant to Section 4. Upon determination of the year in which such taxes are due and the determination by the Company of the amount of taxes required to be withheld, if any, you shall either pay to the Company, in cash or by certified or cashier's check, an amount equal to the taxes required to be paid on such transaction, or you shall authorize the Company to withhold from monies owing by the Company to you an amount equal to the amount of federal, state or local taxes required to be withheld. Your authorization to the Company to withhold taxes pursuant to this Section 10 shall be in form and content acceptable to the Committee. An authorization to withhold taxes pursuant to this provision shall be irrevocable unless and until your tax liability has been fully paid. In the event that you fail to make arrangements that are acceptable to the Committee for providing to the Company, at the time or times required, the amounts of federal, state and local taxes required to be withheld with respect to the Restricted Units granted to you under this Agreement, the Company shall have the right to purchase at current market price as determined by the Committee and/or to sell to one or more third parties in either market or private transactions sufficient Vested Units to provide the funds needed for the Company to make the required tax payment or payments.

11. Definitions; Copy of Plan. To the extent not specifically provided herein, all terms used in this Agreement shall have the same meanings ascribed to them in the Plan. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any applicable law, then such provision will be deemed to be modified to the minimum extent necessary to render it legal, valid and enforceable; and if such provision cannot be so modified, then this Agreement will be construed as if not containing the provision held to be invalid, and the rights and obligations of the parties will be construed and enforced accordingly.

12. Administration. This Agreement shall at all times be subject to the terms and conditions of the Plan. The Committee shall have sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of a majority of the Committee with respect thereto and this Agreement shall be final and binding upon you and the Company. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall control.

13. No Right to Continued Service Relationship. This Agreement shall not be construed to confer upon you any right to continue as an employee or officer of or service provider to the Company and shall not limit the right of the Company, in its sole discretion, to terminate your service at any time.

14. Governing Law. This Agreement shall be interpreted and administered under the laws of the State of Texas, without giving effect to any conflict of laws provisions.

15. Amendments. This Agreement may be amended only by a written agreement executed by the Company and you. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

16. No Liability for Good Faith Determinations. The General Partner, the Partnership, the Company, HFC and the members of the Committee, the Board and the HFC Board shall not be liable for any act, omission or determination taken or made in good faith with respect to this Agreement or the Restricted Units granted hereunder.

17. No Guarantee of Interests. The Board, the HFC Board, the General Partner, the Partnership, HFC and the Company do not guarantee the Units from loss or depreciation.

18. Defined Terms.

(a) " ***Adverse Change*** " shall mean the occurrence of any of the following on or after the 60th day preceding a Change in Control (i) a change in the city in which you are required to work regularly, (ii) a substantial increase in travel requirements of your employment, (iii) a substantial reduction in duties of the type previously performed by you, or (iv) a significant reduction in your compensation or benefits (other than bonuses and other discretionary items of compensation) that does not apply generally to executives of the Company or its successor.

(b) " ***Affiliate*** " shall have the meaning set forth in Rule 12b-2 promulgated under section 12 of the Exchange Act.

(c) " ***Beneficial Owner*** " shall have the meaning provided in Rule 13d-3 under the Exchange Act.

(d) " ***Cause*** " shall mean (i) an act or acts of dishonesty on your part constituting a felony or serious misdemeanor and resulting or intended to result directly in gain or personal enrichment at the expense of the Company; (ii) gross or willful and wanton negligence in the performance of the material and substantial duties of your employment or service relationship with the Company or its subsidiaries; or (iii) conviction of a felony involving moral turpitude. The existence of Cause shall be determined by the Committee, in its sole and absolute discretion.

(e) " ***Change in Control*** " shall mean:

(i) Any Person, other than HFC or any of its wholly-owned subsidiaries, HEP Logistics Holdings, L.P. (the " ***General Partner*** "), the Partnership, the Company, or any of their subsidiaries, a trustee or other fiduciary holding securities under an employee benefit plan of HFC, the Partnership, the Company or any of their Affiliates, an underwriter temporarily holding securities pursuant to an offering of such securities, or an entity owned, directly or indirectly, by the holders of the voting securities of HFC, the Company, the General Partner or the Partnership in substantially the same proportions as their ownership in HFC, the Company, the General Partner or the Partnership, respectively, is or becomes the Beneficial Owner, directly or indirectly, of securities of HFC, the Company, the General Partner or the Partnership (not including in the securities beneficially owned by such Person any securities acquired directly from HFC, the General Partner, the Partnership, the Company or their Affiliates) representing more than forty percent (40%) of the combined voting power of HFC's, the Company's, the General Partner's or the Partnership's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in Section 18(e)(iii)(1) below.

(ii) The individuals who as of the Date of Grant constitute the HFC and any New Director cease for any reason to constitute a majority of the HFC Board.

(iii) There is consummated a merger or consolidation of HFC, the Company, the General Partner or the Partnership with any other entity, except if:

A. the merger or consolidation results in the voting securities of HFC, the Company, the General Partner or the Partnership outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least sixty percent (60%) of the combined voting power of the voting securities of HFC, the Company, the General Partner or the Partnership, as applicable, or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

B. the merger or consolidation is effected to implement a recapitalization of HFC, the Company, the General Partner or the Partnership (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly, or indirectly, of securities of HFC, the Company, the General Partner or the Partnership, as applicable, (not including in the securities beneficially owned by such Person any securities acquired directly from HFC, the Company, the General Partner or the Partnership or their Affiliates other than in connection with the acquisition by HFC, the Company, the General Partner or the Partnership or its Affiliates of a business) representing more than forty percent (40%) of the combined voting power of HFC's, the Company's, the General Partner's or the Partnership's, as applicable, then outstanding securities.

(iv) The holders of the voting securities of HFC, the Company, the General Partner or the Partnership approve a plan of complete liquidation or dissolution of HFC, the Company, the General Partner or the Partnership, as applicable, or an agreement for the sale or disposition by HFC, the Company, the General Partner or the Partnership of all or substantially all of HFC's, the Company's, the General Partner's or the Partnership's assets, as applicable, other than a sale or disposition by HFC, the Company, the General Partner or the Partnership of all or substantially all of HFC's, the Company's, the General Partner's, or the Partnership's assets, as applicable, to an entity at least sixty percent (60%) of the combined voting power of the voting securities of which is owned by the direct or indirect holders of the voting securities of HFC, the Company, the General Partner or the Partnership, as applicable, in substantially the same proportions as their ownership of HFC, the Company, the General Partner or the Partnership, as applicable, immediately prior to such sale.

(f) " ***HFC*** " means HollyFrontier Corporation.

(g) " ***HFC Board*** " means the board of directors of HFC.

(h) " ***New Director*** " shall mean an individual whose election by the HFC Board, or nomination for election by holders of the voting securities of HFC, was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the Date of Grant or whose election or nomination for election was previously so approved or recommended. However, "New Director" shall not include a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation relating to the election of directors of HFC.

(i) " ***Person*** " shall have the meaning given in section 3(a)(9) of the Exchange Act as modified and used in sections 13(d) and 14(d) of the Exchange Act.

(j) " ***Special Involuntary Termination*** " shall mean the occurrence of (1) or (2) below within sixty (60) days prior to, or at any time after, a Change in Control, where (1) is termination of your service relationship with the Partnership, the Company and their subsidiaries by the Company for any reason other than Cause and (2) is a resignation by you from your service relationship with the Partnership, the Company and their subsidiaries within ninety (90) days after an Adverse Change in the terms of your service relationship.

IN WITNESS WHEREOF , the Company has caused this amendment and restatement to be executed by its officer thereunto duly authorized.

HOLLY LOGISTIC SERVICES, L.L.C.

Bruce R. Shaw, President

Exhibit 10.2

HOLLY ENERGY PARTNERS, L.P.
LONG-TERM INCENTIVE PLAN

AMENDED AND RESTATED PERFORMANCE UNIT AGREEMENT

This Performance Unit Agreement (the "Agreement") was made and entered into by and between Holly Logistic Service, L.L.C., a Delaware limited liability company (the "Company"), and Matthew P. Clifton (the "Service Provider"). This Agreement was entered into as of the 1st day of March, 2012 (the "Date of Grant") and is amended and restated as of April 29, 2014 to be effective as of February 28, 2014 to clarify the continued "double-trigger" vesting of the Performance Units in connection with a Special Involuntary Termination.

W I T N E S S E T H:

WHEREAS, the Company has adopted the HOLLY ENERGY PARTNERS, L.P. LONG-TERM INCENTIVE PLAN (the "Plan") to attract, retain and motivate employees, executives, directors and consultants; and

WHEREAS, the Company continues to believe that the grant to the Service Provider of performance units of Holly Energy Partners, L.P. (the "Partnership") as part of the Service Provider's compensation for services provided to the Company and/or the Partnership was and is consistent with the stated purposes for which the Plan was adopted.

NOW, THEREFORE, in consideration of the services rendered by the Service Provider, it is agreed by and between the Company and the Service Provider, as follows:

1. Grant. The Company previously granted to the Service Provider as of the Date of Grant an Award of 5,718 performance units (the "Performance Units"), subject to the terms and conditions set forth in this Agreement. Depending on the performance of the Partnership, the Service Provider may earn from fifty percent (50%) to one hundred fifty percent (150%) of the Performance Units, based on the increase in the Partnership's distributable cash flow per Common Unit ("DCF/Unit").

2. Distribution Equivalent Rights. As long as the Service Provider holds the Performance Units granted pursuant to this Agreement, the Service Provider shall be entitled to receive distribution equivalent rights ("DERs') in accordance with this Section 2. In the event the Partnership makes a distribution in respect of outstanding Common Units of the Partnership ("Common Units") and, on the record date for such distribution, the Service Provider holds Performance Units that have not yet become earned and payable under this Agreement, the Company shall pay the Service Provider an amount in cash equal to the distribution amounts the Service Provider would have received if the Service Provider were the holder of record, as of such record date, of a number of Common Units equal to the number of such Performance Units that have not become earned and payable as of such

record date, such payment to be made on or promptly following the date that the Partnership makes such distribution (however, in no event shall the DERs be paid later than 30 days following the date on which the Partnership makes such distribution to unitholders generally).

3. Nature of Award . The Performance Units represent an Award for the "Performance Period" which begins on January 1, 2012 and ends on December 31, 2014. Following the completion of the Performance Period, the Service Provider shall be entitled to a payment of Common Units as determined under this Section 3 and/or Section 4, as applicable, and payable in Common Units at the time indicated in Section 5 or Section 4(b), as applicable.

(a) Performance Measure . The percentage of Performance Units earned for the Performance Period is determined on the basis of the total increase in the Partnership's DCF/Unit during the Performance Period over a DCF/Unit of $15.105.

(b) Common Units Payable . The number of Common Units payable is equal to the result of multiplying Performance Units by the "Performance Percentage" set forth below:

3-Year Total Increase in DCF/Unit over $15.105	Performance Percentage (%) to be Multiplied by Performance Units
$0.000	50%
$1.241	100%
$2.548	150%

The percentages above shall be interpolated between points. In its sole discretion, the Committee may make a payment to the Service Provider assuming a Performance Percentage of up to one hundred fifty percent (150%) of the Performance Units instead of the Performance Percentage as determined pursuant to this Section 3(b).

4. Early Termination . In the event Service Provider ceases to provide services to the Partnership and the Company prior to the end of the Performance Period on account of an event described in this Section 4, the number of Performance Units with respect to which payment at the end of the Performance Period is based shall be determined as follows:

(a) In the event that the Service Provider ceases to provide services to the Partnership and the Company:

(i) for any reason other than voluntary separation, Cause (as defined in Section 4(c)(vii)) or a Special Involuntary Separation (as defined in Section 4(c)(vi)),

(ii) due to the Service Provider's death,

(iii) due to the Service Provider’s total and permanent disability as determined by the Compensation Committee of the Company’s Board of Directors (the “Committee”) in its sole discretion, or

(iv) due to the Service Provider’s retirement from any service relationship with the Company and its subsidiaries on or after attaining normal retirement age of 62 or after attaining an earlier retirement age approved by the Committee in its sole discretion,

the number of Performance Units that shall be earned by and paid to the Service Provider or his beneficiary, in accordance with and at the time specified in Section 5, shall be determined as follows: the Service Provider shall forfeit a percentage of the Performance Units earned equal to the percentage that the number of full months following the date of separation, death, disability or retirement to the end of the Performance Period bears to thirty-six (36). The Committee shall determine the number of Performance Units earned by the Service Provider or his beneficiary in accordance with Section 3 for the entire Performance Period as soon as administratively practicable after the end of the Performance Period. In its sole discretion, the Committee may make a payment to the Service Provider assuming a Performance Percentage of up to one hundred fifty percent (150%) of the Performance Units instead of the pro-rata number of Performance Units as determined pursuant to this Section 4(a). Unless the Committee determines otherwise, the Service Provider will have no right to any other Performance Units and those other Performance Units granted under this Agreement will be forfeited. If the Service Provider separates from service prior to the end of the Performance Period due to voluntary separation or on account of Cause, all Performance Units hereunder will be forfeited.

(b) In the event of a Special Involuntary Termination, as defined in Section 4(c)(vi), before the end of the Performance Period, no Performance Units shall be forfeited, and payment with respect to one hundred fifty percent (150%) of the Performance Units shall be made as soon as administratively practicable following the Special Involuntary Termination, but in no event later than two and one-half months after the Service Provider’s service terminates. Payment pursuant to this Section 4(b) is in lieu of payment pursuant to Section 4(a) and if the Service Provider receives payment pursuant to this Section 4(b) the Service Provider will not be entitled to any payment pursuant to Section 4(a).

(c) Definitions . For purposes of this Section 4,

(i) “Change in Control” shall mean:

A. Any Person (as defined in Section 4(c)(ii) below), other than HollyFrontier Corporation (“HFC”) or any of its wholly-owned subsidiaries, HEP Logistics Holdings, L.P. (the “General Partner”), the Partnership, the Company, or any of their subsidiaries, a trustee or other fiduciary holding securities under an employee benefit plan of HFC, the Partnership, the Company or any of their Affiliates (as defined in Section 4(c)(v) below), an underwriter temporarily holding securities pursuant to an offering of such securities, or any entity owned, directly or indirectly, by the holders of the voting securities of HFC, the Company, the General Partner or the Partnership in substantially the same proportions as their ownership in HFC, the Company, the General Partner or the Partnership, respectively, is or becomes the Beneficial Owner (as defined in Section 4(c)(iii) below), directly or indirectly, of securities of HFC, the Company, the General Partner or the Partnership (not including in the securities beneficially owned by such Person any securities acquired directly from HFC, the General Partner, the Partnership, the Company or their Affiliates) representing more than forty percent (40%) of the combined voting power of HFC's, the Company's, the General Partner's or the Partnership's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in Section 4(c)(i)(C)(1) below.

B. The individuals who as of the Date of Grant constitute the Board of Directors of HFC (the "HFC Board") and any New Director (as defined in Section 4(c)(iv) below) cease for any reason to constitute a majority of the HFC Board.

C. There is consummated a merger or consolidation of HFC, the Company, the General Partner or the Partnership with any other entity, except if:

(1) the merger or consolidation results in the voting securities of HFC, the Company, the General Partner or the Partnership outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least sixty percent (60%) of the combined voting power of the voting securities of HFC, the Company, the General Partner or the Partnership, as applicable, or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(2) the merger or consolidation is effected to implement a recapitalization of HFC, the Company, the General Partner or the Partnership (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly,

or indirectly, of securities of, as applicable, (not including in the securities beneficially owned by such Person any securities acquired directly from HFC, the Company, the General Partner or the Partnership or their Affiliates other than in connection with the acquisition by HFC, the Company, the General Partner or the Partnership or its Affiliates of a business) representing more than forty percent (40%) of the combined voting power of HFC's, the Company's the General Partner's or the Partnership's, as applicable, then outstanding securities.

D. The holders of the voting securities of HFC, the Company, the General Partner or the Partnership approve a plan of complete liquidation or dissolution of HFC, the Company, the General Partner or the Partnership or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by holders of the voting securities of HFC, the Company, the General Partner or the Partnership of all or substantially all of HFC's, the Company's, the General Partner's or the Partnership's assets, as applicable, to an entity at least sixty percent (60%) of the combined voting power of the voting securities of which is owned by the direct and indirect holders of the voting securities of HFC, the Company, the General Partner or the Partnership in substantially the same proportions as their ownership of the voting securities of HFC, the Company, the General Partner or the Partnership, as applicable, immediately prior to such sale.

(ii) "Person" shall have the meaning given in section 3(a)(9) of the Securities Exchange Act of 1934 (the "1934 Act") as modified and used in sections 13(d) and 14(d) of the 1934 Act.

(iii) "Beneficial Owner" shall have the meaning provided in Rule 13d-3 under the 1934 Act.

(iv) "New Director" shall mean an individual whose election by HFC's Board or nomination for election by holders of the voting securities of HFC was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the Date of Grant or whose election or nomination for election was previously so approved or recommended. However, New Director shall not include a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation relating to the election of directors of the HFC.

(v) “Affiliate” shall have the meaning set forth in Rule 12b-2 promulgated under section 12 of the 1934 Act.

(vi) “Special Involuntary Termination” shall mean the occurrence of (1) or (2) within sixty (60) days prior to, or at any time after, a Change in Control (as defined in Section 4(c)(i)), where (1) is termination by the Company of the Service Provider’s service relationship with the Company and the Partnership (including subsidiaries of the Company and the Partnership), for any reason other than Cause (as defined in Section 4(c)(vii)) and (2) is a resignation by the Service Provider from service with the Company and the Partnership (including subsidiaries of the Company and the Partnership) within ninety (90) days after an Adverse Change (as defined in Section 4(c)(viii)) in the terms of the Service Provider’s service relationship.

(vii) “Cause” shall mean:

A. An act or acts of dishonesty on the part of the Service Provider constituting a felony or serious misdemeanor and resulting or intended to result directly in gain or personal enrichment at the expense of the Company;

B. Gross or willful and wanton negligence in the performance of the Service Provider’s material and substantial duties of employment or service relationship with the Company; or

C. Conviction of a felony involving moral turpitude.

The existence of Cause shall be determined by the Committee, in its sole and absolute discretion.

(viii) “Adverse Change” shall mean, without the express written consent of the Service Provider, the occurrence of any of the following on or after the 60th day preceding a Change in Control (A) a change in the Service Provider’s principal office to a location more than 25 miles from the Service Provider’s work address, (B) a material increase (without adequate consideration) or a material reduction in duties of the type previously performed by the Service Provider, or (C) a material reduction in the Service Provider’s base compensation (other than bonuses and other discretionary items of compensation) that does not apply generally to employees of the Company or its successor. Service Provider shall provide notice to the Company of the event alleged to constitute an Adverse Change within ninety (90) days of the occurrence of such event and the Company shall be given the opportunity to remedy the alleged Adverse Change and/or to contest

Service Provider's assertion that an Adverse Change event has occurred within thirty (30) days from receipt of such notice.

5. Payment of Performance Units.

(a) The number of Common Units payable at the end of the Performance Period (or such earlier time as specified under Section 4(b)) shall be payable as soon as reasonably practicable following the close of the Performance Period, but in no event later than two and one-half months after the end of the calendar year in which the Performance Period closes (or such earlier time as specified under Section 4(b)), in the amount determined in accordance with Section 3, as adjusted by Section 4, if applicable. Such payment will be subject to withholding for taxes and other applicable payroll adjustments. The Committee's determination of the amount payable shall be binding upon the Service Provider and his beneficiary or estate.

(b) If Service Provider is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Service Provider's "separation from service" (within the meaning of Treasury Regulation Section 1.409A-1(h)), then Service Provider shall not be entitled to receive Common Units in settlement of Performance Units until the earlier of (1) the date which is six (6) months after Service Provider's "separation from service" for any reason other than death, or (2) the date of Service Provider's death. The provisions of this Section 5(b) shall only apply if and to the extent required to avoid the imputation of any tax, penalty, or interest pursuant to Section 409A of the Code.

6. Adjustment in Number of Performance Units. Except as provided below, in the event that the outstanding Common Units are increased, decreased or exchanged for a different number or kind of units or other securities, or if additional, new or different units or securities are distributed with respect to the Common Units through merger, consolidation, sale of all or substantially all of the assets of the Partnership, reorganization, recapitalization, unit dividend, unit split, reverse unit split or other distribution with respect to such Common Units, there shall be substituted for the Common Units under the Performance Units subject to this Agreement the appropriate number and kind of Common Units or new or replacement securities as determined in the sole discretion of the Committee.

7. Delivery of Common Units. No Common Units shall be delivered pursuant to this Agreement until the approval of any governmental authority required in connection with this Agreement, or the issuance of Common Units hereunder, has been received by the Company.

8. Securities Act. The Company shall have the right, but not the obligation, to cause the Common Units payable under this Agreement to be registered under the appropriate rules and regulations of the Securities and Exchange Commission. The Company shall not be required to deliver any Common Units hereunder if, in the opinion of counsel for the Company, such delivery would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations.

9. Federal and State Taxes. The Service Provider may incur certain liabilities for Federal, state or local taxes and the Company may be required by law to withhold such taxes for payment to taxing authorities. Upon the determination by the Company of the amount of taxes required to be withheld, if any, the Service Provider shall either pay to the Company, in cash or by certified or cashier's check, an amount equal to the taxes required to be withheld, or the Service Provider shall authorize the Company to withhold from the Common Units payable to the Service Provider an amount necessary to satisfy the Federal, state or local taxes required to be withheld. Authorization of the Service Provider to the Company to withhold taxes pursuant to this Section 9 shall be in form and content acceptable to the Committee. An authorization to withhold taxes pursuant to this provision shall be irrevocable unless and until the tax liability of the Service Provider has been fully paid. In the discretion of the Committee, the required taxes may be withheld in kind from Common Units payable under this Agreement. In the event that the Service Provider fails to make arrangements that are acceptable to the Committee for providing to the Company, at the time or times required, the amounts of federal, state and local taxes required to be withheld with respect to the Common Units payable to the Service Provider under this Agreement, the Company shall have the right to purchase at current market price as determined by the Committee and/or to sell to one or more third parties in either market or private transactions sufficient Common Units payable under this Agreement to provide the funds needed for the Company to make the required tax payment or payments.

10. Definitions; Copy of Plan. To the extent not specifically provided herein, all terms used in this Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Service Provider acknowledges receipt of a copy of the Plan. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any applicable law, then such provision will be deemed to be modified to the minimum extent necessary to render it legal, valid and enforceable; and if such provision cannot be so modified, then this Agreement will be construed as if not containing the provision held to be invalid, and the rights and obligations of the parties will be construed and enforced accordingly.

11. Administration. This Agreement shall at all times be subject to the terms and conditions of the Plan. The Committee shall have sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Committee with respect thereto and this Agreement shall be final and binding upon the Service Provider and the Company. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall control.

12. No Right to Continued Service Relationship. This Agreement shall not be construed to confer upon the Service Provider any right to continue as a service provider to the Company and shall not limit the right of the Company, in its sole discretion, to terminate the service of the Service Provider at any time.

13. Governing Law. This Agreement shall be interpreted and administered under the laws of the State of Texas, without giving effect to any conflict of laws provisions.

14. Amendments. This Agreement may be amended only by a written agreement executed by the Company and the Service Provider. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

15. No Liability for Good Faith Determinations. The Company and the members of the Committee and the Board shall not be liable for any act, omission or determination taken or made in good faith with respect to this Agreement or the Performance Units granted hereunder.

16. No Guarantee of Interests. The Board and the Company do not guarantee the Common Units from loss or depreciation.

17. Nontransferability of Agreement. This Agreement and all rights under this Agreement shall not be transferable by the Service Provider during his life other than by will or pursuant to applicable laws of descent and distribution. Any rights and privileges of the Service Provider in connection herewith shall not be transferred, assigned, pledged or hypothecated by the Service Provider or by any other person or persons, in any way, whether by operation of law, or otherwise, and shall not be subject to execution, attachment, garnishment or similar process. In the event of any such occurrence, this Agreement shall automatically be terminated and shall thereafter be null and void. Notwithstanding the foregoing, all or some of the Common Units or rights under this Agreement may be transferred to a spouse pursuant to a domestic relations order issued by a court of competent jurisdiction.

18. Compliance with Section 409A of the Code. This Agreement is intended to comply and shall be administered in a manner that is intended to comply with section 409A of the Code and shall be construed and interpreted in accordance with such intent. Payment under this Agreement shall be made in a manner that will comply with section 409A of the Code, including regulations or other guidance issued with respect thereto, except as otherwise determined by the Committee. The applicable provisions of section 409A of the Code are hereby incorporated by reference and shall control over any contrary provisions herein that conflict therewith.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officers thereunto duly authorized.

HOLLY LOGISTIC SERVICES, L.L.C.

By:

Bruce R. Shaw, President

Exhibit 10.3

HOLLY ENERGY PARTNERS, L.P.
LONG-TERM INCENTIVE PLAN

AMENDED AND RESTATED PERFORMANCE UNIT AGREEMENT
(Chairman Form)

This Performance Unit Agreement (the " ***Agreement*** ") was made and entered into by and between Holly Logistic Services, L.L.C., a Delaware limited liability company (the " ***Company*** "), and you. This Agreement was entered into as of the 1st day of March, 2013 (the " ***Date of Grant*** ") and is amended and restated as of April 29, 2014 to be effective as of February 28, 2014.

W I T N E S S E T H :

WHEREAS , the Company has adopted the Holly Energy Partners, L.P. Long-Term Incentive Plan (the " ***Plan*** ") to attract, retain and motivate employees, executives, directors and consultants;

WHEREAS , the Company believes that a grant to you of performance units of Holly Energy Partners, L.P. (the " ***Partnership*** ") as part of your compensation for services provided to the Company and/or the Partnership is consistent with the stated purposes for which the Plan was adopted; and

WHEREAS , a copy of the Plan has been furnished to you and shall be deemed a part of this Agreement (" ***Agreement*** ") as if fully set forth herein and the terms capitalized but not defined herein or on Appendix A attached hereto shall have the meanings set forth in the Plan.

NOW, THEREFORE , in consideration of the services rendered by you, it is agreed by and between the Company and you, as follows:

1. Grant . The Company hereby grants to you as of the Date of Grant an Award of **______** performance units (the " ***Performance Units*** "), subject to the terms and conditions set forth in this Agreement. Depending on the performance of the Partnership, you may earn from zero to 200% of the Performance Units, based on the terms set forth in Section 3.

2. Distribution Equivalent Rights . As long as you hold the Performance Units granted pursuant to this Agreement, you will be entitled to receive distribution equivalent rights (" ***DERs*** ') in accordance with this Section 2. In the event the Partnership makes a distribution in respect of outstanding Units and, on the record date for such distribution, you hold Performance Units that have not yet become earned and payable under this Agreement, the Company shall pay you an amount in cash equal to the distribution amounts you would have received if you were the holder of record, as of such record date, of a number of Units equal to the number of such Performance Units that have not become earned and payable as of such record date, such payment to be made on or promptly following the date that the Partnership makes such distribution (however, in no event shall the DERs be paid later than 30 days following the date on which the Partnership makes such distribution to unitholders generally). Notwithstanding this Section 2, the Performance Units granted

pursuant to this Agreement do not and shall not entitle you to any rights of a holder of Units, including the right to vote, prior to the date Units are delivered to you in settlement of the Performance Units pursuant to Section 5.

3. Terms of Award . The Performance Units represent an Award for the " ***Performance Period*** " which begins on January 1, 2013 and ends on December 31, 2015. Following the completion of the Performance Period, you will be entitled to a payment of Units as determined under this Section 3 and/or Section 4, as applicable, and payable in Units at the time indicated in Section 5 or Section 4(b), as applicable.

(a) Performance Measure . The percentage of Performance Units earned for the Performance Period is determined on the basis of Achieved DCF/Unit relative to Incentive DCF/Unit.

(b) Units Payable . The number of Units payable is equal to the result of multiplying Performance Units by the "Performance Percentage" set forth below with respect to Achieved DCF/Unit set forth below:

Achieved DCF/Unit Equals	Performance Percentage (%) to be Multiplied by Performance Units
Base DCF/Unit	0%
Incentive DCF/Unit	200%

The percentages above shall be interpolated between points up to a maximum of 200%; the number so derived shall be rounded to the nearest whole percentage, but not to a percentage in excess of 200%. In its sole discretion, the Committee may make a payment to you assuming a Performance Percentage of up to 200% of the Performance Units instead of the Performance Percentage as determined pursuant to this Section 3(b).

4. Early Termination . In the event you cease to provide services to the Partnership and the Company prior to the end of the Performance Period on account of an event described in this Section 4, the number of Performance Units with respect to which payment at the end of the Performance Period is based shall be determined as follows:

(a) Termination Due to Death, Disability or Retirement . In the event that you cease to provide services to the Partnership and the Company:

(i) for any reason other than voluntary separation, Cause or a Special Involuntary Separation,

(ii) due to your death,

(iii) due to your total and permanent disability as determined by the Compensation Committee of the Company's Board of Directors (the " ***Committee*** ") in its sole discretion, or

(iv) due to your retirement on or after attaining normal retirement age of 62 or after attaining an earlier retirement age approved by the Committee in its sole discretion,

then you (or your beneficiary, if applicable) shall, following the end of the Performance Period, forfeit a percentage of the total Performance Units earned (as calculated pursuant to Section 3) determined by dividing (x) the number of full months from the date of such termination until the last day of the Performance Period by (y) 36. The Committee will determine the number of Performance Units earned by you or your beneficiary in accordance with Section 3 for the entire Performance Period as soon as administratively practicable after the end of the Performance Period. In its sole discretion, the Committee may make a payment to you assuming a Performance Percentage of up to 200% of the Performance Units instead of the pro-rata number of Performance Units as determined pursuant to this Section 4(a). Unless the Committee determines otherwise, you will have no right to any other Performance Units and those other Performance Units granted under this Agreement will be forfeited. If you separate from service prior to the end of the Performance Period due to voluntary separation or on account of Cause, all Performance Units hereunder will be forfeited.

(b) Special Involuntary Termination . In the event of a Special Involuntary Termination before the end of the Performance Period, no Performance Units shall be forfeited, and payment with respect to 200% of the Performance Units shall be made as soon as administratively practicable following the Special Involuntary Termination, but in no event later than 90 days after the date your employment or service relationship terminates. Payment pursuant to this Section 4(b) is in lieu of payment pursuant to Section 4(a) and if you receive payment pursuant to this Section 4(b) you will not be entitled to any payment pursuant to Section 4(a).

(c) Effect of Employment Agreement . Notwithstanding any provision herein to the contrary, in the event of any inconsistency between this Section 6 and any employment, change in control, or similar agreement entered into by and between you and the Company, the terms of the employment, change in control or similar agreement shall control.

(d) Leave of Absence . With respect to the Award, the Company may, in its sole discretion, determine that if you are on leave of absence for any reason you will be considered to still be in the employ of, or providing services for, the Company, provided that rights to the Restricted Units during a leave of absence will be limited to the extent to which those rights were earned or vested when the leave of absence began.

5. Payment of Performance Units .

(a) The number of Units payable at the end of the Performance Period (or such earlier time as specified under Section 4(b)) shall be payable as soon as reasonably practicable following the close of the Performance Period, but in no event later than two and one-half months after the end of the calendar year in which the Performance Period closes (or such earlier time as specified under Section 4(b)), in the amount determined in accordance with Section 3, as adjusted by Section 4, if applicable. Such payment will be subject to withholding for taxes and other applicable payroll adjustments. The Committee's determination of the amount payable shall be binding upon you and your beneficiary or estate. The number of Units payable will be rounded down to the nearest Share. No fractional Units will be issued pursuant to this Agreement.

(b) If you are a "specified employee" within the meaning of Treasury Regulation § 1.409A-1(i) as of the date of your "separation from service" (within the meaning of Treasury Regulation § 1.409A-1(h)), then you will not be entitled to receive Units in settlement of Performance Units until the earlier of (i) the date which is six (6) months after your "separation from service" for any reason other than death, or (ii) the date of your death. The provisions of this Section 5(b) shall only apply if and to the extent required to avoid the imputation of any tax, penalty, or interest pursuant to Section 409A of the Code.

6. Payment of Taxes . The Company may require you to pay to the Company (or an Affiliate of the Company if you are an employee of an Affiliate of the Company), an amount the Company deems necessary to satisfy its (or its Affiliate's) current or future obligation to withhold federal, state or local income or other taxes that you incur as a result of the Award. With respect to any required tax withholding and to the extent permissible pursuant to Rule 16b-3, you may (a) direct the Company to withhold from the Units to be issued to you under this Agreement the number of Units necessary to satisfy the Company's obligation to withhold taxes; which determination will be based on the Units' Fair Market Value at the time such determination is made; (b) deliver to the Company Units sufficient to satisfy the Company's tax withholding obligations, based on the Units' Fair Market Value at the time such determination is made; or (c) deliver cash to the Company sufficient to satisfy its tax withholding obligations. If you desire to elect to use the Unit withholding option described in subparagraph (a), you must make the election at the time and in the manner the Company prescribes. The Committee, in its discretion, may deny your request to satisfy its tax withholding obligations using a method described under subparagraph (a) or (b). In the event the Company determines that the aggregate Fair Market Value of the Units withheld as payment of any tax withholding obligation is insufficient to discharge that tax withholding obligation, then you must pay to the Company, in cash, the amount of that deficiency immediately upon the Company's request. In the event that you fail to make arrangements that are acceptable to the Committee for providing to the Company, at the time or times required, the amounts of federal, state and local taxes required to be withheld with respect to the Performance Units granted to you under this Agreement, the Company shall have the right to purchase and/or to sell to one or more third parties in either market or private transactions sufficient Units otherwise paid or payable pursuant to this Award to provide the funds needed for the Company to make the required tax payment or payments.

7. Adjustment in Number of Performance Units . Except as provided below, in the event that the outstanding Units are increased, decreased or exchanged for a different number or kind of units or other securities, or if additional, new or different units or securities are distributed with respect to the Units through merger, consolidation, sale of all or substantially all of the assets of the Partnership, reorganization, recapitalization, unit dividend, unit split, reverse unit split or other distribution with respect to such Units, there shall be substituted for the Units under the

Performance Units subject to this Agreement the appropriate number and kind of Units or new or replacement securities as determined in the sole discretion of the Committee.

8. Compliance with Securities Law . Notwithstanding any provision of this Agreement to the contrary, the issuance of Units (including Performance Units) will be subject to compliance with all applicable requirements of federal, state, or foreign law with respect to such securities and with the requirements of any stock exchange or market system upon which the Units may then be listed. No Units will be issued hereunder if such issuance would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Units may then be listed. In addition, Units will not be issued hereunder unless (a) a registration statement under the Securities Act, is at the time of issuance in effect with respect to the Units issued or (b) in the opinion of legal counsel to the Company, the Units issued may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any Units subject to the Award will relieve the Company of any liability in respect of the failure to issue such Units as to which such requisite authority has not been obtained. As a condition to any issuance hereunder, the Company may require you to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company. From time to time, the Board and appropriate officers of the Company are authorized to take the actions necessary and appropriate to file required documents with governmental authorities, stock exchanges, and other appropriate Persons to make Units available for issuance.

9. Furnish Information . You agree to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirements imposed upon the Company by or under any applicable statute or regulation.

10. Remedies . The Company shall be entitled to recover from you reasonable attorneys' fees incurred in connection with the successful enforcement of the terms and provisions of this Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

11. Execution of Receipts and Releases . Any payment of cash or any issuance or transfer of Units or other property to you, or to your legal representative, heir, legatee or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such Persons hereunder. The Company may require you or your legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as it shall determine.

12. Severability . If any provision of this Agreement is held to be illegal, invalid or unenforceable under any applicable law, then such provision will be deemed to be modified to the minimum extent necessary to render it legal, valid and enforceable; and if such provision cannot be so modified, then this Agreement will be construed as if not containing the provision held to be invalid, and the rights and obligations of the parties will be construed and enforced accordingly.

13. Administration. This Agreement shall at all times be subject to the terms and conditions of the Plan. The Committee shall have sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Committee with respect thereto and this Agreement shall be final and binding upon you and the Company. All determinations with respect to the achievement of the applicable performance goals, including the calculation of and any adjustment to the applicable performance metrics, will be made by the Committee in its discretion which determination will be final and binding. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall control.

14. No Right to Continued Service Relationship. This Agreement shall not be construed to confer upon you any right to continue as an employee, officer or service provider of the Company and shall not limit the right of the Company, in its sole discretion, to terminate your service at any time.

15. Governing Law. This Agreement shall be interpreted and administered under the laws of the State of Texas, without giving effect to any conflict of laws provisions.

16. Consent to Texas Jurisdiction and Venue. You hereby consent and agree that state courts located in Dallas, Texas and the United States District Court for the Northern District of Texas each shall have personal jurisdiction and proper venue with respect to any dispute between you and the Company arising in connection with the Restricted Units or this Agreement. In any dispute with the Company, you will not raise, and you hereby expressly waive, any objection or defense to any such jurisdiction as an inconvenient forum.

17. Amendments. This Agreement may be amended by the Board or by the Committee at any time (a) if the Board or the Committee determines, in its sole discretion, that amendment is necessary or advisable in light of any addition to or change in any federal or state, tax or securities law or other law or regulation, which change occurs after the Date of Grant and by its terms applies to the Award; or (b) other than in the circumstances described in clause (a) or provided in the Plan, with your consent.

18. No Liability for Good Faith Determinations. The Company and the members of the Committee and the Board shall not be liable for any act, omission or determination taken or made in good faith with respect to this Agreement or the Performance Units granted hereunder.

19. No Guarantee of Interests. The Board and the Company do not guarantee the Units from loss or depreciation.

20. Nontransferability of Agreement. This Agreement and all rights under this Agreement shall not be transferable by you during your life other than by will or pursuant to applicable laws of descent and distribution. Any of your rights and privileges in connection herewith shall not be transferred, assigned, pledged or hypothecated by you or by any other person or persons, in any way, whether by operation of law, or otherwise, and shall not be subject to execution, attachment, garnishment or similar process. In the event of any such occurrence, this Agreement shall automatically be terminated and shall thereafter be null and void. Notwithstanding the

foregoing, all or some of the Units or rights under this Agreement may be transferred to a spouse pursuant to a domestic relations order issued by a court of competent jurisdiction.

24. Company Records. Records of the Company or its subsidiaries regarding your period of service, termination of service and the reason(s) therefor, leaves of absence, re-employment, and other matters shall be conclusive for all purposes hereunder, unless determined by the Company to be incorrect.

25. Information Confidential. As partial consideration for the granting of the Award hereunder, you hereby agree to keep confidential all information and knowledge, except that which has been disclosed in any public filings required by law, that you have relating to the terms and conditions of this Agreement; provided, however, that such information may be disclosed as required by law and may be given in confidence to your spouse and tax and financial advisors. In the event any breach of this promise comes to the attention of the Company, it shall take into consideration that breach in determining whether to recommend the grant of any future similar award to you, as a factor weighing against the advisability of granting any such future award to you.

18. Compliance with Section 409A of the Code. This Agreement is intended to comply and shall be administered in a manner that is intended to comply with section 409A of the Code and shall be construed and interpreted in accordance with such intent. Payment under this Agreement shall be made in a manner that will comply with section 409A of the Code, including regulations or other guidance issued with respect thereto, except as otherwise determined by the Committee. The applicable provisions of section 409A of the Code are hereby incorporated by reference and shall control over any contrary provisions herein that conflict therewith. Termination from employment, separation from service and similar terms used in this Agreement shall mean a “separation from service” within the meaning of Treasury Regulation § 1.409A-1(h).

HOLLY LOGISTIC SERVICES, L.L.C.

Bruce R. Shaw, President

Appendix A

Defined Terms

For purposes of the Agreement, the following terms shall have the meanings assigned below:

" ***2012 DCF/Unit*** " shall mean $2.75.

" ***Achieved DCF/Unit*** " shall mean actual distributable cash flow in 2015 (i) adjusted, on an annualized basis to the extent such adjustment is not reflected in actual distributable cash flow in 2015, to include the effect of the closing of any acquisition to income and/or common units of the Partnership outstanding and/or to eliminate any general partner give-back and any other aberrational event, as determined in the discretion of the Committee, and (ii) divided by Units outstanding as of year-end 2015.

" ***Adverse Change*** " shall mean, without your express written consent, the occurrence on or following the 60th day preceding a Change in Control of (i) a change in your principal office to a location more than 25 miles from your work address as of the Date of Grant, (ii) a material increase (without adequate consideration) or a material reduction in duties of the type previously performed by you, or (iii) a material reduction in your base compensation (other than bonuses and other discretionary items of compensation) that does not apply generally to employees of the Company or its successor. You must provide notice to the Company of the event alleged to constitute an Adverse Change within ninety (90) days of the occurrence of such event and the Company shall be given the opportunity to remedy the alleged Adverse Change and/or to contest your assertion that an Adverse Change event has occurred within thirty (30) days from receipt of such notice.

" ***Affiliate*** " shall have the meaning set forth in Rule 12b-2 promulgated under section 12 of the Exchange Act.

" ***Base DCF/Unit*** " shall mean 2012 DCF/Unit (i) adjusted, on an annualized basis, to include the effect of the closing of any acquisition to income and/or common units of the Partnership outstanding and/or to eliminate any general partner give-back and any other aberrational event, as determined in the discretion of the Committee and (ii) divided by Units outstanding as of year-end 2012.

" ***Beneficial Owner*** " shall have the meaning provided in Rule 13d-3 under the Exchange Act.

" ***Cause*** " shall mean:

(i) An act or acts of dishonesty by you constituting a felony or serious misdemeanor and resulting or intended to result directly in gain or personal enrichment at the expense of the Company;

(ii) Gross or willful and wanton negligence in the performance of the material and substantial duties of your employment or service relationship with the Company; or

(iii) Conviction of a felony involving moral turpitude.

The existence of Cause shall be determined by the Committee, in its sole and absolute discretion.

“ ***Change in Control*** ” shall mean, notwithstanding the definition of such term in the Plan:

(i) Any Person, other than HFC or any of its wholly-owned subsidiaries, the General Partner, the Partnership, the Company, or any of their subsidiaries, a trustee or other fiduciary holding securities under an employee benefit plan of HFC, the Partnership, the Company or any of their Affiliates, an underwriter temporarily holding securities pursuant to an offering of such securities, or any entity owned, directly or indirectly, by the holders of the voting securities of HFC, the Company, the General Partner or the Partnership in substantially the same proportions as their ownership in HFC, the Company, the General Partner or the Partnership, respectively, is or becomes the Beneficial Owner, directly or indirectly, of securities of HFC, the Company, the General Partner or the Partnership (not including in the securities beneficially owned by such Person any securities acquired directly from HFC, the General Partner, the Partnership, the Company or their Affiliates) representing more than 40% of the combined voting power of HFC’s, the Company’s, the General Partner’s or the Partnership’s then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (iii)(A) below.

(ii) The individuals who as of the Date of Grant constitute the HFC Board and any New Director cease for any reason to constitute a majority of the HFC Board.

(iii) There is consummated a merger or consolidation of HFC, the Company, the General Partner or the Partnership with any other entity, except if:

(A) the merger or consolidation results in the voting securities of HFC, the Company, the General Partner or the Partnership outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of HFC, the Company, the General Partner or the Partnership, as applicable, or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(B) the merger or consolidation is effected to implement a recapitalization of HFC, the Company, the General Partner or the Partnership (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly, or indirectly, of securities of, as applicable, (not including in the securities beneficially owned by such Person any securities acquired directly from HFC, the Company, the General Partner or the Partnership or their Affiliates other than in connection with the acquisition by HFC, the Company, the General Partner or the Partnership or its

Affiliates of a business) representing more than 40% of the combined voting power of HFC's, the Company's the General Partner's or the Partnership's, as applicable, then outstanding securities.

(iv) The holders of the voting securities of HFC, the Company, the General Partner or the Partnership approve a plan of complete liquidation or dissolution of HFC, the Company, the General Partner or the Partnership or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by holders of the voting securities of HFC, the Company, the General Partner or the Partnership of all or substantially all of HFC's, the Company's, the General Partner's or the Partnership's assets, as applicable, to an entity at least 60% of the combined voting power of the voting securities of which is owned by the direct and indirect holders of the voting securities of HFC, the Company, the General Partner or the Partnership in substantially the same proportions as their ownership of the voting securities of HFC, the Company, the General Partner or the Partnership, as applicable, immediately prior to such sale.

" ***DCF/Unit*** " means distributable cash flow per Unit.

" ***General Partner*** " means HEP Logistics Holdings, L.P.

" ***HFC*** " means HollyFrontier Corporation.

" ***HFC Board*** " means Board of Directors of HFC.

" ***Incentive DCF/Unit*** " shall mean:

$$(\text{Base DCF/Unit}) \times (100\% + (\text{WAIA}_1 + 5\%)) \times (100\% + (\text{WAIA}_2 + 5\%)) \times (100\% + (\text{WAIA}_3 + 5\%))$$

" ***New Director*** " shall mean an individual whose election by HFC's Board or nomination for election by holders of the voting securities of HFC was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the Date of Grant or whose election or nomination for election was previously so approved or recommended. However, New Director shall not include a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation relating to the election of directors of the HFC.

" ***Person*** " shall have the meaning given in section 3(a)(9) of the Exchange Act as modified and used in sections 13(d) and 14(d) of the 1934 Act.

" ***Special Involuntary Termination*** " shall mean the occurrence of (i) or (ii) within 60 days prior to, or at any time after, a Change in Control, where (i) is termination by the Company of your employment or services with the Company and the Partnership (including subsidiaries of the Company and the Partnership) and (ii) is a resignation by you from your service relationship with the Company and the Partnership (including their subsidiaries of the Company and the Partnership) within 90 days after an Adverse Change in the terms of your service relationship.

" ***WAIA*** " shall mean the weighted after inflation adjustment for each of years 1, 2 and 3 of the Performance Period (identified as $WAIA_1$, $WAIA_2$, and $WAIA_3$, respectively) to the Partnership's applicable sources of revenue calculated as follows: annual percentage increase of the Producers Price Index – Commodities-Finished Goods published by the U.S. Department of Labor, Bureau of Labor Statistics plus 1.5%. For purposes of calculating Incentive DCF/Unit, the WAIA shall be rounded to the nearest 0.1%.

Exhibit 31.1

CERTIFICATION

I, Michael C. Jennings, certify that:

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

Date: August 6, 2014

/s/ Michael C. Jennings

Michael C. Jennings
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Douglas S. Aron, certify that:

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

Date: August 6, 2014

/s/ Douglas S. Aron

Douglas S. Aron

Executive Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE
OFFICER OF HOLLY ENERGY PARTNERS, L.P.
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying report on Form 10-Q for the quarterly period ended June 30, 2014 and filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael C. Jennings, Chief Executive Officer of Holly Logistic Services, L.L.C., the general partner of HEP Logistics Holdings, L.P., the general partner of Holly Energy Partners, L.P (the “Company”), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 6, 2014	/s/ Michael C. Jennings
	Michael C. Jennings
	Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL
OFFICER OF HOLLY ENERGY PARTNERS, L.P.
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying report on Form 10-Q for the quarterly period ended June 30, 2014 and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas S. Aron, Chief Financial Officer of Holly Logistic Services, L.L.C., the general partner of HEP Logistics Holdings, L.P., the general partner of Holly Energy Partners, L.P (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 6, 2014

/s/ Douglas S. Aron

Douglas S. Aron
Executive Vice President and
Chief Financial Officer