

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-Q**

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(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended March 31, 2016
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-36550

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**PAR PACIFIC HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

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<u>Delaware</u> (State or other jurisdiction of incorporation or organization)	<u>84-1060803</u> (I.R.S. Employer Identification No.)
800 Gessner Road, Suite 875 <u>Houston, Texas</u> (Address of principal executive offices)	<u>77024</u> (Zip Code)
(281) 899-4800 (Registrant's telephone number, including area code)	
(Former name, former address and former fiscal year, if changed since last report)	

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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 Website, 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 smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
<input type="checkbox"/> (Do not check if a smaller reporting company)			

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

Indicate by check mark whether the registrant has filed all document and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

41,105,926 shares of common stock, \$0.01 par value, were outstanding as of April 29, 2016 .

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**PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES**  
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The terms “Par,” “Company,” “we,” “our,” and “us” refer to Par Pacific Holdings, Inc. and its consolidated subsidiaries unless the context suggests otherwise.

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**PART I - FINANCIAL INFORMATION**  
**Item 1. FINANCIAL STATEMENTS**

**PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**  
**(in thousands, except share and per share data)**

	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 121,758	\$ 167,788
Restricted cash	747	748
Trade accounts receivable	57,876	68,342
Inventories	146,489	219,437
Prepaid and other current assets	27,589	75,437
<b>Total current assets</b>	<b>354,459</b>	<b>531,752</b>
<b>Property and equipment</b>		
Property, plant and equipment	224,826	220,863
Proved oil and gas properties, at cost, successful efforts method of accounting	1,122	1,122
Total property and equipment	225,948	221,985
Less accumulated depreciation and depletion	(30,595)	(26,845)
<b>Property and equipment, net</b>	<b>195,353</b>	<b>195,140</b>
<b>Long-term assets</b>		
Investment in Laramie Energy, LLC	129,332	76,203
Intangible assets, net	33,135	34,368
Goodwill	40,738	41,327
Other long-term assets	12,767	13,471
<b>Total assets</b>	<b>\$ 765,784</b>	<b>\$ 892,261</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Current maturities of long-term debt	\$ 11,000	\$ 11,000
Obligations under inventory financing agreements	144,028	237,709
Accounts payable	28,805	27,428
Current portion of contingent consideration	15,726	19,880
Other accrued liabilities	63,236	69,023
<b>Total current liabilities</b>	<b>262,795</b>	<b>365,040</b>
<b>Long-term liabilities</b>		
Long-term debt, net of current maturities	152,006	154,212
Common stock warrants	6,452	8,096
Contingent consideration	4,594	7,701
Long-term capital lease obligations	2,134	1,175
Other liabilities	13,866	15,426
<b>Total liabilities</b>	<b>441,847</b>	<b>551,650</b>
<b>Commitments and contingencies (Note 10)</b>		
<b>Stockholders' equity</b>		
Preferred stock, \$0.01 par value: 3,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value; 500,000,000 shares authorized at March 31, 2016 and December 31, 2015, 41,106,105 shares and 41,009,924 shares issued at March 31, 2016 and December 31, 2015, respectively	411	410
Additional paid-in capital	517,165	515,165
Accumulated deficit	(193,639)	(174,964)
<b>Total stockholders' equity</b>	<b>323,937</b>	<b>340,611</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 765,784</b>	<b>\$ 892,261</b>

See accompanying notes to the condensed consolidated financial statements.

**PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2016	2015
<b>Revenues</b>	\$ 377,812	\$ 543,611
<b>Operating expenses</b>		
Cost of revenues	342,388	477,506
Operating expense, excluding depreciation, depletion and amortization expense	38,063	32,280
Lease operating expense	114	1,531
Depreciation, depletion and amortization	5,095	3,251
General and administrative expense	11,200	10,125
Acquisition and integration expense	671	1,061
<b>Total operating expenses</b>	<u>397,531</u>	<u>525,754</u>
<b>Operating income (loss)</b>	(19,719)	17,857
<b>Other income (expense)</b>		
Interest expense and financing costs, net	(4,613)	(5,557)
Other income (expense), net	46	4
Change in value of common stock warrants	1,644	(5,022)
Change in value of contingent consideration	6,176	(4,929)
Equity losses from Laramie Energy, LLC	(1,871)	(1,826)
<b>Total other income (expense), net</b>	<u>1,382</u>	<u>(17,330)</u>
<b>Income (loss) before income taxes</b>	(18,337)	527
Income tax expense	(336)	(65)
<b>Net income (loss)</b>	<u>\$ (18,673)</u>	<u>\$ 462</u>
<b>Earnings (loss) per share</b>		
Basic	\$ (0.46)	\$ 0.01
Diluted	(0.46)	0.01
<b>Weighted average number of shares outstanding</b>		
Basic	40,974	37,188
Diluted	40,974	37,381

See accompanying notes to the condensed consolidated financial statements.

**PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(in thousands)

	Three Months Ended March 31,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (18,673)	\$ 462
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation, depletion and amortization	5,095	3,251
Non-cash interest expense	1,030	4,951
Change in value of common stock warrants	(1,644)	5,022
Change in value of contingent consideration	(6,176)	4,929
Deferred taxes	—	65
Stock-based compensation	2,185	1,268
Unrealized loss on derivative contracts	1,609	2,406
Equity losses from Laramie Energy, LLC	1,871	1,826
Net changes in operating assets and liabilities:		
Trade accounts receivable	10,466	47,173
Prepaid and other assets	43,994	1,298
Inventories	72,948	58,483
Obligations under inventory financing agreements	(84,623)	(15,199)
Accounts payable and other accrued liabilities	(16,053)	(29,163)
<b>Net cash provided by operating activities</b>	<b>12,029</b>	<b>86,772</b>
<b>Cash flows from investing activities</b>		
Acquisition of Par Hawaii, Inc.	—	(5,000)
Capital expenditures	(4,476)	(4,747)
Proceeds from sale of assets	2,235	—
Investment in Laramie Energy, LLC	(55,000)	(13,764)
<b>Net cash used in investing activities</b>	<b>(57,241)</b>	<b>(23,511)</b>
<b>Cash flows from financing activities</b>		
Proceeds from sale of common stock, net of offering costs	—	300
Proceeds from borrowings	—	7,500
Repayments of borrowings	(5,114)	(34,712)
Net borrowings on deferred payment arrangement	5,566	—
Payment of deferred loan costs	—	(1,254)
Purchase of common stock for retirement	(186)	—
Contingent consideration settlement	(1,084)	—
<b>Net cash used in financing activities</b>	<b>(818)</b>	<b>(28,166)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(46,030)</b>	<b>35,095</b>
Cash and cash equivalents at beginning of period	167,788	89,210
Cash and cash equivalents at end of period	<u>\$ 121,758</u>	<u>\$ 124,305</u>
<b>Supplemental cash flow information:</b>		
<b>Cash received (paid) for:</b>		
Interest	\$ (2,746)	\$ (415)
Taxes	139	—
<b>Non-cash investing and financing activities</b>		
Accrued capital expenditures	\$ 2,439	\$ 2,060

See accompanying notes to the condensed consolidated financial statements.



**PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2016 and 2015**

**Note 1—Overview**

Par Pacific Holdings, Inc. and its wholly-owned subsidiaries ("Par" or the "Company") manage and maintain interests in energy and infrastructure businesses. Currently, we operate in three primary business segments:

- 1) **Refining** - Our refinery in Kapolei, Hawaii produces ultra-low sulfur diesel, gasoline, jet fuel, marine fuel and other associated refined products primarily for consumption in Hawaii.
- 2) **Retail** - Our retail outlets sell gasoline, diesel and retail merchandise throughout the island of Oahu as well as the neighboring islands of Maui, Hawaii and Kauai. Our retail network includes Tesoro and "76" branded retail sites, company-operated convenience stores, sites operated in cooperation with 7-Eleven and other sites operated by third parties.
- 3) **Logistics** - We own and operate terminals, pipelines, a single-point mooring and trucking operations to distribute refined products throughout the island of Oahu as well as the neighboring islands of Maui, Hawaii, Molokai and Kauai.

We also own a 42.3% equity investment in Laramie Energy, LLC ("Laramie Energy"), a joint venture entity operated by Laramie Energy II, LLC ("Laramie") focused on producing natural gas in Garfield, Mesa and Rio Blanco Counties, Colorado.

In addition to the three operating segments described above, we have two additional reportable segments: (i) Texadian and (ii) Corporate and Other. Texadian focuses on sourcing, marketing, transporting and distributing crude oil and refined products in the United States ("U.S.") and Canada. Corporate and Other includes administrative costs and several small non-operated oil and gas interests that were owned by our predecessor.

**Note 2—Summary of Significant Accounting Policies**

**Principles of Consolidation and Basis of Presentation**

The condensed consolidated financial statements include the accounts of Par Pacific Holdings, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain amounts previously reported in our condensed consolidated financial statements for prior periods have been reclassified to conform to the current presentation.

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. The condensed consolidated financial statements contained in this report include all material adjustments of a normal recurring nature that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the complete fiscal year, or for any other period. The condensed consolidated balance sheet as of December 31, 2015 was derived from our audited consolidated financial statements as of that date. These condensed consolidated financial statements should be read together with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015.

**Use of Estimates**

The preparation of our condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures. Actual amounts could differ from these estimates. Significant estimates include the fair value of assets and liabilities, inventory valuation, derivatives, asset retirement obligations and contingencies and litigation accruals.

**Accounting Principles Not Yet Adopted**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The FASB's objective was to provide a more robust framework to improve comparability of revenue recognition practices across entities by removing most industry and transaction specific guidance, align GAAP with International Financial Reporting Standards and provide more useful information to financial statement users. This authoritative guidance changes the way entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* ("ASU 2015-14"), which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted for interim and

**PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES**  
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**For the Interim Periods Ended March 31, 2016 and 2015**

annual periods beginning after December 15, 2016. ASU 2014-09 allows for either full retrospective adoption or modified retrospective adoption. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations* ("ASU 2016-08"). This ASU clarifies that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("ASU 2016-10"). This ASU amends the guidance on identifying performance obligations and the implementation guidance on licensing. ASU 2016-08 and ASU 2016-10 have the same effective date as the new revenue standard (as amended). We are in the process of determining the method of adoption and the impact this guidance will have on our financial condition, results of operations and cash flows.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2016 and early adoption is permitted. We do not expect the adoption of ASU 2014-15 to have a material impact on our financial condition, results of operations or cash flows.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 changes the consolidation analysis required under GAAP by eliminating the presumption that a general partner should consolidate a limited partnership and modifying the evaluation of whether limited partnerships are Variable Interest Entities ("VIEs") or voting interest entities. Under the amended guidance, limited partners would be required to consolidate a partnership if the limited partner retains certain powers and obligations. The amendments in this ASU are effective for annual periods beginning after December 15, 2016 and interim periods beginning after December 15, 2017. ASU 2015-02 allows for either full retrospective adoption or modified retrospective adoption. Early adoption is permitted, but the guidance must be applied as of the beginning of the annual period containing the adoption date. We are in the process of determining the method of adoption and the impact this guidance will have on our financial condition, results of operations and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize all leases, including operating leases, on the balance sheet as a lease asset or lease liability, unless the lease is a short-term lease. ASU 2016-02 also requires additional disclosures regarding leasing arrangements. ASU 2016-02 is effective for interim periods and fiscal years beginning after December 15, 2018 and early application is permitted. We are in the process of determining the method of adoption and the impact this guidance will have on our financial condition, results of operations and cash flows.

In March 2016, the FASB also issued ASU No. 2016-07, *Investments-Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting* ("ASU 2016-07"). ASU 2016-07 simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. Consequently, when an investment qualifies for the equity method (as a result of an increase in the level of ownership interest or degree of influence), the cost of acquiring the additional interest in the investee would be added to the current basis of the investor's previously held interest and the equity method would be applied subsequently from the date on which the investor obtains the ability to exercise significant influence over the investee. ASU 2016-07 is effective for interim periods and fiscal years beginning after December 15, 2016, and early application is permitted. We are in the process of determining the method of adoption and the impact this guidance will have on our financial condition, results of operations and cash flows.

In March 2016, the FASB also issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for interim periods and fiscal years beginning after December 15, 2016. Early application is permitted and requires that adjustments be reflected as of the beginning of the fiscal year that includes the interim period of adoption. We are in the process of determining the method of adoption and the impact this guidance will have on our financial condition, results of operations and cash flows.

**Note 3—Investment in Laramie Energy, LLC**

We have a 42.3% ownership interest in Laramie Energy, a joint venture entity focused on producing natural gas in Garfield, Mesa and Rio Blanco Counties, Colorado. Laramie Energy has a \$400 million revolving credit facility secured by a lien on its natural gas and oil properties and related assets with a borrowing base currently set at \$170 million. As of March 31, 2016, the balance outstanding on the revolving credit facility was approximately \$131 million. We are guarantors of Laramie Energy's credit



**PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2016 and 2015**

facility, with recourse limited to the pledge of our equity interest of our wholly-owned subsidiary, Par Piceance Energy Equity, LLC. Under the terms of its credit facility, Laramie Energy is generally prohibited from making future cash distributions to its owners, including us.

On March 1, 2016, Laramie Energy acquired and assumed operatorship of certain properties in the Piceance Basin for \$157.5 million, subject to customary purchase price adjustments ("Laramie Purchase"). In connection with the Laramie Purchase, we acquired additional membership interests of Laramie Energy for an aggregate cash purchase price of \$55 million. As a result of this transaction, our ownership interest in Laramie Energy increased from 32.4% to 42.3%.

The change in our equity investment in Laramie Energy is as follows (in thousands):

	<b>Three Months Ended March 31, 2016</b>	
Beginning balance	\$	76,203
Equity losses from Laramie		(3,125)
Accretion of basis difference		1,254
Investments		55,000
Ending balance	\$	<u>129,332</u>

Summarized financial information for Laramie Energy is as follows (in thousands):

	<b>March 31, 2016</b>		<b>December 31, 2015</b>	
Current assets	\$	14,071	\$	8,511
Non-current assets		668,721		514,206
Current liabilities		11,997		18,158
Non-current liabilities		191,814		98,624

	<b>Three Months Ended March 31,</b>			
	<b>2016</b>		<b>2015</b>	
Natural gas and oil revenues	\$	14,693	\$	10,737
Loss from operations		(11,124)		(7,079)
Net loss		(2,579)		(6,080)

The net loss for the three months ended March 31, 2016 includes \$7.6 million of depreciation, depletion and amortization ("DD&A") expense and \$5.9 million of unrealized gain on derivative instruments. The net loss for the three months ended March 31, 2015 includes \$7.4 million of DD&A and \$0.7 million of unrealized losses on derivative instruments.

As of March 31, 2016 and December 31, 2015, our equity in the underlying net assets of Laramie Energy exceeded the carrying value of our investment by approximately \$73.3 million and \$55.4 million, respectively. This difference arose primarily due to an other-than-temporary impairment of our equity investment in Laramie Energy in 2015 and our recent increase in ownership. We attributed this difference to natural gas and crude oil properties and are amortizing the difference over 15 years based on the estimated timing of production of proved reserves.

**Note 4—Acquisitions**

On April 1, 2015, we completed the acquisition of Par Hawaii Inc. ("PHI"), a Hawaii corporation, which owns 100% of the outstanding membership interests in Mid Pac Petroleum, LLC, a Delaware limited liability company ("Mid Pac"). Net cash consideration was \$74.4 million, including the working capital settlement of \$1.0 million paid in September 2015. In connection with the acquisition, Mid Pac's pre-existing debt was fully repaid on the closing date for \$45.3 million. The acquisition and debt repayment were funded with cash on hand and \$55 million of borrowings under the Credit Agreement with the Bank of Hawaii ("Mid Pac Credit Agreement").

We accounted for the acquisition of Mid Pac as a business combination whereby the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. Goodwill recognized in the transaction was attributable to opportunities expected to arise from combining our operations with Mid Pac's, and utilization of

**PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2016 and 2015**

our net operating loss carryforwards, as well as other intangible assets that do not qualify for separate recognition. In addition, we recorded certain other identifiable intangible assets including trade names and customer relationships. These intangible assets will be amortized over their estimated useful lives on a straight line basis, which approximates their consumptive life.

During the three months ended March 31, 2016, the purchase price allocation was adjusted to record an increase to tax receivables and a decrease to goodwill of \$0.6 million. The tax receivable of \$0.6 million relates to periods prior to the Mid Pac acquisition and was recorded in connection with a tax refund received by Mid Pac in March 2016. As of March 31, 2016, we have finalized the Mid Pac acquisition purchase price allocation.

The results of operations of Mid Pac were included in our refining, retail and logistics results beginning April 1, 2015. For the three months ended March 31, 2016, our results of operations included revenues of \$41.0 million and net income of \$4.2 million related to Mid Pac. The following unaudited pro forma financial information presents our consolidated revenues and net income as if the Mid Pac acquisition had been completed on January 1, 2014 (in thousands):

	<b>Three Months Ended March 31, 2015</b>	
Revenues (1)	\$	570,861
Net income (1)		2,191

(1) The results of operations of Mid Pac for the three months ended March 31, 2016, are included in our condensed consolidated statements of operations for the entire period; therefore, the pro forma financial information for the three months ended March 31, 2016 is not presented in the table above.

**Note 5—Inventories**

Inventories at March 31, 2016 consist of the following (in thousands):

	<b>Titled Inventory</b>	<b>Supply and Offtake Agreements (1)</b>	<b>Total</b>
Crude oil and feedstocks	\$ 4,435	\$ 42,612	\$ 47,047
Refined products and blendstock	22,013	60,670	82,683
Warehouse stock and other	16,759	—	16,759
Total	\$ 43,207	\$ 103,282	\$ 146,489

Inventories at December 31, 2015 consist of the following (in thousands):

	<b>Titled Inventory</b>	<b>Supply and Exchange Agreements (1)</b>	<b>Total</b>
Crude oil and feedstocks	\$ 18,404	\$ 68,126	\$ 86,530
Refined products and blendstock	28,023	87,608	115,631
Warehouse stock and other	17,276	—	17,276
Total	\$ 63,703	\$ 155,734	\$ 219,437

(1) Please read Note 7—Inventory Financing Agreements for further information.

The reserve for the lower of cost or net realizable value of inventory was \$0.8 million and \$ 23.7 million as of March 31, 2016 and December 31, 2015, respectively.

**PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2016 and 2015**

**Note 6—Prepaid and Other Current Assets**

Prepaid and other current assets at March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Advances to suppliers for crude oil purchases	\$ —	\$ 36,247
Collateral posted with broker for derivative instruments	15,289	20,926
Prepaid insurance	4,753	6,773
Derivative assets	427	4,577
Other	7,120	6,914
Total	<u>\$ 27,589</u>	<u>\$ 75,437</u>

**Note 7—Inventory Financing Agreements**

**Supply and Offtake Agreements**

On June 1, 2015, we entered into several agreements with J. Aron & Company ("J. Aron") to support the operations of our refinery (the "Supply and Offtake Agreements"). The Supply and Offtake Agreements have a term of three years with two one -year extension options upon mutual agreement of the parties.

During the term of the Supply and Offtake Agreements, we and J. Aron will identify mutually acceptable contracts for the purchase of crude oil from third parties. Per the Supply and Offtake Agreements, J. Aron will provide up to 94 thousand barrels per day of crude oil to our refinery. Additionally, we agreed to sell and J. Aron agreed to buy, at market prices, refined products produced at our refinery. We will then repurchase the refined products from J. Aron prior to selling the refined products to our retail operations or third parties. The agreements also provide for the lease to J. Aron of crude oil and certain refined product storage facilities. Following expiration or termination of the agreements, we are obligated to purchase the crude oil and refined product inventories then owned by J. Aron and located at the leased storage facilities at then current market prices. Our obligations under the agreements are secured by a security interest on substantially all of the assets of our subsidiary Par Hawaii Refining, LLC ("PHR"), a security interest on the equity interests held by our wholly-owned subsidiary, Par Petroleum, LLC in PHR and a mortgage whereby PHR granted to J. Aron a lien on all real property and improvements owned by PHR, including our refinery.

While title to the crude oil and certain refined product inventories will reside with J. Aron, the Supply and Offtake Agreements will be accounted for similar to a product financing arrangement; therefore, the crude oil and refined products inventories will continue to be included on our condensed consolidated balance sheet until processed and sold to a third party. Each reporting period, we record a liability in an amount equal to the amount we expect to pay to repurchase the inventory held by J. Aron based on current market prices.

For the three months ended March 31, 2016 , we incurred approximately \$ 1.9 million in handling fees related to the Supply and Offtake Agreements, which is included in Cost of revenues on our condensed consolidated statements of operations. For the three months ended March 31, 2016 , Interest expense and financing costs, net on our condensed consolidated statements of operations includes approximately \$0.6 million of expenses related to the Supply and Offtake Agreements.

The Supply and Offtake Agreements also include a deferred payment arrangement ("Deferred Payment Arrangement") whereby we can defer payments owed under the agreements up to the lesser of \$125 million or 85% of the eligible accounts receivable and inventory. Upon execution of the Supply and Offtake Agreements, we paid J. Aron a deferral arrangement fee of \$1.3 million . The deferred amounts under the deferred payment arrangement will bear interest at a rate equal to 90 -day LIBOR plus 3.75% per annum. We also agreed to pay a deferred payment availability fee equal to 0.75% of the unused capacity under the deferred payment arrangement. Amounts outstanding under the Deferred Payment Arrangement are included in Obligations under inventory financing agreements on our condensed consolidated balance sheets. Changes in the amount outstanding under the Deferred Payment Arrangement are included within Cash flows from financing activities on the condensed consolidated statements of cash flows. As of March 31, 2016 , the capacity of the Deferred Payment Arrangement was \$67.4 million and we had \$40.9 million outstanding.

Under the Supply and Offtake Agreements, we pay or receive certain fees from J. Aron based on changes in market prices over time. In September 2015, we entered into an agreement ("Fee Agreement") to fix this market fee for the period from October 1, 2015 through November 30, 2016 whereby J. Aron agreed to pay us a total of \$18 million to be settled in fourteen equal monthly payments. In February 2016, we fixed the market fee for the remainder of the term of the Supply and Offtake Agreements for an

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additional \$14.6 million to be settled in eighteen equal monthly payments. The receivable from J. Aron was recorded as a reduction to our Obligations under inventory financing agreements pursuant to our Master Netting Agreement. As of March 31, 2016, the receivable was \$26.9 million .

The agreements also provide us with the ability to economically hedge price risk on our inventories and crude oil purchases. Please read Note 9—Derivatives for further information.

**Supply and Exchange Agreements**

On September 25, 2013, we entered into several agreements with Barclays Bank PLC ("Barclays"), referred to collectively as the Supply and Exchange Agreements, for the purpose of managing our working capital and the crude oil and refined product inventory at the refinery. Effective July 31, 2014, we supplemented the Supply and Exchange Agreements by entering into the Refined Product Supply Master Confirmation, pursuant to which Barclays may provide refined product supply and intermediation arrangements to us. Upon execution of the Supply and Offtake Agreements, we terminated the Supply and Exchange Agreements with Barclays, subject to certain obligations to reimburse Barclays for third-party claims.

For the three months ended March 31, 2015 , we incurred approximately \$3.9 million in handling fees related to the Supply and Exchange Agreements, which is included in Cost of revenues on our condensed consolidated statements of operations.

Interest expense and financing costs, net on our condensed consolidated statements of operations includes approximately \$1.4 million for the three months ended March 31, 2015 .

**Note 8—Debt**

The following table summarizes our outstanding debt (in thousands):

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
KeyBank Credit Agreement	\$ 107,250	\$ 110,000
Term Loan	60,119	60,119
Principal amount of long-term debt	167,369	170,119
Less: unamortized discount	(666)	(899)
Less: deferred financing costs	(3,697)	(4,008)
Total debt, net of unamortized discount and deferred financing costs	163,006	165,212
Less: current maturities	(11,000)	(11,000)
Long-term debt, net of current maturities	\$ 152,006	\$ 154,212

Our debt is subject to various affirmative and negative covenants. As of March 31, 2016 , we were in compliance with all debt covenants.

**Guarantors**

In connection with our shelf registration statement on Form S-3, which was filed with the SEC on June 1, 2015 and declared effective on June 23, 2015 ("Registration Statement"), we may sell non-convertible debt securities and other securities in one or more offerings with an aggregate initial offering price of up to \$750 million . Any non-convertible debt securities issued under the Registration Statement may be fully and unconditionally guaranteed (except for customary release provisions), on a joint and several basis, by some or all of our subsidiaries, other than subsidiaries that are "minor" within the meaning of Rule 3-10 of Regulation S-X (the "Guarantor Subsidiaries"). The Company has no "independent assets or operations" within the meaning of Rule 3-10 of Regulation S-X and certain of the Guarantor Subsidiaries may be subject to restrictions on their ability to distribute funds to the Company, whether by cash dividends, loans or advances.

**Note 9—Derivatives**

We utilize crude oil commodity derivative contracts to manage our price exposure to our inventory positions, future purchases of crude oil and future sales of refined products. The derivative contracts that we execute to manage our price risk include exchange traded futures, options and over-the-counter ("OTC") swaps. Our futures, options and OTC swaps are marked-to-market and changes in the fair value of these contracts are recognized within Cost of revenues on our condensed consolidated statements of operations.

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We are obligated to repurchase the crude oil and refined products from J. Aron at the termination of the Supply and Offtake Agreements. We have determined that this obligation contains an embedded derivative, similar to forward purchase contracts of crude oil and refined products. As such, we have accounted for this embedded derivative at fair value with changes in the fair value recorded in Cost of revenues on our condensed consolidated statements of operations.

We have entered into forward purchase contracts for crude oil and forward sales contracts of refined products. We elect the normal purchases normal sales ("NPNS") exception for all forward contracts that meet the definition of a derivative and are not expected to net settle. Any gains and losses with respect to these forward contracts designated as NPNS are not reflected in earnings until the delivery occurs.

We are exposed to interest rate volatility in our outstanding debt and in the Supply and Offtake Agreements. We utilize interest rate swaps, interest rate caps, interest rate collars or other similar contracts to manage our interest rate risk. As of March 31, 2016, we had locked in an average fixed rate of 1.1% in exchange for a floating interest rate indexed to the three-month LIBOR on an aggregate notional amount of \$200 million. The interest rate swaps mature in February 2019 and March 2021.

We elect to offset fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement. Our condensed consolidated balance sheets present derivative assets and liabilities on a net basis. Please read Note 10—Fair Value Measurements for the gross fair value and net carrying value of our derivative instruments. Our cash margin that is required as collateral deposits cannot be offset against the fair value of open contracts except in the event of default.

At March 31, 2016, our open commodity derivative contracts represent:

- futures sales of 255 thousand barrels that economically hedge our forecasted sales of refined products;
- purchased OTC swaps of 211 thousand barrels that economically hedge the difference between our actual inventory levels and target inventory levels under the Supply and Offtake Agreements;
- futures sales of 135 thousand barrels that economically hedge our physical inventory for our Texadian segment; and
- option collars of 52 thousand barrels per month through December 2017 and option collars and swaps of 15 thousand barrels per month through December 2018 that economically hedge our internally consumed fuel.

The following table provides information on the fair value amounts (in thousands) of these derivatives as of March 31, 2016 and December 31, 2015 and their placement within our condensed consolidated balance sheets.

	<b>Balance Sheet Location</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
		<i>Asset (Liability)</i>	
Commodity derivatives (1)	Prepaid and other current assets	427	4,577
Commodity derivatives (1)	Other accrued liabilities	(7,519)	(9,534)
Commodity derivatives (1)	Other liabilities	(3,781)	(4,925)
	Obligations under inventory financing		
J. Aron repurchase obligation derivative agreements		(13,166)	9,810
Interest rate derivatives	Other accrued liabilities	(755)	—
Interest rate derivatives	Other liabilities (2)	136	—

(1) Does not include cash collateral of \$15.3 million and \$20.9 million recorded in Prepaid and other current assets and \$7.0 million and \$7.0 million in Other long-term assets as of March 31, 2016 and December 31, 2015, respectively.

(2) The interest rate derivatives are included in Other liabilities pursuant to a Master Netting Agreement.

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The following table summarizes the pre-tax gains (losses) recognized in Net income (loss) on our condensed consolidated statements of operations resulting from changes in fair value of derivative instruments not designated as hedges charged directly to earnings (in thousands):

	<u>Statement of Operation Location</u>	<u>Three Months Ended March 31,</u>	
		<u>2016</u>	<u>2015</u>
Commodity derivatives	Cost of revenues	\$ (6,855)	\$ (2,834)
J. Aron repurchase obligation derivative	Cost of revenues	(22,976)	—
Interest rate derivatives	Interest expense	(756)	—

**Note 10—Fair Value Measurements**

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

*Common stock warrants*

As of March 31, 2016 and December 31, 2015, we had 345,135 common stock warrants outstanding. Beginning with the first quarter 2016, we estimate the fair value of our outstanding common stock warrants using the difference between the strike price of the warrant and market price of our common stock which is a Level 3 fair value measurement. Previously, we estimated the fair value of our outstanding common stock warrants using a simulation model, which is considered to be a Level 3 fair value measurement. Significant inputs used in the simulation model as of December 31, 2015 include:

	<u>December 31, 2015</u>
Stock price	\$ 23.54
Weighted average exercise price	\$ 0.10
Term (years)	6.67
Risk-free rate	2.04%
Expected volatility	43.0%

The expected volatility is based on the 7-year historical volatilities of comparable public companies. The estimated fair value of the common stock warrants was \$18.70 and \$23.47 per share as of March 31, 2016 and December 31, 2015, respectively. Since the common stock warrants were in the money upon issuance, we do not believe that changes in the inputs to the simulation models will have a significant impact to the value of the common stock warrants other than changes in the value of our common stock. Increases in the value of our common stock will increase the value of the common stock warrants. Likewise, decreases in the value of our common stock will result in a decrease in the value of the common stock warrants.

*Derivative instruments*

We utilize crude oil commodity derivative contracts to manage our price exposure to our inventory positions, future purchases of crude oil and future sales of refined products. We utilize interest rate swaps, interest rate caps, interest rate collars or other similar contracts to manage our interest rate risk. Please read Note 9—Derivatives for further information on derivatives.

We are obligated to repurchase the crude oil and refined products from J. Aron at the termination of the Supply and Offtake Agreements. We have determined that this obligation contains an embedded derivative, similar to forward purchase contracts of crude oil and refined products. As such, we have accounted for this embedded derivative at fair value with changes in the fair value recorded in Cost of revenues on our condensed consolidated statements of operations.

*Contingent consideration*

The cash consideration for our acquisition of PHR may be increased pursuant to an earnout provision. The liability is remeasured at the end of each reporting period using an estimate based on actual results to date and a Monte Carlo simulation analysis for future periods. Significant inputs used in the valuation model include estimated future gross margin, annual gross margin volatility and a present value factor. We consider this to be a Level 3 fair value measurement. Please read Note 11—Commitments and Contingencies for further discussion.

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**Financial Statement Impact**

Fair value amounts by hierarchy level as of March 31, 2016 and December 31, 2015 are presented gross in the tables below (in thousands):

<b>March 31, 2016</b>						
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Gross Fair Value</b>	<b>Effect of Counter-party Netting</b>	<b>Net Carrying Value on Balance Sheet (1)</b>
<b>Assets</b>						
Commodity derivatives	\$ 473	\$ 34,273	\$ —	\$ 34,746	\$ (34,319)	\$ 427
Interest rate derivatives	—	136	—	136	(136)	—
<b>Total</b>	<b>\$ 473</b>	<b>\$ 34,409</b>	<b>\$ —</b>	<b>\$ 34,882</b>	<b>\$ (34,455)</b>	<b>\$ 427</b>
<b>Liabilities</b>						
Common stock warrants	\$ —	\$ —	\$ (6,452)	\$ (6,452)	\$ —	\$ (6,452)
Contingent consideration	—	—	(20,320)	(20,320)	—	(20,320)
Commodity derivatives	(64)	(45,555)	—	(45,619)	34,319	(11,300)
J. Aron repurchase obligation derivative	—	—	(13,166)	(13,166)	—	(13,166)
Interest rate derivatives	—	(755)	—	(755)	136	(619)
<b>Total</b>	<b>\$ (64)</b>	<b>\$ (46,310)</b>	<b>\$ (39,938)</b>	<b>\$ (86,312)</b>	<b>\$ 34,455</b>	<b>\$ (51,857)</b>
<b>December 31, 2015</b>						
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Gross Fair Value</b>	<b>Effect of Counter-party Netting</b>	<b>Net Carrying Value on Balance Sheet (1)</b>
<b>Assets</b>						
Commodity derivatives	\$ 429	\$ 33,797	\$ —	\$ 34,226	\$ (29,649)	\$ 4,577
J. Aron repurchase obligation derivative	—	—	9,810	9,810	(9,810)	—
<b>Total</b>	<b>\$ 429</b>	<b>\$ 33,797</b>	<b>\$ 9,810</b>	<b>\$ 44,036</b>	<b>\$ (39,459)</b>	<b>\$ 4,577</b>
<b>Liabilities</b>						
Common stock warrants	\$ —	\$ —	\$ (8,096)	\$ (8,096)	\$ —	\$ (8,096)
Contingent consideration	—	—	(27,581)	(27,581)	—	(27,581)
Commodity derivatives	(396)	(43,712)	—	(44,108)	29,649	(14,459)
J. Aron repurchase obligation derivative	—	—	—	—	9,810	9,810
<b>Total</b>	<b>\$ (396)</b>	<b>\$ (43,712)</b>	<b>\$ (35,677)</b>	<b>\$ (79,785)</b>	<b>\$ 39,459</b>	<b>\$ (40,326)</b>

(1) Does not include cash collateral of \$22.3 million and \$27.9 million as of March 31, 2016 and December 31, 2015, respectively included within Prepaid and other current assets and Other long-term assets on our condensed consolidated balance sheets.

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A roll forward of Level 3 financial instruments measured at fair value on a recurring basis is as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Balance, at beginning of period	\$ (25,867)	\$ (21,254)
Settlements	1,084	—
Total unrealized income (loss) included in earnings	(15,155)	(9,951)
Balance, at end of period	<u>\$ (39,938)</u>	<u>\$ (31,205)</u>

The carrying value and fair value of long-term debt and other financial instruments as of March 31, 2016 and December 31, 2015 are as follows (in thousands):

	<b>March 31, 2016</b>	
	<b>Carrying Value</b>	<b>Fair Value (1)</b>
KeyBank Credit Agreement (2)	\$ 107,250	\$ 107,250
Term Loan	60,119	62,893
Common stock warrants	6,452	6,452
Contingent consideration	20,320	20,320

  

	<b>December 31, 2015</b>	
	<b>Carrying Value</b>	<b>Fair Value (1)</b>
KeyBank Credit Agreement (2)	\$ 110,000	\$ 110,000
Term Loan	60,119	62,037
Common stock warrants	8,096	8,096
Contingent consideration	27,581	27,581

(1) The fair values of these instruments are considered Level 3 measurements in the fair value hierarchy.

(2) Fair value approximates carrying value due to the floating rate interest which approximates a current market rate.

We estimate the fair value of the Term Loan using a discounted cash flow analysis and an estimate of the current yield of 9.57% and 9.63% as of March 31, 2016 and December 31, 2015, respectively, by reference to market interest rates for term debt of comparable companies.

The fair value of all non-derivative financial instruments included in current assets, including cash and cash equivalents, restricted cash and trade accounts receivable and current liabilities, including accounts payable, approximate their carrying value due to their short-term nature.

**Note 11—Commitments and Contingencies**

In the ordinary course of business, we are a party to various lawsuits and other contingent matters. We establish accruals for specific legal matters when we determine that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. It is possible that an unfavorable outcome of one or more of these lawsuits or other contingencies could have a material impact on our liquidity, results of operations or financial condition.

**Mid Pac Earnout and Indemnity Dispute**

Pursuant to a Stock Purchase Agreement dated August 3, 2011 and amended October 25, 2011 (the “SPA”), Mid Pac purchased all the issued and outstanding stock of Inter Island Petroleum, Inc. (“Inter Island”) from Brian J. and Wendy Barbata (collectively, the “Barbatas”). The SPA provides for an earnout payment to be made to the Barbatas in an amount equal to four times the amount by which the average of Inter Island’s earnings before interest, taxes, depreciation and amortization during the relevant earnout period exceeds \$3.5 million. The earnout payment is capped at a maximum of \$4.5 million. Mid Pac contends that there are no amounts owed to the Barbatas for the earnout period. By letter dated May 29, 2014, the Barbatas disputed Mid



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Pac's computation of the earnout, without explanation of the amount they claim to be owed or refutation of Mid Pac's analysis. Mid Pac intends to vigorously oppose any such claims.

Any claims by the Barbatas may be offset by Mid Pac's claims for indemnification under the SPA. By letters dated December 13, 2013 and April 25, 2014, Mid Pac has asserted indemnification claims against the Barbatas exceeding \$1 million with respect to environmental losses arising from certain terminals operated by Inter Island and its subsidiaries. The Barbatas have disputed such claims.

**United Steelworkers Union Dispute**

A portion of our employees at the refinery are represented by the United Steelworkers Union ("USW"). On March 23, 2015, the union ratified a four-year extension of the collective bargaining agreement. On January 13, 2016, the USW filed a claim against PHR before the United States National Labor Relations Board (the "NLRB") alleging a refusal to bargain collectively and in good faith. On March 29, 2016, the NLRB deferred final determination on the USW charge to the grievance/arbitration process under the extant collective bargaining agreement. Arbitration has not yet been scheduled. PHR denies the USW's allegations and intends to vigorously defend itself in connection with such claim in the grievance/arbitration process and any subsequent proceeding before the NLRB.

**Environmental Matters**

Like other petroleum refiners and exploration and production companies, our operations are subject to extensive and periodically changing federal and state environmental regulations governing air emissions, wastewater discharges and solid and hazardous waste management activities. Many of these regulations are becoming increasingly stringent and the cost of compliance can be expected to increase over time.

Periodically, we receive communications from various federal, state and local governmental authorities asserting violations of environmental laws and/or regulations. These governmental entities may also propose or assess fines or require corrective actions for these asserted violations. We intend to respond in a timely manner to all such communications and to take appropriate corrective action. We do not anticipate that any such matters currently asserted will have a material impact on our financial condition, results of operations or cash flows.

***Regulation of Greenhouse Gases***

The U.S. Environmental Protection Agency ("EPA") has begun regulating greenhouse gases ("GHG") under the Clean Air Act. New construction or material expansions that meet certain GHG emissions thresholds will likely require that, among other things, a GHG permit be issued in accordance with the Clean Air Act regulations and we will be required in connection with such permitting to undertake a technology review to determine appropriate controls to be implemented with the project in order to reduce GHG emissions.

Furthermore, the EPA is currently developing refinery-specific GHG regulations and performance standards that are expected to impose GHG emission limits and/or technology requirements. These control requirements may affect a wide range of refinery operations. Any such controls could result in material increased compliance costs, additional operating restrictions for our business and an increase in cost of the products we produce, which could have a material adverse effect on our financial position, results of operations and liquidity.

On September 29, 2015, the EPA announced a final rule updating standards that control toxic air emissions from petroleum refineries, addressing, among other things, flaring operations, fence-line air quality monitoring and additional emission reductions from storage tanks and delayed coking units. Affected existing sources will be required to comply with the new requirements no later than 2018, with certain refiners required to comply earlier depending on the relevant provision and refinery construction date. We do not anticipate that compliance with this rule will have a material impact on our financial condition, results of operations or cash flows.

In 2007, the State of Hawaii passed Act 234, which required that GHG emissions be rolled back on a statewide basis to 1990 levels by the year 2020. Although delayed, the Hawaii Department of Health has issued regulations that would require each major facility to reduce CO<sub>2</sub> emissions by 16% by 2020 relative to a calendar year 2010 baseline (the first year in which GHG emissions were reported to the EPA under 40 CFR Part 98). Those rules are pending final approval by the Government of Hawaii. The refinery's capacity to reduce fuel use and GHG emissions is limited. However, the state's pending regulation allows and the refinery should be able to demonstrate, that additional reductions are not cost-effective or necessary in light of the state's current GHG inventory and future year projections. The pending regulation allows for "partnering" with other facilities (principally power

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plants) which have already dramatically reduced greenhouse emissions or are on schedule to reduce CO<sub>2</sub> emissions in order to comply with the state's Renewable Portfolio Standards.

***Fuel Standards***

In 2007, the U.S. Congress passed the EISA, which, among other things, set a target fuel economy standard of 35 miles per gallon for the combined fleet of cars and light trucks in the U.S. by model year 2020 and contained a second Renewable Fuel Standard (the "RFS2"). In August 2012, the EPA and National Highway Traffic Safety Administration jointly adopted regulations that establish an average industry fuel economy of 54.5 miles per gallon by model year 2025. The RFS2 requires an increasing amount of renewable fuel usage, up to 36 billion gallons by 2022. In the near term, the RFS2 will be satisfied primarily with fuel ethanol blended into gasoline. The RFS2 may present production and logistics challenges for both the renewable fuels and petroleum refining and marketing industries in that we may have to enter into arrangements with other parties or purchase credits from the EPA to meet our obligations to use advanced biofuels, including biomass-based diesel and cellulosic biofuel, with potentially uncertain supplies of these new fuels.

In October 2010, the EPA issued a partial waiver decision under the Clean Air Act to allow for an increase in the amount of ethanol permitted to be blended into gasoline from 10% ("E10") to 15% ("E15") for 2007 and newer light duty motor vehicles. In January 2011, the EPA issued a second waiver for the use of E15 in vehicles model years 2001- 2006. There are numerous issues, including state and federal regulatory issues, which need to be addressed before E15 can be marketed on a large scale for use in traditional gasoline engines. Consequently, unless either the state or federal regulations are revised, qualified Renewable Identification Numbers ("RINs") will be required to fulfill the federal mandate for renewable fuels.

In March 2014, the EPA published a final Tier 3 gasoline standard that lowers the allowable sulfur level in gasoline to 10 parts per million ("ppm") and also lowers the allowable benzene, aromatics and olefins content of gasoline. The effective date for the new standard, January 1, 2017, gives refiners nationwide little time to engineer, permit and implement substantial modifications; however, approved small volume refineries have until January 1, 2020 to meet the standard. In September 2015, our refinery was granted small volume refinery status by the EPA. Along with credit and trading options, potential capital upgrades for the refinery are being evaluated.

There will be compliance costs and uncertainties regarding how we will comply with the various requirements contained in the EISA and other fuel-related regulations. We may experience a decrease in demand for refined petroleum products due to an increase in combined fleet mileage or due to refined petroleum products being replaced by renewable fuels.

**Environmental Agreement**

On September 25, 2013, Hawaii Pacific Energy (a wholly-owned subsidiary of Par created for purposes of the PHR acquisition), Tesoro Corporation ("Tesoro") and PHR entered into an Environmental Agreement ("Environmental Agreement"), which allocated responsibility for known and contingent environmental liabilities related to the acquisition of PHR, including the Consent Decree as described below.

***Consent Decree***

PHR and subsidiaries of Tesoro are currently negotiating a consent decree with the EPA and the U.S. Department of Justice concerning alleged violations of the federal Clean Air Act related to the ownership and operation of multiple facilities owned or formerly owned by Tesoro and its affiliates ("Consent Decree"), including our refinery. It is anticipated that the Consent Decree will be finalized sometime during the second quarter of 2016 and will require certain capital improvements to our refinery to reduce emissions of air pollutants. We expect a portion of these capital improvements will be made in 2016 in connection with a regularly scheduled turnaround of our refinery.

We estimate the cost of compliance with the final decree could be \$20 million to \$30 million. However, Tesoro is responsible under the Environmental Agreement for reimbursing PHR for all reasonable third-party capital expenditures incurred for the construction, installation and commissioning of such capital projects and for the payment of any fines or penalties imposed on PHR arising from the Consent Decree to the extent related to acts or omission of Tesoro or PHR prior to September 25, 2013 (the "Closing Date"). Tesoro's obligation to reimburse PHR for such fines and penalties is not subject to a monetary limitation; however, the obligation relating to fines and penalties terminates on the third anniversary of the Closing Date.

***Indemnification***

In addition to its obligation to reimburse us for capital expenditures incurred pursuant to the Consent Decree, Tesoro agreed to indemnify us for claims and losses arising out of related breaches of Tesoro's representations, warranties and covenants in the Environmental Agreement, certain defined "corrective actions" relating to pre-existing environmental conditions, third-

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party claims arising under environmental laws for personal injury or property damage arising out of or relating to releases of hazardous materials that occurred prior to the Closing Date, any fine, penalty or other cost assessed by a governmental authority in connection with violations of environmental laws by PHR prior to the Closing Date, certain groundwater remediation work, fines or penalties imposed on PHR by the Consent Decree related to acts or omissions of Tesoro prior to the Closing Date and to claims and losses related to the Pearl City Superfund Site.

Tesoro's indemnification obligations are subject to certain limitations as set forth in the Environmental Agreement. These limitations include a deductible of \$1 million and a cap of \$15 million for certain of Tesoro's indemnification obligations related to certain pre-existing conditions as well as certain restrictions regarding the time limits for submitting notice and supporting documentation for remediation actions.

#### **Recovery Trusts**

We emerged from the reorganization of Delta Petroleum on August 31, 2012 ("Emergence Date") when the plan of reorganization ("Plan") was consummated. On the Emergence Date, we formed the Delta Petroleum General Recovery Trust ("General Trust"). The General Trust was formed to pursue certain litigation against third parties, including preference actions, fraudulent transfer and conveyance actions, rights of setoff and other claims, or causes of action under the U.S. Bankruptcy Code and other claims and potential claims that the Debtors hold against third parties.

As of March 31, 2016, two claims totaling approximately \$22.4 million remained to be resolved by the trustee for the General Trust and we have reserved approximately \$0.5 million representing the estimated value of claims remaining to be settled which are deemed probable and estimable at period end. A total of 10 claims were settled during the three months ended March 31, 2016, subject to final documentation and related approvals.

The largest remaining proof of claim was filed by the U.S. Government for approximately \$22.4 million relating to ongoing litigation concerning a plugging and abandonment obligation in Pacific Outer Continental Shelf Lease OCS-P 0320, comprising part of the Sword Unit in the Santa Barbara Channel, California. We believe the probability of issuing stock to satisfy the full claim amount is remote, as the obligations upon which such proof of claim is asserted are joint and several among all working interest owners and Delta, our predecessor, owned an approximate 2.4% working interest in the unit.

The settlement of claims is subject to ongoing litigation and we are unable to predict with certainty how many shares will be required to satisfy all claims. Pursuant to the Plan, allowed claims are settled at a ratio of 54.4 shares per \$1,000 of claim.

#### **Note 12—Stockholders' Equity**

##### **Incentive Plan**

For the three months ended March 31, 2016, we recognized compensation costs of approximately \$0.7 million, \$1.1 million and \$0.4 million in General and administrative expense on our condensed consolidated statements of operations related to restricted stock awards, restricted stock units and stock option awards under the Par Petroleum Corporation 2012 Long-term Incentive Plan ("LTIP"), respectively. For the three months ended March 31, 2015, we recognized compensation costs of approximately \$0.9 million and \$0.3 million in General and administrative expense on our condensed consolidated statements of operations related to restricted stock awards and stock option awards under the LTIP, respectively. We recognized no compensation costs related to restricted stock units for the three months ended March 31, 2015. During the three months ended March 31, 2016, we granted 114 thousand shares of restricted stock and restricted stock units with a fair value of approximately \$2.3 million. During the three months ended March 31, 2016, we granted no stock options. As of March 31, 2016, there was approximately \$9.7 million of total unrecognized compensation costs related to restricted stock and stock option awards, which are expected to be recognized on a straight-line basis over a weighted-average period of 2.67 years.

During the fourth quarter of 2015, our board of directors authorized an increase in the number of shares issuable under the LTIP, subject to shareholder approval. Additionally, we issued an aggregate of 1.1 million options to our new President and Chief Executive Officer, our Chairman and our Vice Chairman of our board of directors, each with an exercise price of \$21.44. In the first quarter of 2016, we issued an aggregate of approximately 52 thousand stock options with an exercise price of \$22.99 and approximately 34 thousand shares of restricted stock to our Chief Financial Officer, Senior Vice President and General Counsel and Senior Vice President of Mergers and Acquisitions. These stock option and restricted stock awards are also subject to shareholder approval, and therefore are not considered granted.

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**Note 13—Income (Loss) per Share**

Basic income (loss) per share is computed by dividing net income (loss) by the sum of the weighted-average number of common shares outstanding and the weighted-average number of shares issuable under the common stock warrants, representing 345 thousand shares and 749 thousand shares during the three months ended March 31, 2016 and 2015, respectively. The common stock warrants are included in the calculation of basic income (loss) per share because they are issuable for minimal consideration. The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2016	2015
Net income (loss)	\$ (18,673)	\$ 462
Undistributed income allocated to participating securities	—	8
Net income (loss) attributable to common stockholders	\$ (18,673)	\$ 454
Basic weighted-average common stock shares outstanding	40,974	37,188
Add: dilutive effects of common stock equivalents (1)	—	193
Diluted weighted-average common stock shares outstanding	40,974	37,381
Basic income (loss) per common share	\$ (0.46)	\$ 0.01
Diluted income (loss) per common share	(0.46)	0.01

(1) Entities with a net loss from continuing operations are prohibited from including potential common shares in the computation of diluted per share amounts. We have utilized the basic shares outstanding to calculate both basic and diluted loss per share for the three months ended March 31, 2016.

For the three months ended March 31, 2016, our weighted-average potentially dilutive securities excluded from the calculation of diluted shares outstanding consisted of 439 thousand shares of unvested restricted stock and 658 thousand stock options, respectively. For the three months ended March 31, 2015, our weighted-average potentially dilutive securities excluded from the calculation of diluted shares outstanding consisted of no shares of unvested restricted stock and 15 thousand stock options, respectively.

**Note 14—Income Taxes**

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future results of operations and tax planning strategies in making this assessment. Based upon the level of historical taxable income, significant book losses during the current and prior periods and projections for future results of operations over the periods in which the deferred tax assets are deductible, among other factors, management continues to conclude that we did not meet the “more likely than not” requirement in order to recognize deferred tax assets and a valuation allowance has been recorded for the full amount of our net deferred tax assets at March 31, 2016.

During the three months ended March 31, 2016 and 2015, no adjustments were recognized for uncertain tax positions.

Our net taxable income must be apportioned to various states based upon the income tax laws of the states in which we derive our revenue. Our NOL carryforwards will not always be available to offset taxable income apportioned to the various states. The states from which some of our revenues are derived are not the same states in which our NOLs were incurred; therefore we expect to incur state tax liabilities on the net income of our refining, logistics, retail and Texadian segments. During the three months ended March 31, 2016 and 2015, we recognized a state tax benefit of \$21 thousand and a state tax expense of \$65 thousand, respectively.

We will continue to assess the realizability of our deferred tax assets based on consideration of actual and projected operating results and tax planning strategies. Should actual operating results continue to improve, the amount of the deferred tax asset considered more likely than not to be realizable could be increased.

**Note 15—Segment Information**

During the fourth quarter of 2015, we changed our reportable segments to separate our logistics operations from our refining operations due to a change in senior leadership, organizational structure, the acquisition of Mid Pac and to reflect how we currently make financial decisions and allocate resources. During the fourth quarter of 2015, we also began including all general and administrative and acquisition and integration costs in our Corporate and Other segment because we manage those costs on a consolidated basis. Additionally, effective in the fourth quarter of 2015, the crude oil and natural gas operations are included within the Corporate and Other reportable segment. Currently we report the results for the following five business segments: (i) Refining, (ii) Retail, (iii) Logistics, (iv) Texadian and (v) Corporate and Other. For the three months ended March 31, 2016 and 2015, substantially all of our revenues from our logistics segment represent intercompany transactions that are eliminated in consolidation.

We previously reported results for the following four business segments: (i) Refining and Distribution, (ii) Retail, (iii) Natural Gas and Oil Production and (iv) Commodity Marketing and Logistics. We have recast the segment information for the three months ended March 31, 2015 below to conform to the current period presentation.

Summarized financial information concerning reportable segments consists of the following (in thousands):

Three months ended March 31, 2016	Refining	Logistics	Retail	Texadian	Corporate, Eliminations and Other (1)	Total
Revenues	\$ 336,405	\$ 20,787	\$ 68,501	\$ 10,410	\$ (58,291)	\$ 377,812
Costs of revenues	326,706	12,826	49,950	11,322	(58,416)	342,388
Operating expense, excluding DD&A	26,050	1,901	10,112	—	—	38,063
Lease operating expenses	—	—	—	—	114	114
Depreciation, depletion, and amortization	1,938	918	1,537	171	531	5,095
General and administrative expense	—	—	—	—	11,200	11,200
Acquisition and integration expense	—	—	—	—	671	671
<b>Operating income (loss)</b>	<b>\$ (18,289)</b>	<b>\$ 5,142</b>	<b>\$ 6,902</b>	<b>\$ (1,083)</b>	<b>\$ (12,391)</b>	<b>\$ (19,719)</b>
Interest expense and financing costs, net						(4,613)
Other expense, net						46
Change in value of common stock warrants						1,644
Change in value of contingent consideration						6,176
Equity losses from Laramie Energy, LLC						(1,871)
Loss before income taxes						(18,337)
Income tax expense						(336)
<b>Net loss</b>						<b>\$ (18,673)</b>
Capital expenditures	\$ 2,631	\$ 279	\$ 844	\$ —	\$ 722	\$ 4,476

(1) Includes eliminations of intersegment revenues and cost of revenues of \$58.4 million for the three months ended March 31, 2016 .

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Three months ended March 31, 2015	Refining	Logistics	Retail	Texadian	Corporate, Eliminations and Other (1)	Total
Revenues	\$ 494,618	\$ 19,718	\$ 46,719	\$ 40,954	\$ (58,398)	\$ 543,611
Costs of revenues	451,509	10,525	33,430	40,916	(58,874)	477,506
Operating expense, excluding DD&A	24,935	1,420	5,925	—	—	32,280
Lease operating expenses	—	—	—	—	1,531	1,531
Depreciation, depletion, and amortization	1,676	591	593	229	162	3,251
General and administrative expense	—	—	—	—	10,125	10,125
Acquisition and integration expense	—	—	—	—	1,061	1,061
<b>Operating income (loss)</b>	<b>\$ 16,498</b>	<b>\$ 7,182</b>	<b>\$ 6,771</b>	<b>\$ (191)</b>	<b>\$ (12,403)</b>	<b>\$ 17,857</b>
Interest expense and financing costs, net						(5,557)
Other income, net						4
Change in value of common stock warrants						(5,022)
Change in value of contingent consideration						(4,929)
Equity loss from Laramie Energy, LLC						(1,826)
Income before income taxes						527
Income tax expense						(65)
Net income						<u>\$ 462</u>
Capital expenditures	\$ 2,260	\$ 1,756	\$ 398	\$ —	\$ 333	\$ 4,747

(1) Includes eliminations of intersegment revenues and cost of revenues of \$58.9 million for the three months ended March 31, 2015 .

**Note 16—Related Party Transactions**

**Term Loan**

Certain of our stockholders, or affiliates of our stockholders, are the lenders under our Term Loan. In previous years, they received common stock warrants exercisable for shares of common stock in connection with the origination of the Term Loan.

**Equity Group Investments ("EGI") and Whitebox - Service Agreements**

On September 17, 2013, we entered into letter agreements ("Services Agreements") with Equity Group Investments ("EGI"), an affiliate of Zell Credit Opportunities Fund, LP ("ZCOF") and Whitebox Advisors, LLC ("Whitebox"), each of which owns 10% or more of our common stock directly or through affiliates. Pursuant to the Services Agreements, EGI and Whitebox agreed to provide us with ongoing strategic, advisory and consulting services that may include (i) advice on financing structures and our relationship with lenders and bankers, (ii) advice regarding public and private offerings of debt and equity securities, (iii) advice regarding asset dispositions, acquisitions or other asset management strategies, (iv) advice regarding potential business acquisitions, dispositions or combinations involving us or our affiliates, or (v) such other advice directly related or ancillary to the above strategic, advisory and consulting services as may be reasonably requested by us.

EGI and Whitebox will not receive a fee for the provision of the strategic, advisory or consulting services set forth in the Services Agreements, but may be periodically reimbursed by us, upon request, for (i) travel and out of pocket expenses, provided that in the event that such expenses exceed \$50 thousand in the aggregate with respect to any single proposed matter, EGI or Whitebox, as applicable, will obtain our consent prior to incurring additional costs and (ii) provided that we provide prior consent to their engagement with respect to any particular proposed matter, all reasonable fees and disbursements of counsel, accountants and other professionals incurred in connection with EGI's or Whitebox's, as applicable, services under the Services Agreements. In

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consideration of the services provided by EGI and Whitebox under the Services Agreements, we agreed to indemnify each of them for certain losses incurred by them relating to or arising out of the Services Agreements or the services provided thereunder.

The Services Agreements have a term of one year and will be automatically extended for successive one -year periods unless terminated by either party at least 60 days prior to any extension date. There were no significant costs incurred related to these agreements during the three months ended March 31, 2016 or 2015 .

In October 2015, the Company terminated its Services Agreement with Whitebox.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

We are a growth-oriented company based in Houston, Texas that manages and maintains interests in energy and infrastructure businesses. We were created through the successful reorganization of Delta Petroleum Corporation ("Delta") in August 2012. The reorganization converted approximately \$ 265 million of unsecured debt to equity and allowed us to preserve significant tax attributes. We changed our name from Par Petroleum Corporation to Par Pacific Holdings, Inc. effective October 20, 2015.

Our business is organized into three primary operating segments:

- 1) **Refining** - Our refinery in Kapolei, Hawaii produces ultra-low sulfur diesel, gasoline, jet fuel, marine fuel and other associated refined products primarily for consumption in Hawaii.
- 2) **Retail** - Our retail outlets sell gasoline, diesel and retail merchandise throughout the island of Oahu as well as the neighboring islands of Maui, Hawaii and Kauai. Our retail network includes Tesoro and "76" branded retail sites, company-operated convenience stores, sites operated in cooperation with 7-Eleven and other sites operated by third parties.
- 3) **Logistics** - We own and operate terminals, pipelines, a single-point mooring and trucking operations to distribute refined products throughout the island of Oahu as well as the neighboring islands of Maui, Hawaii, Molokai and Kauai.

We also own an equity investment in Laramie Energy, a joint venture entity focused on producing natural gas in Garfield, Mesa and Rio Blanco Counties, Colorado.

During the fourth quarter of 2015, we changed our reportable segments to separate our logistics operations from our refining operations due to a change in senior leadership, organizational structure, the acquisition of Mid Pac and to reflect how we currently make financial decisions and allocate resources. We have five reportable segments: (i) Refining, (ii) Retail, (iii) Logistics, (iv) Texadian and (v) Corporate and Other. We previously reported results for the following four business segments: (i) Refining and Distribution, (ii) Retail, (iii) Natural Gas and Oil Production and (iv) Commodity Marketing and Logistics. We have recast the segment information for the three months ended March 31, 2015 to conform to the current period presentation. Please read Note 15—Segment Information to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for detailed information on our operating results by segment.

### Recent Events

On December 17, 2015, we entered into an equity commitment letter with Laramie Energy, pursuant to which we agreed to purchase certain membership interests of Laramie Energy for an aggregate cash purchase price of \$ 55.0 million in connection with the closing of a purchase and sale agreement whereby Laramie Energy agreed to acquire certain properties in the Piceance Basin for \$157.5 million, subject to customary purchase price adjustments. The transaction closed on March 1, 2016 and, upon the closing of the transaction, Laramie Energy assumed ownership and operatorship of the purchased properties and our ownership interest in Laramie Energy increased from 32.4% to 42.3%.

### Results of Operations

#### Overview

During the three months ended March 31, 2016, we saw a weakening in crack spreads below mid-cycle levels, but were able to optimize margins by taking advantage of unique opportunities. In the first quarter of 2016 we exported 20 Mbd, including high value mixed aromatics to Asia to benefit from our long reformat position in a global octane shortage balance. Additionally, we increased our investment in Laramie as they completed an acquisition to increase their footprint in the Piceance Basin. We also took action to reduce activity in Texadian and lower the overhead associated with that segment and completed our integration of Par Hawaii, Inc.



The following table summarizes our results of operations for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 (in thousands). The following should be read in conjunction with our condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report.

	<b>Three Months Ended March 31,</b>		<b>Increase (Decrease)</b>	<b>% Change</b>
	<b>2016</b>	<b>2015</b>		
<b>Gross Margin</b>				
Refining	\$ 9,699	\$ 43,109	\$ (33,410)	(344)%
Logistics (1)	7,961	9,193	(1,232)	(15)%
Retail	18,551	13,289	5,262	28 %
Texadian	(912)	38	(950)	104 %
Corporate and Other (2)	125	476	(351)	(281)%
Total gross margin	35,424	66,105		
Operating expense, excluding depreciation, depletion, and amortization expense	38,063	32,280	5,783	15 %
Lease operating expense	114	1,531	(1,417)	(1,243)%
Depreciation, depletion, and amortization	5,095	3,251	1,844	36 %
General and administrative expense	11,200	10,125	1,075	10 %
Acquisition and integration costs	671	1,061	(390)	(58)%
Total operating expenses	55,143	48,248		
Operating income (loss)	(19,719)	17,857		
<b>Other income (expense)</b>				
Interest expense and financing costs, net	(4,613)	(5,557)	944	(20)%
Other income (expense), net	46	4	42	91 %
Change in value of common stock warrants	1,644	(5,022)	6,666	405 %
Change in value of contingent consideration	6,176	(4,929)	11,105	180 %
Equity losses from Laramie Energy, LLC	(1,871)	(1,826)	(45)	2 %
Total other expense, net	1,382	(17,330)		
Income (loss) before income taxes	(18,337)	527		
Income tax expense	(336)	(65)	(271)	81 %
<b>Net income (loss)</b>	<b>\$ (18,673)</b>	<b>\$ 462</b>		

(1) Our logistics operations consist primarily of intercompany transactions which eliminate on a consolidated basis.

(2) Includes eliminations of intersegment revenues and cost of revenues of \$58.4 million and \$58.9 million for the three months ended March 31, 2016 and 2015, respectively.

Below is a summary of key operating statistics for the three months ended March 31, 2016 and 2015 :

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Refining Segment</b>		
Total Crude Oil Throughput (Mbpd)	74.2	74.8
Source of Crude Oil:		
North America	64.6%	45.9%
Latin America	7.2%	13.1%
Africa	4.1%	11.4%
Asia	24.1%	20.9%
Middle East	—%	8.7%
Total	<u>100.0%</u>	<u>100.0%</u>
Yield (% of total throughput)		
Gasoline and gasoline blendstocks	26.4%	27.1%
Distillate	41.2%	44.5%
Fuel oils	22.1%	21.0%
Other products	6.7%	4.5%
Total yield	<u>96.4%</u>	<u>97.1%</u>
Refined product sales volume (Mbpd)		
On-island sales volume	60.8	64.4
Exports sale volume	20.6	17.7
Total refined product sales volume	<u>81.4</u>	<u>82.1</u>
4-1-2-1 Singapore Crack Spread (1) (\$ per barrel)	\$ 3.39	\$ 7.84
4-1-2-1 Mid Pacific Crack Spread (1) (\$ per barrel)	4.48	9.09
Mid Pacific Crude Oil Differential (2) (\$ per barrel)	(2.10)	(2.42)
Adjusted refining margin per bbl (\$/throughput bbl) (3)	4.51	6.60
Production costs before DD&A expense per barrel (\$/throughput bbl) (4)	3.74	3.88
Net operating margin per bbl (\$/throughput bbl) (5)	0.77	2.72
<b>Retail Segment</b>		
Retail sales volumes (thousands of gallons)	22,286	12,166
<b>Logistics Segment</b>		
Pipeline throughput (Mbpd)		
Crude oil pipelines	76.2	74.3
Refined product pipelines	74.5	74.5
Total pipeline throughput	<u>150.7</u>	<u>148.8</u>

- (1) The profitability of our Hawaii business is heavily influenced by crack spreads in both the Singapore and U.S. West Coast markets. These markets reflect the closest, liquid market alternatives to source refined products for Hawaii. We believe the Singapore and Mid Pacific crack spreads (or four barrels of Brent crude converted into one barrel of gasoline, two barrels of distillate (diesel and jet fuel) and one barrel of fuel oil) best reflect a market indicator for our operations. The Mid Pacific crack spread is calculated using a ratio of 80% Singapore and 20% San Francisco indexes.
- (2) Weighted-average differentials, excluding shipping costs, of a blend of crudes with an API of 31.98 and sulfur weight percentage of 0.65% that is indicative of our typical crude oil mix quality compared to Brent crude.
- (3) Management uses Adjusted Refining Margin per barrel to evaluate performance and compare profitability to other companies in the industry. There are a variety of ways to calculate Adjusted Refining Margin per barrel; different companies within the industry may calculate it in different ways. We calculate Adjusted Refining Margin per barrel by dividing Adjusted Refining

Margin (revenues less feedstocks, purchased refined products, refinery fuel burn, transportation and distribution costs excluding lower of cost or net realizable value adjustments, unrealized gains (losses) on derivatives and our inventory valuation adjustment) by total refining throughput.

- (4) Management uses production costs before depreciation, depletion and amortization ("DD&A") expense per barrel to evaluate performance and compare efficiency to other companies in the industry. There are a variety of ways to calculate production cost before DD&A expense per barrel; different companies within the industry calculate it in different ways. We calculate production costs before DD&A expense per barrel by dividing all direct production costs by total refining throughput.
- (5) Calculated as Adjusted Refining Margin less production costs before DD&A expense.

#### ***Non-GAAP Performance Measures***

Management uses certain financial measures to evaluate our operating performance that are considered non-GAAP financial measures. These measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP and our calculations thereof may not be comparable to similarly entitled measures reported by other companies.

#### ***Gross Margin***

Gross margin is defined as revenues less cost of revenues. We believe gross margin is an important measure of operating performance and provides useful information to investors because it eliminates the gross impact of volatile commodity prices and demonstrates the earnings potential of the business before other fixed and variable costs. In order to assess our operating performance, we compare our gross margin to industry gross margin benchmarks.

Gross margin should not be considered an alternative to operating income (loss), net cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Gross margin presented by other companies may not be comparable to our presentation since each company may define this term differently.

The following table presents a reconciliation of gross margin to the most directly comparable GAAP financial measure, operating income (loss), on a historical basis for the periods indicated (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Gross Margin</b>		
Refining	\$ 9,699	\$ 43,109
Logistics (1)	7,961	9,193
Retail	18,551	13,289
Texadian	(912)	38
Corporate and Other (2)	125	476
<b>Total gross margin</b>	<b>35,424</b>	<b>66,105</b>
Operating expense, excluding depreciation, depletion, and amortization expense	38,063	32,280
Lease operating expense	114	1,531
Depreciation, depletion, and amortization	5,095	3,251
General and administrative expense	11,200	10,125
Acquisition and integration costs	671	1,061
Total operating expenses	55,143	48,248
<b>Operating income (loss)</b>	<b>\$ (19,719)</b>	<b>\$ 17,857</b>

(1) Our logistics operations consist primarily of intercompany transactions which eliminate on a consolidated basis.

(2) Includes eliminations of intersegment revenues and cost of revenues of \$58.4 million and \$58.9 million for the three months ended March 31, 2016 and 2015, respectively.

### *Adjusted Refining Margin*

Adjusted Refining Margin is used to calculate our adjusted refining margin per barrel, which we use to evaluate the economic performance of our refining business. We calculate adjusted refining margin as gross refining margin excluding (i) unrealized gains and losses on commodity derivatives held by the refining segment and (ii) the inventory valuation adjustment which adjusts for timing differences to reflect the economics of our inventory financing agreements, including lower of cost or net realizable value adjustments and the impact of the embedded derivative repurchase obligation.

Gross refining margin is reconciled to the most directly comparable GAAP financial measure, operating income (loss) above. The following table presents a reconciliation of Adjusted Refining Margin to gross refining margin on a historical basis for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2016	2015
<b>Adjusted Refining Margin</b>	\$ 32,151	\$ 44,421
Unrealized loss on derivatives	(1,015)	(1,312)
Inventory valuation adjustment	(21,437)	—
<b>Refining margin</b>	\$ 9,699	\$ 43,109

### *Adjusted Net Income (Loss) and Adjusted EBITDA*

Adjusted Net Income (Loss) is defined as net income (loss) excluding changes in the value of contingent consideration and common stock warrants, acquisition and integration expenses, unrealized (gains) losses on derivatives, and inventory valuation adjustments (which adjusts for timing differences to reflect the economics of our inventory financing agreements, including lower of cost or net realizable value adjustments and the impact of the embedded derivative repurchase obligation). Adjusted EBITDA is Adjusted Net Income (Loss) excluding interest, taxes, depreciation, depletion and amortization and equity (earnings) losses from Laramie Energy. We believe Adjusted Net Income (Loss) and Adjusted EBITDA are useful supplemental financial measures to assess:

- The financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- The ability of our assets to generate cash to pay interest on our indebtedness; and
- Our operating performance and return on invested capital as compared to other companies without regard to financing methods and capital structure.

Adjusted Net Income (Loss) and Adjusted EBITDA should not be considered in isolation or as a substitute for operating income (loss), net income (loss), cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP.

The following table presents a reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to the most directly comparable GAAP financial measure, net income (loss), on a historical basis for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2016	2015
<b>Adjusted EBITDA</b>	\$ 5,407	\$ 22,400
Income tax expense	(336)	(65)
Equity losses from Laramie Energy, LLC	(1,871)	(1,826)
Interest expense and financing costs, net	(4,613)	(5,557)
Depreciation, depletion and amortization	(5,095)	(3,251)
<b>Adjusted net income (loss)</b>	(6,508)	11,701
Change in value of contingent consideration	6,176	(4,929)
Change in value of common stock warrants	1,644	(5,022)
Acquisition and integration expense	(671)	(1,061)
Unrealized loss on derivatives	(992)	(2,406)
Inventory valuation adjustment	(18,322)	2,179
<b>Net income (loss)</b>	\$ (18,673)	\$ 462

## Discussion of Results of Operations

### *Three months ended March 31, 2016 compared to the three months ended March 31, 2015*

**Refining Gross Margin.** For the three months ended March 31, 2016, our refining gross margin was approximately \$9.7 million, a decrease of \$33.4 million compared to \$43.1 million for the three months ended March 31, 2015. The decrease is primarily due to lower crack spreads and lower on-island sales volumes during the quarter. The 4-1-2-1 Mid Pacific crack spread decreased 50% from \$9.09 per barrel during the first quarter of 2015 to \$4.48 per barrel during the current quarter. On-island sales volumes decreased 5% from 64.4 thousand barrels per day during the first quarter of 2015 to 60.8 thousand barrels per day during the current quarter mainly driven by timing of jet fuel draws and low sulfur fuel oil demand due to a turnaround by a utility customer. On-island sales volumes typically have a higher margin due to lower delivery costs.

**Logistics Gross Margin.** For the three months ended March 31, 2016, our logistics gross margin was approximately \$8.0 million, a decrease of \$1.2 million compared to \$9.2 million for the three months ended March 31, 2015. The decrease is primarily due to a \$0.6 million refund of insurance premiums received in the first quarter 2015 and higher costs related to the acquired Mid Pac assets coupled with a decrease in on-island sales volumes, which impacts the fees earned by this segment, during the first quarter of 2016.

**Retail Gross Margin.** For the three months ended March 31, 2016, our retail gross margin was approximately \$18.6 million, an increase of \$5.3 million when compared to \$13.3 million for the three months ended March 31, 2015. The increase is primarily due to the acquisition of Mid Pac on April 1, 2015 which contributed to higher sales volumes offset by a decrease in sales prices of 19% during the current quarter as compared to the first quarter of 2015. The decrease in sales prices caused a compression in margin as costs did not decrease at the same rate as sales prices.

**Texadian Gross Margin.** For the three months ended March 31, 2016, our Texadian gross margin was a loss of approximately \$0.9 million, a decrease of \$1.0 million compared to \$38 thousand for the three months ended March 31, 2015. The decrease is primarily due to lower margins available for moving crude oil from Canada to the U.S. Gulf Coast due to market conditions and an overall decrease in activity.

**Corporate and Other Gross Margin.** For the three months ended March 31, 2016, our corporate and other gross margin was \$0.1 million, a decrease of \$0.4 million compared to \$0.5 million for the three months ended March 31, 2015. The decrease is primarily due to shutting in operations at the Point Arguello Unit in offshore California during the third quarter of 2015.

**Operating Expense.** For the three months ended March 31, 2016, operating expense was approximately \$38.1 million, an increase of \$5.8 million when compared to \$32.3 million for the three months ended March 31, 2015. The increase is primarily due to the acquisition of Mid Pac on April 1, 2015.

**Depreciation, Depletion and Amortization .** For the three months ended March 31, 2016 , DD&A expense was approximately \$5.1 million , an increase of \$1.8 million compared to \$3.3 million for the three months ended March 31, 2015 . The increase is primarily due to assets acquired as part of the Mid Pac acquisition on April 1, 2015.

**General and Administrative Expense.** For the three months ended March 31, 2016 , general and administrative expense was approximately \$11.2 million , an increase of \$1.1 million when compared to \$10.1 million for the three months ended March 31, 2015 . The increase is primarily due to an increase in costs associated with the closing of our Canadian office that supported our Texadian operations.

**Acquisition and Integration Costs.** For the three months ended March 31, 2016 , acquisition and integration costs were approximately \$0.7 million , a decrease of \$0.4 million when compared to \$1.1 million for the three months ended March 31, 2015 . The decrease is primarily due to higher costs related to obtaining regulatory approval for the Mid Pac acquisition in 2015 compared to integration costs in the three months ended March 31, 2016 .

**Interest Expense and Financing Costs, Net .** For the three months ended March 31, 2016 , our interest expense and financing costs were approximately \$4.6 million , a decrease of \$0.9 million when compared to \$5.6 million for the three months ended March 31, 2015 . The decrease was primarily due to lower interest costs associated with our Term Loan partially offset by an increase in interest costs associated with our retail operations. The Term Loan interest decreased due to a lower principal amount outstanding during the first quarter 2016 and lower interest rates in effect in 2016 as a result of paying cash for interest rather than paying interest in kind. Interest expense associated with our retail operations increased due to higher principal amounts outstanding under the KeyBank credit agreement compared to the terminated HIE Retail credit agreement.

**Change in Value of Common Stock Warrants .** For the three months ended March 31, 2016 , the change in value of common stock warrants resulted in a gain of approximately \$1.6 million , a change of \$6.6 million when compared to a loss of approximately \$5.0 million for the three months ended March 31, 2015 . For the three months ended March 31, 2016 , our stock price decreased from \$23.54 per share as of December 31, 2015 to \$18.76 per share as of March 31, 2016 which resulted in a decrease in the fair value of the common stock warrants. During the three months ended March 31, 2015 , our stock price increased from \$16.25 as of December 31, 2014 to \$23.21 per share as of March 31, 2015.

**Change in Value of Contingent Consideration .** For the three months ended March 31, 2016 , the change in value of our contingent consideration liability resulted in a gain of approximately \$6.2 million , a change of \$11.1 million when compared to a loss of \$4.9 million for the three months ended March 31, 2015 . The contingent consideration relates to the acquisition of PHR which occurred on September 25, 2013 and the change in value during the three months ended March 31, 2016 is due to reaching an agreement on the contingent consideration owed related to 2015 performance and a decrease in our expected cash flows related to PHR for 2016 as a result of lower crack spreads.

**Income Taxes.** For the three months ended March 31, 2016 , we recorded an expense of \$0.3 million due to alternative minimum tax of \$357 thousand offset by a state tax benefit of \$21 thousand . The federal tax benefit or expense related to normal operations is generally offset by changes in the valuation allowance related to our NOL carryforwards.

**Adjusted EBITDA and Adjusted Net Income (Loss).** For the three months ended March 31, 2016 , Adjusted EBITDA was \$5.4 million compared to \$22.4 million for the three months ended March 31, 2015 . The change is primarily related to lower crack spreads, lower on-island sales and costs related to reducing activity in our Texadian segment.

For the three months ended March 31, 2016 , Adjusted Net Income (Loss) was a loss of \$6.5 million when compared to income of \$11.7 million for the three months ended March 31, 2015 . The change is primarily related to lower crack spreads, lower on-island sales and costs relates to reducing activity in our Texadian segment.

## **Liquidity and Capital Resources**

Our liquidity and capital requirements are primarily a function of our debt maturities and debt service requirements, fixed capacity payments and contractual obligations, capital expenditures and working capital needs. Examples of working capital needs include purchases and sales of commodities and associated margin and collateral requirements, facility maintenance costs and other costs such as payroll. Our primary sources of liquidity are cash flows from operations, cash on hand, amounts available under our credit agreements and access to capital markets.

The following table summarizes our liquidity position as of April 29, 2016 and March 31, 2016 (in thousands):

April 29, 2016	Par Hawaii Refining	HIE Retail	Mid Pac	Texadian	KeyBank Credit Agreement	Corporate and Other	Total
Cash and cash equivalents	\$ 26,440	\$ 9,891	\$ 13,084	\$ 12,916	\$ —	\$ 13,321	\$ 75,652
Revolver availability	—	—	—	—	5,000	—	5,000
Deferred Payment Arrangement availability (1)	40,359	—	—	—	—	—	40,359
Total available liquidity	\$ 66,799	\$ 9,891	\$ 13,084	\$ 12,916	\$ 5,000	\$ 13,321	\$ 121,011

(1) Please read Note 7—Inventory Financing Agreements to our condensed consolidated financial statements for further discussion.

March 31, 2016	Par Hawaii Refining	HIE Retail	Mid Pac	Texadian	KeyBank Credit Agreement	Corporate and Other	Total
Cash and cash equivalents	\$ 65,765	\$ 11,379	\$ 13,187	\$ 14,324	\$ —	\$ 17,103	\$ 121,758
Revolver availability	—	—	—	—	5,000	—	5,000
Deferred Payment Arrangement availability (1)	26,491	—	—	—	—	—	26,491
Total available liquidity	\$ 92,256	\$ 11,379	\$ 13,187	\$ 14,324	\$ 5,000	\$ 17,103	\$ 153,249

(1) Please read Note 7—Inventory Financing Agreements to our condensed consolidated financial statements for further discussion.

The change in our liquidity position from March 31, 2016 to April 29, 2016 was primarily attributable to advance payments for product purchases, refinery turnaround expenditures, and results of operations.

As of March 31, 2016, we had access to the J. Aron Deferred Payment Arrangement, the KeyBank Credit Agreement and cash on hand of \$121.8 million. In addition, we have the Supply and Offtake Agreements with J. Aron, which are used to finance the majority of the inventory of our refinery. Generally, the primary uses of our capital resources have been in the operations of our refining segment, our retail segment, our Texadian segment, payments related to the acquisition of Mid Pac, cash capital contributions to Laramie Energy and payments of operating expenses related to our natural gas and crude oil assets.

We believe our cash flows from operations and available capital resources will be sufficient to meet our current capital expenditures, working capital and debt service requirements for the next 12 months. The refinery turnaround costs of approximately \$30 million to \$35 million are expected to be funded through operating cash flows. Additionally, we may seek to raise additional debt or equity capital to fund any other significant changes to our business or to refinance existing debt. We cannot offer any assurances that such capital will be available in sufficient amounts or at an acceptable cost.

### Cash Flows

The following table summarizes cash activities for the three months ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31,	
	2016	2015
Net cash provided by operating activities	\$ 12,029	\$ 86,772
Net cash used in investing activities	(57,241)	(23,511)
Net cash used in financing activities	(818)	(28,166)

Net cash provided by operating activities was approximately \$12.0 million for the three months ended March 31, 2016, which resulted from a net loss of approximately \$18.7 million, non-cash charges to operations of approximately \$4.0 million and net cash provided by changes in operating assets and liabilities of approximately \$26.7 million. Net cash provided by operating activities was approximately \$86.8 million for the three months ended March 31, 2015, which resulted from net income of approximately \$0.5 million, non-cash charges to operations of approximately \$23.7 million and net cash provided by changes in operating assets and liabilities of approximately \$62.6 million.

For the three months ended March 31, 2016, net cash used in investing activities was approximately \$57.2 million and primarily related to an investment in Laramie Energy of \$55.0 million in connection with its acquisition of additional natural gas and oil properties. Net cash used in investing activities was approximately \$23.5 million for the three months ended March 31, 2015 and was primarily related to an investment in Laramie Energy of \$13.8 million, additions to property and equipment of approximately \$4.7 million and a \$5.0 million deposit for the acquisition of Mid Pac.

Net cash used in financing activities for the three months ended March 31, 2016 was approximately \$0.8 million and consisted primarily of repayments of debt of approximately \$5.1 million and a \$1.1 million payment related to contingent consideration for the PHR acquisition. These outflows were partially offset by proceeds from the J. Aron deferred payment arrangement of \$5.6 million. Net cash used in financing activities for the three months ended March 31, 2015 was approximately \$28.2 million and consisted primarily of net repayments on debt of approximately \$27.2 million.

### ***Capital Expenditures***

Our capital expenditures excluding acquisitions for the three months ended March 31, 2016 totaled approximately \$4.5 million and were primarily related to our refinery and information technology systems. We also funded \$55.0 million for investments in Laramie Energy. Our capital expenditure budget for 2016, including major maintenance costs, ranges from \$50 million to \$55 million and primarily relates to scheduled turnaround expenditures, as well as projects to improve our refinery reliability and efficiency and upgrades to our information technology systems.

We also continue to seek strategic investments in business opportunities, but the amount and timing of those investments are not predictable.

### ***Commitments and Contingencies***

***Point Arguello.*** On March 23, 2016, we entered into a settlement agreement with Whiting Oil and Gas Corporation ("Whiting"), whereby we paid Whiting an aggregate of \$3.9 million to transfer the entirety of our interest in the Point Arguello Unit offshore California ("Point Arguello") to Whiting and to satisfy any and all obligations in respect of such interest in Point Arguello.

***Supply and Offtake Agreements.*** On June 1, 2015, we entered into several agreements with J. Aron & Company ("J. Aron") to support the operations of our refinery (the "Supply and Offtake Agreements"). The Supply and Offtake Agreements have a term of three years with two one-year extension options upon mutual agreement of the parties. Please read Note 7—Inventory Financing Agreements for more information.

***Consent Decree.*** PHR and subsidiaries of Tesoro are currently negotiating a consent decree with the U.S. Environmental Protection Agency ("EPA") and the U.S. Department of Justice concerning alleged violations of the federal Clean Air Act related to the ownership and operation of multiple facilities owned or formerly owned by Tesoro and its affiliates ("Consent Decree"), including our refinery. It is anticipated that the Consent Decree will be finalized during the second quarter of 2016 and will require certain capital improvements to our refinery to reduce emissions of air pollutants. We expect a portion of these capital improvements will be made in 2016 in connection with a regularly scheduled turnaround of our refinery.

We estimate the cost of compliance with the final Consent Decree could be \$20 million to \$30 million. However, Tesoro is responsible under the Environmental Agreement for reimbursing PHR for all reasonable third-party capital expenditures incurred for the construction, installation and commissioning of such capital projects and for the payment of any fines or penalties imposed on PHR arising from the Consent Decree to the extent related to acts or omission of Tesoro or PHR prior to the Closing Date. Tesoro's obligation to reimburse PHR for such fines and penalties is not subject to a monetary limitation; however, the obligation relating to fines and penalties terminates on the third anniversary of the Closing Date. Please read Note 11—Commitments and Contingencies for more information.



## Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q may constitute “forward-looking” statements as defined in Section 27A of the Securities Act of 1933 (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), the Private Securities Litigation Reform Act of 1995 (“PSLRA”), or in releases made by the SEC, all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors including, without limitation, our beliefs with regard to available capital resources, our beliefs regarding the likelihood or impact of any potential fines or penalties and of the fair value of certain assets and our expectations with respect to laws and regulations, including environmental regulations and related compliance costs and any fines or penalties related thereto; the ability of Tesoro and the Company to finalize the Consent Decree; our expectations regarding the sufficiency of our cash flows and liquidity; our expectations regarding anticipated capital improvements and the timing and cost of the refinery turnaround; our expectations regarding the impact of the adoption of certain accounting standards; our beliefs as to the impact of changes to inputs regarding the valuation of our stock warrants, as well as our estimates regarding the fair value of such warrants and certain indebtedness; the anticipated results of the Mid Pac earnout and indemnity dispute; estimated costs of compliance with the final Tesoro Consent Decree and estimated costs to settle claims remaining in the General Trust; the estimated value of, and our ability to settle, legal claims remaining to be settled against third parties; our expectations regarding certain tax liabilities; our expectations and estimates regarding our Supply and Offtake Agreements; management’s assumptions about future events; our ability to raise additional debt or equity capital; our ability to make strategic investments in business opportunities; and the estimates, assumptions and projections regarding future financial condition, results of operations, liquidity and cash flows. These and other forward-looking statements could cause the actual results, performance or achievements of Par and its subsidiaries to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “will,” “would,” “could,” “should,” “seeks,” or “scheduled to,” or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control, including those set out in our most recent Annual Report on Form 10-K under “Risk Factors.”

In addition, management’s assumptions about future events may prove to be inaccurate. All readers are cautioned that the forward-looking statements contained in this Quarterly Report on Form 10-Q are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or that the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors described above and under Critical Accounting Policies and Risk Factors included in our most recent Annual Report on Form 10-K and in this Quarterly Report on Form 10-Q. All forward-looking statements speak only as of the date they are made. We do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Commodity Price Risk

Our earnings, cash flow and liquidity are significantly affected by commodity price volatility. Our revenues fluctuate with refined product prices and our cost of revenues fluctuates with movements in crude oil and feedstock prices. Assuming all other factors remain constant, a \$1 per barrel change in average gross refining margins, based on our quarter-to-date throughput of 74.2 thousand barrels per day, would change annualized operating income by approximately \$26.7 million. This estimate may differ from actual results.

In order to manage commodity price risks, we utilize exchange-traded futures, options and over-the-counter (“OTC”) swaps to manage commodity price risks associated with:

- the price for which we sell our refined products;
- the price we pay for crude oil and other feedstocks;
- our refined products inventory outside of the Supply and Offtake Agreements;
- our fuel requirements for our refinery;

- our exposure to crude oil price volatility in our Texadian segment.

Our Supply and Offtake Agreements with J. Aron require us to hedge our exposure based on the time spread between the crude oil cargo pricing period and the expected delivery month. We manage this exposure by entering into swaps with J. Aron. Please read Note 7—Inventory Financing Agreements for more information.

All of our futures and OTC swaps are executed to economically hedge our physical commodity purchases, sales and inventory. Our open futures and OTC swaps expire at various dates through June 30, 2016. At March 31, 2016, these open commodity derivative contracts represent:

- futures sales of 255 thousand barrels that economically hedge our forecasted sales of refined products;
- purchased OTC swaps of 211 thousand barrels that economically hedge the difference between our actual inventory levels and target inventory levels under the Supply and Offtake Agreements; and
- futures sales of 135 thousand barrels that economically hedge our physical inventory for our Texadian segment.

Based on our net open positions at March 31, 2016, a \$1 change in the price of crude oil, assuming all other factors remain constant, would have an immaterial effect on the fair value of these derivative instruments and cost of revenues.

Our predominant variable operating cost is the cost of fuel consumed in the refining process, which is included in Cost of revenues on our condensed consolidated statements of operations. Assuming normal operating conditions, we consume approximately 74 thousand barrels per day of crude oil during the refining process. We have economically hedged our internally consumed fuel cost by purchasing option collars and OTC swaps at a rate of 52 thousand barrels per month through December 2017 and 15 thousand barrels per month through December 2018. These option collars have a weighted-average strike price ranging from a floor of \$54.09 per barrel to a ceiling of \$62.57 per barrel. The OTC swaps have a weighted-average price of \$43.87.

### **Compliance Program Price Risk**

We are exposed to market risks related to the volatility in the price of qualified Renewable Identification Numbers ("RINs") required to comply with the Renewable Fuel Standard. Our overall RINs obligation is based on a percentage of our domestic shipments of on-road fuels as established by the EPA. To the degree we are unable to blend the required amount of biofuels to satisfy our RINs obligation, we must purchase RINs on the open market. To mitigate the impact of this risk on our results of operations and cash flows we may purchase RINs when the price of these instruments is deemed favorable. Some of these contracts are derivative instruments, however, we elect the normal purchases normal sales exception and do not record these contracts at their fair values.

### **Interest Rate Risk**

As of March 31, 2016, \$107.3 million of outstanding debt was subject to floating interest rates. We also have interest rate exposure in connection with our liability under the J. Aron Supply and Offtake Agreements, for which we pay a charge based on 3-month LIBOR. An increase of 1% in the variable rate on our indebtedness, after considering the instruments subject to minimum interest rates, would result in an increase to our cost of revenues and interest expense of approximately \$2.0 million and \$1.2 million per year, respectively.

We utilize interest rate swaps, interest rate caps, interest rate collars or other similar contracts to manage our interest rate risk. As of March 31, 2016, we had locked in an average fixed rate of 1.1% in exchange for a floating interest rate indexed to the three-month LIBOR on an aggregate notional amount of \$200 million. The interest rate swaps mature in February 2019 and March 2021.

### **Credit Risk**

We are subject to risk of losses resulting from nonpayment or nonperformance by our counterparties. We will continue to closely monitor the creditworthiness of customers to whom we grant credit and establish credit limits in accordance with our credit policy.

## **Item 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

In connection with the preparation of this Quarterly Report on Form 10-Q, as of March 31, 2016, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and

Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2016, these disclosure controls and procedures were effective and designed to ensure that the information required to be disclosed in our reports filed with the SEC is recorded, processed, summarized and reported on a timely basis and accumulated and reported to management as appropriate to allow timely decisions regarding disclosure.

### Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2016, we performed additional integration activities to conform and enhance the consistency of the information technology systems utilized across the Company. There were no other changes during the quarter ended March 31, 2016 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

## PART II – OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of our business. Please read Note 11—Commitments and Contingencies to our condensed consolidated financial statements for more information.

### Item 1A. RISK FACTORS

There have been no material changes from the risk factors included under Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### Unregistered Sales of Equity Securities

There were no sales of equity securities during the three months ended March 31, 2016 that were not registered under the Securities Act of 1933, as amended.

#### Dividends

We have not paid dividends on our common stock and we do not expect to do so in the foreseeable future. Our current debt agreements restrict the payment of dividends. In addition, as long as any obligations remain outstanding under the Term Loan, we are prohibited from paying dividends.

#### Stock Repurchases

The following table sets forth certain information with respect to repurchases of our common stock during the quarter ended March 31, 2016:

Period	Total number of shares (or units) purchased (1)	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
January 1 - January 31, 2016	1,903	\$ 24.00	—	—
February 1 - February 29, 2016	153	22.69	—	—
March 1 - March 31, 2016	7,857	18.67	—	—
<b>Total</b>	<b>9,913</b>	<b>\$ 19.76</b>	<b>—</b>	<b>—</b>

(1) All shares repurchased were surrendered by employees to pay taxes withheld upon the vesting of restricted stock awards.

### Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### Item 4. MINE SAFETY DISCLOSURE

Not applicable.

### Item 5. OTHER INFORMATION

None.

## Item 6. EXHIBITS

- 2.1 Third Amended Joint Chapter 11 Plan of Reorganization of Delta Petroleum Corporation and Its Debtor Affiliates dated August 13, 2012. Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on September 7, 2012.
- 2.2 Contribution Agreement, dated as of June 4, 2012, among Piceance Energy, LLC, Laramie Energy, LLC and the Company. Incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on June 8, 2012.
- 2.3 Purchase and Sale Agreement dated as of December 31, 2012, by and among the Company, SEACOR Energy Holdings Inc., SEACOR Holdings Inc., and Gateway Terminals LLC. Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on January 3, 2013.
- 2.4 Membership Interest Purchase Agreement dated as of June 17, 2013, by and among Tesoro Corporation, Tesoro Hawaii, LLC and Hawaii Pacific Energy, LLC Incorporated by reference to Exhibit 2.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013, filed on August 14, 2013.
- 2.5 Agreement and Plan of Merger dated as of June 2, 2014, by and among the Company, Bogey, Inc., Koko'oha Investments, Inc., and Bill D. Mills, in his capacity as the Shareholders' Representative. Incorporated by reference to Exhibit 2.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014, filed on August 11, 2014.
- 2.6 Amendment to Agreement and Plan of Merger dated as of September 9, 2014, by and among the Company, Bogey, Inc., Koko'oha Investments, Inc. and Bill D. Mills, in his capacity as the shareholders' representative. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 10, 2014.
- 2.7 Second Amendment to Agreement and Plan of Merger dated as of December 31, 2014, by and among Par Petroleum Corporation, Bogey, Inc., Koko'oha Investments, Inc. and Bill D. Mills, in his capacity as the shareholder's representative. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 7, 2015.
- 2.8 Third Amendment to Agreement and Plan of Merger dated as of March 31, 2015, by and among the Company, Bogey, Inc., Koko'oha Investments, Inc. and Bill D. Mills, in his capacity as the shareholders' representative. Incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 3.1 Restated Certificate of Incorporation of the Company dated October 20, 2015. Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on October 20, 2015.
- 3.2 Second Amended and Restated Bylaws of the Company dated October 20, 2015. Incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on October 20, 2015.
- 4.1 Form of the Company's Common Stock Certificate. Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed on March 31, 2014.
- 4.2 Stockholders Agreement dated April 10, 2015. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 13, 2015.
- 4.3 Registration Rights Agreement effective as of August 31, 2012, by and among the Company, Zell Credit Opportunities Master Fund, L.P., Waterstone Capital Management, L.P., Pandora Select Partners, LP, Iam Mini-Fund 14 Limited, Whitebox Multi-Strategy Partners, LP, Whitebox Credit Arbitrage Partners, LP, HFR RVA Combined Master Trust, Whitebox Concentrated Convertible Arbitrage Partners, LP and Whitebox Asymmetric Partners, LP. Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on September 7, 2012.
- 4.4 Registration Rights Agreement dated as of September 25, 2013, by and among the Company and the Purchasers party thereto. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 27, 2013.
- 4.5 Warrant Issuance Agreement dated as of August 31, 2012, by and among the Company and WB Delta, Ltd., Waterstone Offshore ER Fund, Ltd., Prime Capital Master SPC, GOT WAT MAC Segregated Portfolio, Waterstone Market Neutral MAC51, Ltd., Waterstone Market Neutral Master Fund, Ltd., Waterstone MF Fund, Ltd., Nomura Waterstone Market Neutral Fund, ZCOF Par Petroleum Holdings, L.L.C. and Highbridge International, LLC. Incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on September 7, 2012.
- 4.6 Form of Common Stock Purchase Warrant dated as of June 4, 2012. Incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on September 7, 2012.

- 4.7 Form of Par Petroleum Corporation Shareholder Subscription Rights Certificate. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 22, 2014.
- 10.1 Amendment to Par Pacific Holdings, Inc. 2012 Long Term Incentive Plan. Incorporated by reference to Exhibit 4.9 to the Company's Annual Report on Form 10-K filed on March 3, 2016.
- 10.2 Amended and Restated Par Pacific Holdings, Inc. 2012 Long Term Incentive Plan dated as of February 16, 2016. \*
- 10.3 Par Petroleum Corporation 2012 Long Term Incentive Plan. Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed on December 21, 2012.
- 10.4+ Employment Offer Letter with Christopher Micklas dated December 2, 2013.\*
- 10.5+ Initial Award with Christopher Micklas dated December 9, 2013. \*
- 10.6+ Stock Award with Christopher Micklas dated December 9, 2014.\*
- 10.7+ Employment Offer Letter with James Matthew Vaughn dated July 3, 2014.\*
- 10.8+ Initial Award with James Matthew Vaughn dated November 5, 2014. \*
- 10.9+ Stock Award with James Matthew Vaughn dated July 3, 2015.\*
- 10.10+ Employment Offer Letter with Jim Yates dated March 10, 2015.\*
- 10.11+ Initial Award with Jim Yates dated May 8, 2015.\*
- 10.12+ Employment Offer Letter with Kelly Rosser dated January 2, 2014.\*
- 10.13+ Initial Award with Kelly Rosser dated February 17, 2014.\*
- 10.14 Third Amended and Restated Limited Liability Company Agreement of Laramie Energy, LLC dated February 22, 2016, by and among Laramie Energy II, LLC, Par Piceance Energy Equity LLC and the other members party thereto. Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed on March 3, 2016.
- 10.15 Unit Purchase Agreement dated February 22, 2016, by and among Laramie Energy, LLC, Par Piceance Energy Equity LLC, and the other parties thereto. Incorporated by reference to Exhibit 10.74 to the Company's Annual Report on Form 10-K filed March 3, 2016.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. \*
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. \*
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.\*
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350. \*
- 101.INS XBRL Instance Document.\*\*
- 101.SCH XBRL Taxonomy Extension Schema Documents.\*\*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.\*\*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.\*\*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.\*\*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.\*\*

\* Filed herewith.

\*\* These interactive data files are furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

+ Management contracts and compensatory plans.

**SIGNATURES**

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

PAR PACIFIC HOLDINGS, INC.  
(Registrant)

By: /s/ William Pate  
William Pate  
President and Chief Executive Officer

By: /s/ Christopher Micklas  
Christopher Micklas  
Chief Financial Officer

Date: May 5, 2016

**PAR PACIFIC HOLDINGS, INC.**  
**2012 LONG TERM INCENTIVE PLAN**  
**(As Amended and Restated Effective as of February 16, 2016)**

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**PAR PACIFIC HOLDINGS, INC.  
2012 LONG TERM INCENTIVE PLAN**

**SECTION 1**

**ESTABLISHMENT; PURPOSE AND TERM OF PLAN**

**1.1 Establishment**

The Par Pacific Holdings, Inc. 2012 Long Term Incentive Plan (formerly, the Par Petroleum Corporation 2012 Long Term Incentive Plan) (the “**Plan**”) was established and adopted by the Board effective as of December 20, 2012 (the “**Effective Date**”) and amended effective as of November 4, 2015, subject to stockholder approval on the earlier of the next stockholder’s meeting following the effective date of such amendment or within twelve (12) months following the effective date of the amendment. The Plan, as amended and restated as set forth herein, is hereby adopted by the Board effective as of February 16, 2016 (the “**Restatement Date**”), subject to stockholder approval on the earlier of the next stockholder’s meeting following the effective date of this restatement or within twelve (12) months following the effective date of the restatement. Upon approval by the Board, awards may be made as provided herein, subject to such subsequent stockholder approval. In the event that such stockholder approval is not obtained, any such awards shall be null and void and of no effect.

**1.2 Purpose**

The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company.

**1.3 Term of Plan**

The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued and all restrictions on such shares of Stock under the terms of the Plan and the agreements evidencing Awards granted under the Plan have lapsed. However, all Awards shall be granted, if at all, on or before the date which is ten (10) years from Effective Date; provided, however, that with respect to any Awards tied to the Two Million Four Hundred Thousand (2,400,000) shares of Stock that were added as of November 4, 2015 to the total number of shares of Stock available for issuance under the Plan, those Awards shall be granted, if at all, on or before the date which is ten (10) years from November 4, 2015.

**SECTION 2**

**DEFINITIONS AND CONSTRUCTION**

**2.1 Definitions**

Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) “**Affiliate**” means, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, another Person. The term “**control**” includes, without limitation, the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. With respect to any Award that is deferred compensation subject to Code Section 409A, for the purposes of applying Code Section 409A to such Award the term Affiliate shall mean all Persons with whom the Participant’s employer would be considered a single employer under Code Section 414(b) or 414(c) as defined and modified in Code Section 409A as determined by the Committee. Notwithstanding the foregoing, with respect to Nonstatutory Stock Options and Stock Appreciation Rights,

if necessary for such Awards to be exempt from Code Section 409A, as determined by the Committee, for purposes of grants of such Awards, Affiliate shall only include an entity if the Company's Stock would constitute "service recipient stock" within the meaning of Code Section 409A.

(b) "**Award**" means a grant of an Option, Restricted Stock, Restricted Stock Unit, Stock Appreciation Right, Performance Award, Other Stock-Based Award or Cash Award to a Participant under this Plan.

(c) "**Authorized Shares**" shall have the meaning set forth in Section 15.

(d) "**Award Agreement**" means a written agreement between the Company and a Participant setting forth the terms, conditions and restrictions of the Award granted to the Participant and any shares of Stock acquired or cash paid upon the exercise or settlement thereof, in such form as the Committee may approve from time to time.

(e) "**Board**" means the Board of Directors of the Company.

(f) "**Broker-Assisted Cashless Exercise**" shall have the meaning set forth in Section 6.3(a)(ii).

(g) "**Cash Award**" shall have the meaning set forth in Section 8.1(f).

(h) "**Cause**" shall mean, unless otherwise specifically defined in a Participant's Award Agreement or an employment agreement between the Participant and the Company or an Affiliate as in effect on the effective date of the grant of an Award, any of the following: (1) the Participant's theft or falsification of any Company or Affiliate documents or records or property; (2) the Participant's improper use or disclosure of the Company's or an Affiliate's confidential or proprietary information; (3) any action by the Participant which has a material detrimental effect on the Company's or an Affiliate's reputation or business as determined by the Committee; (4) the Participant's material failure or inability to perform any reasonable assigned and lawful duties after written notice from the Company or Affiliate of, and Participant's failure or inability to cure within ten (10) business days, such failure or inability; (5) any material breach by the Participant of any employment or service agreement between the Participant and the Company or Affiliate, if applicable, which breach is not cured pursuant to the terms of such agreement, if applicable; or (6) the Participant's conviction (including any plea of guilty or *nolo contendere*) of any felony or any criminal violation involving fraud, embezzlement, misappropriation, dishonesty, the misuse or misappropriation of money or other property or any other crime which has or would reasonably be expected to have an adverse effect on the business or reputation of the Company or an Affiliate or (7) a material breach by the Participant of the policies and procedures of the Company or an Affiliate.

(i) A "**Change in Control**" means any of the following events occurring with respect to the Company:

(i) any Person (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company immediately prior to the occurrence with respect to which the evaluation is being made in substantially the same proportions as their ownership of the common stock of the Company) acquires securities of the Company and immediately thereafter is the beneficial owner (except that a Person shall be deemed to be the beneficial owner of all shares of Stock that any such Person has the right to acquire pursuant to any agreement or arrangement or upon exercise of conversion rights, warrants or options or otherwise, without regard to the sixty (60)-day period referred to in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities;

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (iii), or (iv) of this paragraph) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved but excluding for this purpose any such new director whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, corporation, partnership, group, associate or other entity or Person other than the Board, cease for any reason to constitute at least a majority of the Board;

(iii) the consummation of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or resulting entity) more than 50% of the combined voting power of the surviving or resulting entity outstanding immediately after such merger or consolidation; or

(iv) the stockholders of the Company approve a plan or agreement for the sale or disposition of all or substantially all of the consolidated assets of the Company (other than such a sale or disposition immediately after which such assets will be owned directly or indirectly by the stockholders of the Company, in substantially the same proportions as their ownership of the common stock of the Company immediately prior to such sale or disposition) in which case the Board shall determine the effective date of the Change in Control resulting therefrom; provided, however, that a transaction described in this clause (iv) shall not be deemed a Change in Control unless and until such transaction is consummated.

(j) "**Code**" means the Internal Revenue Code of 1986, as amended, and any applicable notices, rulings and regulations promulgated thereunder.

(k) "**Committee**" means the Board or, if so appointed by the Board, the Compensation Committee of the Board or any other committee duly appointed by the Board to administer the Plan, which such committee may be one or more persons; provided however, that during any period the Company is a "publicly held corporation" within the meaning of Code Section 162(m) the Committee shall consist of not less than two directors of the Board who fulfill the "outside director" requirements of Code Section 162(m) and who are non-employee directors under the Securities and Exchange Commission Rule 16b-3.

(l) "**Company**" means Par Pacific Holdings, Inc., a Delaware corporation, or any successor corporation thereto.

(m) "**Consultant**" means an individual who is a natural person engaged to provide consulting or advisory services (other than as an Employee or a Director) to the Company or its Affiliates, provided that the identity of such person, the nature of such services or the entity to which such services are provided are not in connection with the offer or sale of securities in a capital raising transaction, and do not directly or indirectly promote or maintain a market for the Company's securities or would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on either the exemption from registration provided by Rule 701 under the Securities Act or, if the Company is required to file reports pursuant to Section 13 or 15(d) of the Exchange Act, registration on a Form S-8 Registration Statement under the Securities Act.

(n) "**Director**" means a member of the Board or of the board of directors of any of the Company's Affiliates.

(o) “**Disability**” means, unless otherwise specifically defined in the Participant’s Award Agreement, (i) in the case where the Participant has a written employment agreement with the Company or any Subsidiary, the definition of “Disability,” the definition for such term set forth in such employment agreement as in effect on the date of the applicable Award grant and (ii) in all other cases, a Participant’s inability, due to physical or mental incapacity, to substantially perform his duties and responsibilities for a period of ninety (90) days during any twelve-month period as determined by the Company. The Participant agrees to submit to any examination that is necessary for a determination of Disability and agrees to provide any information necessary for a determination of Disability, including any information that is protected by the Health Insurance Portability and Accountability Act.

(p) “**Effective Date**” shall have the meaning set forth in Section 1.1.

(q) “**Employee**” means any person treated as an employee (including a Director who is also treated as an employee) of the Company on the records of the Company or of any of the Company’s Affiliates on the records of such Affiliate and, with respect to any Incentive Stock Option granted to such person, who is an employee of the Company or a parent or a Subsidiary of the Company for purposes of Code Sections 422, 424 and 3401(c); provided, however, that neither service as a Director nor payment of a director’s fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual’s employment or termination of employment, as the case may be. For purposes of an individual’s rights, if any, under the Plan as of the time of the Company’s determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company, the Board, the Committee or any court of law or governmental agency subsequently makes a contrary determination.

(r) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended .

(s) “**Expiration Date**” shall have the meaning set forth in Section 9.1(a).

(t) “**Fair Market Value**” means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) If, on such date, the Stock is listed or traded on a national or regional securities exchange or market system, constituting the primary market for the Stock, the Fair Market Value of a share of Stock shall be the closing sale price of a share of Stock (or the mean of the closing bid and asked prices of a share of Stock if the Stock is so quoted instead) on the determination date (or, if no sales occur on such date, on the last preceding date on which such sales of Stock are so reported) as quoted on such exchange and as reported in The Wall Street Journal, pink sheets or such other source as the Committee deems reliable.

(ii) If, on such date, the Stock is not listed or traded on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be as determined by the Committee in its discretion using a reasonable method exercised in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse, and if it is determined by the Committee to be applicable, in any other manner permitted in accordance with Code Section 409A and the notices, rulings and regulations thereunder, or Code Section 422(b) and the notices, rulings and regulations thereunder, if applicable.

(u) “**Incentive Stock Option**” means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Code Section 422(b) .

(v) “**Insider**” means an Officer, a Director or other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

- (w) “ **Net Exercise** ” shall have the meaning set forth in Section 6.3(a)(iii).
- (x) “ **New Shares** ” shall have the meaning set forth in Section 4.2.
- (y) “ **Nonstatutory Stock Option** ” means an Option not intended to be (as set forth in the Award Agreement) or which does not qualify as an Incentive Stock Option .
- (z) “ **Officer** ” means any person designated by the Board as an officer of the Company .
- (aa) “ **Option** ” means a right to purchase Stock pursuant to the terms and conditions of the Plan and the applicable Award Agreement. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.
- (bb) “ **Other Stock-Based Award** ” means an Award described in Section 8.1(d).
- (cc) “ **Participant** ” means a person who has been granted one or more Awards hereunder .
- (dd) “ **Performance Award** ” means an Award described in Section 8.1(c).
- (ee) “ **Permitted Transferee** ” has the meaning provided such term in Section 13.
- (ff) “ **Person** ” means any partnership, corporation, limited liability company, group, trust or other legal entity.
- (gg) “ **Plan** ” shall have the meaning set forth in Section 1.1.
- (hh) “ **Reprice** ” means the reduction of the exercise price of an Option or Stock Appreciation Right previously awarded, and, at any time when the exercise price of an Option or Stock Appreciation Right is above the Fair Market Value of a share of Stock, the cancellation and re-grant or the exchange of such outstanding Option or Stock Appreciation Right for either cash or a new Award with a lower (or no) exercise price.
- (ii) “ **Restatement Date** ” shall have the meaning set forth in Section 1.1.
- (jj) “ **Restricted Stock** ” means an Award granted to a Participant pursuant to Section 7.
- (kk) “ **Restricted Stock Unit** ” means a notional account established pursuant to an Award granted pursuant to Section 8.1(a) that is (i) valued solely by reference to shares of Stock, (ii) subject to restrictions specified in the Award Agreement, and (iii) payable in Stock, cash or a combination thereof. The Restricted Stock Unit awarded to the Participant will vest according to time-based or performance-based criteria specified in the Award Agreement .
- (ll) “ **Restriction Period** ” means the period of time determined by the Committee and set forth in the Award Agreement during which an Award of Restricted Stock is subject to a restriction that constitutes a “substantial risk of forfeiture” (as defined in Code Section 83) and/or a restriction on the ability of the Participant to transfer the Restricted Stock.
- (mm) “ **Rule 16b-3** ” means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation .
- (nn) “ **Securities Act** ” means the Securities Act of 1933, as amended .
- (oo) “ **Section 409A Plan** ” shall have the meaning described in Section 25.

(pp) **“Service”** means a Participant’s employment or service with the Company or any of its Affiliates, whether in the capacity of an Employee, a Director or a Consultant. A Participant’s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service to the Company or Affiliate (or in the case of an Incentive Stock Option the parent or Subsidiary of the Company) or a change in the Company or Affiliate (or in the case of an Incentive Stock Option the parent or Subsidiary of the Company) for which the Participant renders such Service, provided that there is no interruption or termination of the Participant’s Service. Furthermore, a Participant’s Service with the Company or an Affiliate (or in the case of an Incentive Stock Option the parent or Subsidiary of the Company) shall not be deemed to have terminated if the Participant takes any military leave, temporary illness leave, authorized vacation or other bona fide leave of absence; provided, however, that if any such leave exceeds three (3) months, the Participant’s Service shall be deemed to have terminated unless the Participant’s right to return to Service with the Company is provided by either statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or provided by statute or contract, a leave of absence shall not be treated as Service. The Participant’s Service shall be deemed to have terminated either upon an actual termination of Service or upon the company for which the Participant performs Service ceasing to be the Company or an Affiliate (or in the case of an Incentive Stock Option the parent or Subsidiary of the Company). Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant’s Service has terminated and the effective date of such termination. Notwithstanding the foregoing, with respect to any Award that is subject to Code Section 409A, “separation from service” shall be determined by the Committee under the applicable rules of Code Section 409A.

(qq) **“Spread”** shall have the meaning set forth in Section 8.1(c).

(rr) **“Stock”** means the common stock of the Company, par value \$0.01 per share, as adjusted from time to time in accordance with Section 4.2.

(ss) **“Stock Appreciation Right”** means an Award described in Section 8.1(b).

(tt) **“Subsidiary”** means any corporation (whether now or hereafter existing) which constitutes a “subsidiary” of the Company, as defined in Code Section 424(f).

(uu) **“Ten Percent Owner Participant”** means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or its parent or Subsidiary within the meaning of Code Section 422(b)(6).

(vv) **“Term”** shall have the meaning described in Section 15.

## 2.2 Construction

Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Words of the masculine gender shall include the feminine and neuter, and vice versa. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise. Section headings as used herein are inserted solely for convenience and reference and do not constitute any part of the interpretation or construction of the Plan.

## SECTION 3

### ADMINISTRATION

#### 3.1 Administration by the Committee

The Plan shall be administered by the Committee. All questions of interpretation of the Plan, construction of its terms, or of any Award shall be determined by the Committee, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Award.

### 3.2 Authority of Officers

Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, determination or election.

### 3.3 Powers of the Committee

In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

- (a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock to be subject to each Award;
- (b) to designate Awards as Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Awards, Other Stock-Based Awards or Cash Awards, and to designate Options as Incentive Stock Options or Nonstatutory Stock Options;
- (c) to determine the Fair Market Value of shares of Stock or other property;
- (d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares of Stock acquired upon the exercise and/or vesting thereof, including, without limitation, (i) the exercise price of an Option or Stock Appreciation Right, (ii) the method of payment for shares purchased upon the exercise and/or vesting of an Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with the Award or such shares, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions, including but not limited to performance goals, of the exercisability of the Award or the vesting of any Award, (v) the time of the expiration of the Award, (vi) the effect of the Participant's termination of Service with the Company on any of the foregoing, (vii) the provision for electronic delivery of Awards and/or book entry, and (viii) all other terms, conditions and restrictions applicable to the Award not inconsistent with the terms of the Plan;
- (e) to approve forms of Award Agreements;
- (f) to amend, modify, extend, cancel, or renew any Award, or to waive any restrictions or conditions applicable to any Award or any shares of Stock acquired upon the exercise thereof; provided, however, that except as provided in Section 25, no such amendment, modification, extension or cancellation shall adversely affect a Participant's Award without the Participant's consent;
- (g) to accelerate, continue, extend or defer the exercisability and/or vesting of any Award, including with respect to the period following a Participant's termination of Service with the Company;
- (h) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws of, or to accommodate the tax policy or custom of, foreign jurisdictions whose citizens may be granted Awards;
- (i) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law; and



(j) notwithstanding the foregoing, except as provided in Section 4.2 and Section 26, the terms of an outstanding Award may not be amended by the Committee, without approval of the Company's stockholders, to: (i) reduce the exercise price of an outstanding Option or to reduce the exercise price of an outstanding Stock Appreciation Right, (ii) cancel an outstanding Option or outstanding Stock Appreciation Right in exchange for other Options or Stock Appreciation Rights with an exercise price that is less than the exercise price of the cancelled Option or the cancelled Stock Appreciation Right, as applicable, or (iii) cancel an outstanding Option with an exercise price that is less than the Fair Market Value of a share of Stock on the date of cancellation or cancel an outstanding Stock Appreciation Right with an exercise price that is less than the Fair Market Value of a share of Stock on the date of cancellation in exchange for cash or another Award.

### **3.4 Administration with Respect to Insiders**

With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3 and all other applicable laws, including any required blackout periods. At any time the Company is required to comply with Securities Regulation BTR, all transactions under this Plan respecting the Company's securities shall comply with Securities Regulation BTR and the Company's insider trading policies, as revised from time to time, or such other similar Company policies, including but not limited to policies relating to blackout periods. Any ambiguities or inconsistencies in the construction of an Award shall be interpreted to give effect to such limitation. To the extent any provision of the Plan or Award Agreement or action by the Committee or Company fails to so comply, such provision or action shall be deemed null and void to the extent permitted by law and deemed advisable by the Committee in its discretion.

### **3.5 Indemnification**

EACH PERSON WHO IS OR WAS A MEMBER OF THE BOARD OR THE COMMITTEE SHALL BE INDEMNIFIED BY THE COMPANY AGAINST AND FROM ANY DAMAGE, LOSS, LIABILITY, COST AND EXPENSE THAT MAY BE IMPOSED UPON OR REASONABLY INCURRED BY HIM OR HER IN CONNECTION WITH OR RESULTING FROM ANY CLAIM, ACTION, SUIT, OR PROCEEDING TO WHICH HE OR SHE MAY BE A PARTY OR IN WHICH HE OR SHE MAY BE INVOLVED BY REASON OF ANY ACTION TAKEN OR FAILURE TO ACT UNDER THE PLAN (INCLUDING SUCH INDEMNIFICATION FOR A PERSON'S OWN, SOLE, CONCURRENT OR JOINT NEGLIGENCE OR STRICT LIABILITY), EXCEPT FOR ANY SUCH ACT OR OMISSION CONSTITUTING WILLFUL OR INTENTIONAL MISCONDUCT, FRAUD OR GROSS NEGLIGENCE. SUCH PERSON SHALL BE INDEMNIFIED BY THE COMPANY FOR ALL AMOUNTS PAID BY HIM OR HER IN SETTLEMENT THEREOF, WITH THE COMPANY'S APPROVAL, OR PAID BY HIM OR HER IN SATISFACTION OF ANY JUDGMENT IN ANY SUCH ACTION, SUIT, OR PROCEEDING AGAINST HIM OR HER, PROVIDED HE OR SHE SHALL GIVE THE COMPANY AN OPPORTUNITY, AT ITS OWN EXPENSE, TO HANDLE AND DEFEND THE SAME BEFORE HE OR SHE UNDERTAKES TO HANDLE AND DEFEND IT ON HIS OR HER OWN BEHALF. THE FOREGOING RIGHT OF INDEMNIFICATION SHALL NOT BE EXCLUSIVE OF ANY OTHER RIGHTS OF INDEMNIFICATION TO WHICH SUCH PERSONS MAY BE ENTITLED UNDER THE COMPANY'S ARTICLES OF INCORPORATION OR BYLAWS, AS A MATTER OF LAW, OR OTHERWISE, OR ANY POWER THAT THE COMPANY MAY HAVE TO INDEMNIFY THEM OR HOLD THEM HARMLESS.

## **SECTION 4**

### **SHARES SUBJECT TO PLAN**

#### **4.1 Maximum Number of Shares Issuable**

Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan is Four Million (4,000,000) and shall consist of authorized but unissued or reacquired

shares of Stock or any combination thereof. The maximum aggregate number of shares of Stock covered by Incentive Stock Options that may be issued under the Plan is Three Million (3,000,000) shares of Stock. Shares of Stock of an outstanding Award that for any reason expire or are terminated, forfeited or canceled or withheld for taxes or settled in a manner that all or some of the shares of Stock covered by an Award are not issued to a Participant (including, without limitation, shares of Stock withheld for the purchase price of an Award) shall again be available for issuance under the Plan.

During any period that the Company is a publicly held corporation within the meaning of Code Section 162(m) the following rules shall apply to grants of Awards:

- (a) Subject to adjustment as provided in Section 4.2, no Participant may be granted Options or Stock Appreciation Rights (i) during any calendar year prior to December 31, 2015 with respect to more than Three Million Five Hundred Thousand (3,500,000) shares of Stock, and (ii) during any calendar year beginning after January 1, 2016, with respect to Three Hundred Fifty Thousand (350,000) shares of Stock.
- (b) Subject to adjustment as provided in Section 4.2, no Participant may be granted Restricted Stock Awards, Restricted Stock Unit Awards, Performance Awards or Other Stock-Based Awards that are denominated in shares of Stock during any calendar year with respect to more than Two Hundred Fifty Thousand (250,000) shares of Stock.
- (c) The maximum aggregate cash payout (including Restricted Stock Units, Stock Appreciation Rights, Performance Awards, Other Stock-Based Awards paid out in cash or Cash Awards) that may be made to any Participant with respect to Awards granted (i) during any calendar year prior to December 31, 2015 shall be Eight Million Dollars (\$8,000,000) and (ii) during any calendar year beginning after January 1, 2016, shall be Two Million Five Hundred Thousand Dollars (\$2,500,000).
- (d) With respect to any Option or Stock Appreciation Right granted to a Participant that is canceled, the number of shares of Stock subject to such Option or Stock Appreciation Right shall continue to count against the maximum number of shares of Stock that may be the subject of Options or Stock Appreciation Right granted to such Participant hereunder to the extent such is required in accordance with Section 162(m) of the Code.
- (e) The limitations of subsections (a), (b), (c) and (d) above shall be construed and administered so as to comply with the performance-based exception in Code Section 162(m).

In addition and subject to Section 4.2, no Director, except the Chairman and the Vice Chairman of the Board, may be granted Awards with an aggregate grant date value in excess of Three Hundred Seventy Five Thousand Dollars (\$375,000) in any calendar year. Such limitation on Director Awards does not apply to any cash retainer fees, including cash retainer fees converted into equity awards at the election of the Director.

#### **4.2 Adjustments for Changes in Capital Structure**

In the event of any stock dividend or extraordinary cash dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the Company, appropriate adjustments shall be made in the number and class of shares of Stock subject to the Plan and to any outstanding Awards, and in the exercise price per share of any outstanding Awards and with respect to Options and Stock Appreciation Rights, if applicable, in accordance with Code Sections 409A and 424. If a majority of the shares, which are of the same class as the shares that are subject to outstanding Awards, are exchanged for, converted into, or otherwise become (whether or not pursuant to a change in control) shares of another company (the “**New Shares**”), the Committee may, in its sole discretion, unilaterally amend the outstanding Awards to provide that such Awards are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion, and with respect to Options and Stock Appreciation Rights in accordance with Code Sections 409A and 424 and the regulations thereunder. Notwithstanding the foregoing, any fractional share

resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number, and in no event may the exercise price of any Award be decreased to an amount less than the par value, if any, of the stock subject to the Award. The adjustments determined by the Committee pursuant to this Section 4.2 shall be final, binding and conclusive.

## SECTION 5

### ELIGIBILITY AND AWARD LIMITATIONS

#### 5.1 Persons Eligible for Awards

Awards may be granted only to Employees, Consultants, and Directors. For purposes of the foregoing sentence, “**Employees,**” “**Consultants,**” and “**Directors**” shall include prospective Employees, prospective Consultants and prospective Directors to whom Awards are granted in connection with written offers of employment or other service relationships with the Company. Eligible persons may be granted more than one (1) Award. Eligibility in accordance with this Section 5.1 shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

#### 5.2 Award Agreements

Each Participant to whom an Award is granted shall be required to enter into an Award Agreement with the Company, in such a form as is provided by the Committee. The Award Agreement shall contain specific terms as determined by the Committee, in its discretion, with respect to the Participant’s particular Award. Such terms need not be uniform among all Participants or any similarly situated Participants. The Award Agreement may include, without limitation, vesting, forfeiture and other provisions specific to the particular Participant’s Award, as well as, for example, provisions to the effect that the Participant (i) shall not disclose any confidential information acquired during employment with the Company or while providing service to the Company, (ii) shall abide by all the terms and conditions of the Plan and such other terms and conditions as may be imposed by the Committee, (iii) shall not interfere with the employment or other Service of any Employee or service provider, (iv) shall not compete with the Company or become involved in a conflict of interest with the interests of the Company, (v) shall forfeit an Award if terminated for Cause, (vi) shall not be permitted to make an election under Section 83(b) of the Code when applicable, (vii) shall be subject to transfer restrictions respecting the Award or Stock, (viii) shall be subject to any other agreement between the Participant and the Company regarding shares of Stock that may be acquired under an Award including, without limitation, an agreement restricting the transferability of the Award or shares of Stock by Participant or any other restrictions or requirements of any stockholders’ agreement that is in effect from time to time, and (ix) any provisions or definitions the Committee deems necessary or desirable to comply with Code Section 409A. An Award Agreement shall include such terms and conditions as are determined by the Committee, in its discretion, to be appropriate with respect to any individual Participant. The Award Agreement shall be signed by the Participant to whom the Award is made and by an authorized Officer of the Company.

#### 5.3 Award Grant Restrictions

Any person who is not an Employee on the effective date of the grant of an Award to such person may be granted only a Nonstatutory Stock Option, Restricted Stock, Other Stock-Based Award or Cash Award. An Incentive Stock Option granted to an Employee of the Company, or its parent or Subsidiary as defined in Code Section 424(f), or to a prospective Employee of the Company, or its parent or its Subsidiary as defined in Code Section 424(f) upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences service as an Employee with the Company, with an exercise price determined as of such date in accordance with Section 6.1.

#### **5.4 Fair Market Value Limitations for Incentive Stock Options**

To the extent that Options designated as Incentive Stock Options (granted under all stock option plans of the Company or parent or Subsidiary as defined in Code Section 422, including the Plan) become exercisable by a Participant for the first time during any calendar year for Stock having an aggregate Fair Market Value greater than One Hundred Thousand Dollars (\$100,000), the portion of such Option(s) which exceeds such amount shall be treated as Nonstatutory Stock Option(s). For purposes of this Section 5.4, Options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of Stock shall be determined as of the time the Option with respect to such Stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section 5.4, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section 5.4, the Company at the request of the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion shall be issued upon the exercise of the Option.

#### **5.5 Repurchase Rights, Right of First Refusal and Other Restrictions on Stock**

Shares under the Plan may be subject to a right of first refusal, one or more repurchase options, or other conditions and restrictions pursuant to a contract entered into by the Company and its stockholders or otherwise as determined by the Committee or as provided in the Award Agreement, in the Committee's discretion. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement, including but not limited to, the Award Agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

### **SECTION 6**

#### **TERMS AND CONDITIONS OF OPTIONS**

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall from time to time establish. No Option or purported Option shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

## 6.1 Exercise Price

The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share for an Option shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner Participant shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Code Sections 409A and 424. Except as provided in Section 4.2 of the Plan, the Committee shall not be permitted to Reprice an Option or a Stock Appreciation Right after the date of grant without the approval of the Company's stockholders.

## 6.2 Exercisability, Vesting and Term of Options

(a) **Exercisability**. Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner Participant shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option, and (c) no Option granted to a prospective Employee, prospective Consultant or prospective Director may become exercisable prior to the date on which such person commences Service with the Company. Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, any Option granted hereunder shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

(b) **Vesting**. The Committee shall specify the vesting schedule of the Option, if any, in the applicable Award Agreement. The Committee, in its discretion may condition vesting on the satisfaction of performance goals.

(c) **Incentive Stock Options**. Unless otherwise provided in the Option Agreement with respect to the death of the Participant, if the Incentive Stock Option is exercised more than three (3) months after the Participant's termination of Service, the Option shall be treated as a Nonstatutory Stock Option.

## 6.3 Payment of Exercise Price

(a) **Forms of Consideration Authorized**. Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made in cash, by check or cash equivalent or upon approval by the Committee in its sole discretion by any of the following:

(i) subject to Section 6.3(b)(i) below, by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant having a Fair Market Value not less than the exercise price;

(ii) subject to the Company's rights set forth in Section 6.3(b)(ii) below, by delivery of a properly executed exercise notice together with such other documentation as the Committee and a qualified broker, if applicable shall require to effect an exercise of the Option and delivery to the Company of the proceeds required to pay the exercise price (a "**Broker-Assisted Cashless Exercise**");

(iii) subject to the Company's rights set forth in Section 6.3(b)(iii) below, by causing the Company to withhold from the shares of Stock issuable upon the exercise of the Option the

number of whole shares of Stock having a Fair Market Value, as determined by the Company, not less than the exercise price (a “**Net Exercise**”);

- (iv) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law; or
- (v) by any combination of cash or any of the foregoing or any combination of (i)-(iv) thereof.

The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration. In the case of an Incentive Stock Option, the Committee shall determine the acceptable forms of consideration to be used in payment of the exercise price at the time of grant.

(b) ***Limitations on Forms of Consideration.***

(i) ***Tender of Stock.*** Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company’s stock or would cause the Company to incur adverse tax consequences.

(ii) ***Broker-Assisted Cashless Exercise.*** The Company reserves, at any and all times, the right, in the Company’s sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Broker-Assisted Cashless Exercise in order to comply with applicable law.

(iii) ***Net Exercise.*** The Company reserves, at any and all times, the right, in the Company’s sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Net Exercise in order to comply with applicable law.

## SECTION 7

### RESTRICTED STOCK

#### 7.1 Award of Restricted Stock

(a) ***Grant.*** In consideration of the performance of employment or Service by any Participant who is an Employee, Consultant or Director, Stock may be awarded under the Plan by the Committee as Restricted Stock with such restrictions during the Restriction Period as the Committee may designate in its discretion, any of which restrictions may differ with respect to each particular Participant. Restricted Stock shall be awarded for no additional consideration or such additional consideration as the Committee may determine, which consideration may be equal to or more than the Fair Market Value of the shares of Restricted Stock on the grant date. The terms and conditions of each grant of Restricted Stock shall be evidenced by an Award Agreement.

(b) ***Immediate Transfer Without Immediate Delivery of Restricted Stock.*** Unless otherwise specified in the Participant’s Award Agreement, each Restricted Stock Award shall constitute an immediate transfer of the record and beneficial ownership of the shares of Restricted Stock to the Participant in consideration of the performance of Services as an Employee, Consultant or Director, as applicable, entitling such Participant to all voting and other ownership rights in such shares of Stock.

As specified in the Award Agreement, a Restricted Stock Award may limit the Participant's dividend and voting rights during the Restriction Period in which the shares of Restricted Stock are subject to a "substantial risk of forfeiture" (within the meaning given to such term under Code Section 83) and restrictions on transfer. In the Award Agreement, the Committee may apply any restrictions to the dividends that the Committee deems appropriate.

Shares awarded pursuant to a grant of Restricted Stock may be issued in the name of the Participant and held, together with a stock power endorsed in blank, by the Committee or Company (or their delegates) or in trust or in escrow pursuant to an agreement satisfactory to the Committee, as determined by the Committee, until such time as the restrictions on transfer have expired. All such terms and conditions shall be set forth in the particular Participant's Award Agreement. The Company or Committee (or their delegates) shall issue to the Participant a receipt evidencing the certificates held by it which are registered in the name of the Participant.

## 7.2 Restrictions

(a) **Forfeiture of Restricted Stock** . Restricted Stock awarded to a Participant may be subject to the following restrictions until the expiration of the Restriction Period: (i) a restriction that constitutes a "substantial risk of forfeiture" (as defined in Code Section 83), or a restriction on transferability; (ii) unless otherwise specified by the Committee in the Award Agreement, the Restricted Stock that is subject to restrictions which are not satisfied shall be forfeited and all rights of the Participant to such shares shall terminate; and (iii) any other restrictions that the Committee determines in advance are appropriate, including, without limitation, rights of repurchase or first refusal in the Company or provisions subjecting the Restricted Stock to a continuing substantial risk of forfeiture in the hands of any transferee. Any such restrictions shall be set forth in the particular Participant's Award Agreement.

(b) **Issuance of Certificates** . Reasonably promptly after the date of grant with respect to shares of Restricted Stock, the Company shall take the actions as it determines necessary in its sole discretion to cause the Stock to be issued subject to the forfeiture provisions and other requirements as the Committee determines necessary, including, without limitation, issuing a stock certificate, registered in the name of the Participant to whom such shares of Restricted Stock were granted, evidencing such shares; provided, however, that the Company shall not cause to be issued such a stock certificate unless it has received a stock power duly endorsed in blank with respect to such shares of Restricted Stock. Each such stock certificate shall bear the following legend or any other legend approved by the Company:

THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE RESTRICTIONS, TERMS AND CONDITIONS (INCLUDING FORFEITURE AND RESTRICTIONS AGAINST TRANSFER) CONTAINED IN THE PAR PACIFIC HOLDINGS, INC. 2012 LONG TERM INCENTIVE PLAN AND AN AWARD AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER OF SUCH SHARES AND PAR PACIFIC HOLDINGS, INC. A COPY OF THE PLAN AND AWARD AGREEMENT ARE ON FILE IN THE CORPORATE OFFICES OF PAR PACIFIC HOLDINGS, INC.

Such legend shall not be removed from the certificate evidencing such shares of Restricted Stock until such shares vest pursuant to the terms of the Award Agreement.

(c) **Vesting** . The Award Agreement shall specify the vesting schedule for the Award of Restricted Stock. The Committee, in its discretion may condition vesting on the satisfaction of performance goals.

(d) **Removal of Restrictions** . The Committee, in its discretion, shall have the authority to remove any or all of the restrictions on the Restricted Stock if it determines that, by reason of a change in applicable law or another change in circumstance arising after the grant date of the Restricted Stock, such action is appropriate.

### 7.3 Delivery of Shares of Common Stock

Subject to withholding taxes under Section 10 and to the terms of the Award Agreement, a stock certificate evidencing the shares of Restricted Stock with respect to which the restrictions in the Award Agreement have been satisfied shall be delivered to the Participant or other appropriate recipient free of restrictions. Such delivery shall be effected for all purposes when the Company shall have deposited such certificate in the United States mail, addressed to the Participant or other appropriate recipient.

## SECTION 8

### OTHER AWARDS

#### 8.1 Grant of Other Awards.

The Committee, in its sole discretion, but subject to the terms of the Plan and the applicable Award Agreements, may grant the following types of Awards (in addition to or in combination with the Awards of Options and Restricted Stock described above) under the Plan on a standalone, combination or tandem basis:

(a) ***Restricted Stock Units*** .

(i) ***Award of Restricted Stock Units*** . The Committee may grant an Award of Restricted Stock Units to a Participant. The Committee may condition the vesting of the Restricted Stock Units to satisfaction of certain performance criteria. The terms of an Award of Restricted Stock Units need not be the same with respect to each Participant.

(ii) ***Restriction Period*** . Subject to the provisions of the Plan and the terms of the Award Agreement, during a period set by the Committee, commencing with the date of grant of such Award, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Restricted Stock Units. The Committee may provide for the lapse of such restrictions in installments or otherwise and may accelerate or waive such restrictions, in whole or in part, in each case based on period of Service, performance of the Participant or of the Company, Subsidiary or Affiliate, or such other factors or criteria as the Committee may determine.

(b) ***Rights of Restricted Stock Unit Recipients*** . The recipient of Restricted Stock Units shall not have any of the rights of a stockholder of the Company and has no right to vote any shares of Stock or to receive any cash dividend. The Committee shall be entitled to specify in a Restricted Stock Unit Award Agreement that in the event that the Company declares a dividend on its Stock, the Company will hold in escrow an amount in cash equal to the dividend that would have been paid on the Restricted Stock Units had they been converted into the same number of shares of Stock and held by the Participant on the record date of such dividend. Upon adjustment and vesting of the Restricted Stock Unit, any cash payment due with respect to such dividends shall be made to the Participant.

(c) ***Stock Appreciation Rights*** . The Committee may grant a right to receive the excess of the Fair Market Value of a share of Stock on the date the Stock Appreciation Right is exercised over the Fair Market Value of a share of Stock on the date the Stock Appreciation Right was granted (the “**Spread**”). Upon exercise of a Stock Appreciation Right, the Spread with respect to a Stock Appreciation Right will be payable in cash, shares of Stock with a total Fair Market Value equal to the Spread or a combination of these two. The terms of the Award Agreements granting Stock Appreciation Rights need not be the same with respect to each Participant.

(d) ***Performance Award*** . The Committee may grant a Performance Award based on the performance of the Participant over a specified performance period. A Performance Award may be awarded to a Participant contingent upon future performance of the Company or any Affiliate, Subsidiary, division



or department thereof in which such Participant is employed or providing Service, if applicable, during the performance period. The Committee shall establish the performance measures applicable to such performance prior to the beginning of the performance period, but subject to such later revisions as the Committee may deem appropriate to reflect significant, unforeseen events or changes. The Performance Award may consist of a right to receive shares of Stock (or cash in an amount equal to the Fair Market Value thereof) or the right to receive an amount equal to the appreciation, if any, in the Fair Market Value of shares of Stock over a specified period. Each Performance Award shall have a maximum value established by the Committee at the time such Award is made. In determining the value of Performance Awards, the Committee shall take into account the Participant's responsibility level, performance, potential, other Awards and such other considerations as it deems appropriate. Payment of a Performance Award may be made following the end of the performance period in cash, shares of Stock (based on the Fair Market Value on the payment date) or a combination thereof, as determined by the Committee, and in a lump sum or installments as determined by the Committee. Except as otherwise provided in an Award Agreement or as determined by the Committee, a Performance Award shall terminate if the Participant does not remain continuously in the Service of the Company at all times during the applicable performance period. The terms of the Award Agreements granting Performance Awards need not be the same with respect to each Participant.

(e) **Other Stock-Based Awards**. The Committee may, in its discretion, grant Other Stock-Based Awards which are related to or serve a similar function to those Awards set forth in this Section 8.

(f) **Cash Award**. The Committee may, in its discretion, grant a Cash Award pursuant to an Award Agreement to any Participant. The Award Agreement shall specify the vesting schedule for the Cash Award. The Committee, in its discretion may condition vesting on the satisfaction of performance goals. The terms of a Cash Award need not be the same with respect to each Participant and need not relate to the Fair Market Value of a share of Stock. A "**Cash Award**" is an Award to be settled only in cash.

## 8.2 Terms of Other Awards.

(a) **Written Agreement**. The terms and conditions of each grant of an Award described in this Section 8 shall be evidenced by an Award Agreement.

(b) **Purchase Price**. The exercise price per share of Stock of a Stock Appreciation Right shall not be less than one hundred percent (100%) of Fair Market Value of a share of Stock on the date of the grant of the Stock Appreciation Right.

(c) **Performance Goals and Other Terms**. In its discretion, the Committee may specify such criteria, periods or performance goals for vesting in the Awards described in this Section 8 and payment thereof to the Participant as it shall determine; and the extent to which such criteria, periods or goals have been met shall be determined by the Committee. All terms and conditions of such Awards shall be determined by the Committee and set forth in the Award Agreement.

If any Award of Restricted Stock or any Award described in this Section 8 is intended by the Committee to meet the performance-based exception in Code Section 162(m), the following shall apply:

(i) **Performance Period**. The Committee shall establish a performance period which shall be a period of time, as may be determined in the discretion of the Committee and set out in the Award Agreement, over which performance is measured for the purpose of determining a Participant's right to and the payment value of an Award in accordance with Code Section 162(m). For each performance period, the Committee shall establish the number of shares of Stock subject to an Award and their contingent values which may vary depending on the degree to which performance criteria established by the Committee are met.

(ii) **Establishment of Performance Criteria** . The Committee may establish performance goals applicable to Awards based upon criteria in one or more of the following categories: (i) performance of the Company as a whole, (ii) performance of a segment of the Company's business, and (iii) individual performance. Performance criteria for the Company shall relate to the achievement of predetermined financial, operational or strategic objectives for the Company and its Subsidiaries. Performance criteria for a segment of the Company's business shall relate to the achievement of financial, operational or strategic objectives of the segment for which the Participant is accountable. In order to qualify as performance-based under Code Section 162(m), the performance criteria will be established before 25% of the performance period has elapsed and will not be subject to change (although future awards may be based on different performance criteria). The performance periods may extend over one to five calendar years, and may overlap one another, although no two performance periods may consist solely of the same calendar years.

(iii) **Performance Criteria** . Performance criteria for an Award intended to "qualified performance-based compensation" for purposes of Code Section 162(m) shall include any of the following:

- (A) pre-tax or after tax profit levels, including: earnings per share, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization, net operating profits after tax, and net income;
- (B) total stockholder return;
- (C) return on assets, equity, capital or investment;
- (D) cash flow and cash flow return on investment;
- (E) cash from operating activities;
- (F) revenues;
- (G) financial return ratios;
- (H) profit returns and margins;
- (I) stock price;
- (J) stock price compared to a peer group of companies;
- (K) working capital;
- (L) selling, general and administrative expenses;
- (M) discounted cash flows;
- (N) productivity;
- (O) expense targets;
- (P) market share;
- (Q) cost control measures;

- (R) strategic initiatives;
- (S) economic value added and economic profit;
- (T) growth in earnings per share;
- (U) reserves added;
- (V) measures of customer satisfaction and customer service
- (W) changes between years or periods that are determined with respect to any of the above listed performance criteria;
- (X) net present value; and
- (Y) economic profit.

Individual performance criteria shall relate to a Participant's overall performance, taking into account, among other measures of performance, the attainment of individual goals and objectives. The performance goals may differ among Participants and shall be established in accordance with Code Section 162(m).

(iv) **Modification** . If the Committee determines, in its discretion exercised in good faith, that the established performance measures or objectives are no longer suitable to the Company's objectives because of a change in the Company's business, operations, corporate structure, capital structure, or other conditions the Committee deems to be appropriate, the Committee may modify the performance measures and objectives to the extent it considers such modification to be necessary, provided, however, that with respect to Awards intended to qualify for the performance-based exception of Code Section 162(m), the Committee shall not permit any such modification that would cause the Awards to fail to qualify for the performance-based exception.

(v) **Compliance with Code Section 162(m)** . With respect to Awards intended to meet the performance based exception of Code Section 162(m), the Committee shall administer the Awards and take all action that it determines are necessary, including but not limited to certifying in writing that performance goals have been met, so that Awards intended to meet the performance based exception comply with Code Section 162(m). The Committee shall have no discretion to increase the amount payable pursuant to Award that are intended to qualify for the performance-based exception of Code 162(m) beyond the amount that would otherwise be payable upon attainment of the applicable performance goal(s). The Committee shall, however, retain the discretion to decrease the amount payable pursuant to such Awards below the amount that would otherwise be payable upon attainment of the applicable performance goal(s), either on a formula or discretionary basis or any combination, as the Committee determines, in its sole discretion.

(d) **Payment**. Awards described in this Section 8 may be paid in shares of Stock, cash or other consideration or a combination thereof related to such shares, in a single payment or in installments on such dates as determined by the Committee, all as specified in the Award Agreement.

### 8.3 Dividends and Dividend Equivalents.

Except with respect to dividends on Restricted Stock, the Participant shall not be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the number of shares of Stock covered by the Award unless (and to the extent) otherwise as determined by the Committee and set forth in a separate Award Agreement. The Committee in the Award Agreement may provide such terms and conditions for the

Award of dividends or dividend equivalents as it shall determine in its discretion. The Committee may also provide in such Award Agreement that the amounts of any dividends or dividend equivalent shall be deemed to have been reinvested in additional shares of Stock. Notwithstanding the foregoing and subject to adjustments under Section 4.2, no grant of a dividend or dividend equivalent may be granted with respect to an Option or Stock Appreciation Right.

## SECTION 9

### EFFECT OF TERMINATION OF SERVICE

#### 9.1 Exercisability and Award Vesting

Subject to earlier termination of the Option or other Award as otherwise provided herein and unless otherwise provided by the Committee in the Award Agreement, an Award and Option shall be vested and an Option shall be exercisable after a Participant's termination of Service only during the applicable time period determined in accordance with this Section 9.1 and thereafter shall terminate:

(a) **Disability or Death**. If the Participant's Service terminates because of the Disability or death of the Participant, the unvested portion of any Award shall be forfeited and terminated and:

(i) the vested portion of any outstanding Nonstatutory Option or Stock Appreciation Right held by such a Participant may be exercised by the Participant or his guardian or legal representative for a period of one (1) year after the date on which the Participant's Service terminated due to Disability;

(ii) the vested portion of any outstanding Incentive Stock Option held by such a Participant may be exercised by the Participant or his guardian or legal representative for a period of three (3) months after the date on which the Participant's Service terminated due to Disability; and

(iii) the vested portion of any outstanding Option or Stock Appreciation Right held by such Participant may be exercised by the Participant's estate for a period of (1) year after the date on which the Participant's Service terminated due to death;

but in no event shall the Option or Stock Appreciation Right be exercised later than the date of expiration of the Option's or Stock Appreciation Right's term, which in no event shall exceed ten (10) years from the date of grant, as set forth in the Award Agreement evidencing such Option or Stock Appreciation Right (the "**Expiration Date**").

(b) **Change in Control**. Upon a Change in Control then (1) the vested portion of the Option or Stock Appreciation Right, to the extent unexercised and exercisable on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated without Cause, but in any event no later than the Expiration Date, and (2) the exercisability and vesting of the Option or Stock Appreciation Right and any shares of Stock acquired upon the exercise thereof may otherwise be accelerated effective as of the date on which the Participant's Service terminated to such extent, if any, as shall have been determined by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option or Stock Appreciation Right.

(c) **Termination for Cause**. Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service with the Company is terminated for Cause, as defined by the Participant's Award Agreement or contract of employment or service (or, if not defined in any of the foregoing, as defined in

the Plan), the Award, whether or not vested, shall terminate and cease to be exercisable immediately upon such termination of Service and any Stock issued pursuant to an Award shall be forfeited.

(d) **Other Termination of Service** . If the Participant's Service with the Company terminates for any reason, except Disability, death, termination after a Change in Control, or Cause, any Award, to the extent unvested shall be forfeited by the Participant on the date on which the Participant's Service is terminated, and any vested Option or Stock Appreciation Right may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Expiration Date.

## **9.2 Extension if Exercise Prevented by Law**

Notwithstanding the foregoing, other than in the case of a termination for Cause, if the exercise of an Option or Stock Appreciation Right within the applicable time periods set forth in Section 9.1 is prevented by the provisions of Section 12 below, the Option or Stock Appreciation Right shall remain exercisable until thirty (30) days (or such longer period of time as determined by the Committee, in its discretion) after the date the Participant is notified by the Company that the Option or Stock Appreciation Right is exercisable, but in any event no later than the Expiration Date.

## **9.3 Extension if Participant Subject to Section 16(b)**

Notwithstanding the foregoing, other than in the case of a termination for Cause, if a sale within the applicable time periods set forth in Section 9.1 of shares of Stock acquired upon the exercise of the Option or Stock Appreciation Right would subject the Participant to suit under Section 16(b) of the Exchange Act, the Option or Stock Appreciation Right (if exercisable) shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Participant would no longer be subject to such suit, (ii) three (3) months after the Participant's termination of Service, or (iii) the Expiration Date.

# **SECTION 10**

## **WITHHOLDING TAXES**

### **10.1 Tax Withholding**

All Awards are subject to, and the Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan or an Award hereunder and all Awards are subject to the Company's right hereunder.

### **10.2 Share Withholding**

With respect to tax withholding required upon the exercise of Options, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event arising as a result of any Awards, the Committee in its discretion, may elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold shares of Stock having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction (or, in the discretion of the Committee, such higher statutory total tax as may be permitted under applicable accounting standards that would not result in an Award otherwise classified as an equity award under ASC Topic 718 to be classified as a liability award under ASC Topic 718 as a result of withholding shares of Stock having a Fair Market Value in excess of the minimum statutory withholding requirement). All such elections shall be subject to any restrictions or limitations that the Committee, in its discretion, deems appropriate, including requiring the Participant to pay cash to satisfy an obligation that would otherwise be satisfied by withholding a fraction of a share of Stock.

## **SECTION 11**

### **PROVISION OF INFORMATION**

Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

## **SECTION 12**

### **COMPLIANCE WITH SECURITIES LAW AND OTHER APPLICABLE LAWS**

The Plan, Award Agreements, the grant of Awards and the issuance of shares of Stock shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to securities and all other applicable laws, regulations and requirements of any stock exchange or market system upon which the stock is listed or traded. Options may not be exercised and Stock may not be issued if the issuance of shares of Stock 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 Stock may then be listed. In addition, no Option may be exercised and no shares of Stock may be issued unless (a) a registration statement under the Securities Act shall at the time be in effect with respect to the shares issuable or (b) in the opinion of legal counsel to the Company, the shares issuable may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. If the shares of Stock issuable pursuant to an Award are not registered under the Securities Act, the Company may imprint on the certificate for such shares the following legend or any other legend which legal counsel for the Company considers necessary or advisable to comply with the Securities Act:

THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT UPON SUCH REGISTRATION OR UPON RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED FOR SUCH SALE OR TRANSFER.

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 shares of Stock hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of any Option or the issuance of shares of Stock, the Company may require the Participant 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 thereto as may be requested by the Company.

## **SECTION 13**

### **RETURN AND/OR FORFEITURE OF PERFORMANCE-BASED PAYMENTS OR AWARDS**

Notwithstanding any other provision in this Plan or in any Award Agreement, in the event that pursuant to the terms or requirements of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or of any applicable laws, rules or regulations promulgated by the Securities and Exchange Commission from time to time, and in the event any Award is based upon the satisfaction of financial performance metrics which are subsequently reversed due to a restatement or reclassification of financial results of the Company, then any payments made or awards granted shall be returned and forfeited to the extent required and as provided by applicable laws, rules, regulations or listing requirements.

#### SECTION 14

##### **NONTRANSFERABILITY OF AWARDS AND STOCK**

During the lifetime of the Participant, an Award shall be exercisable only by the Participant or the Participant's guardian or legal representative. Subject to the remainder of this paragraph, an Award may be assignable or transferable by the Participant only by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in Code Section 414(p), and only if it is so specified in the Award Agreement; provided, however, that an Incentive Stock Option may only be assignable or transferable by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee in the Award Agreement, and in accordance with applicable law, in its discretion, and set forth in the Award Agreement evidencing such Option, a Nonstatutory Stock Option shall be assignable or transferable subject to the applicable limitations, if any, described in Rule 701 under the Securities Act, and the General Instructions to Form S-8 Registration Statement under the Securities Act. However, the transferee or transferees must be any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, in each case with respect to the Participant, any person sharing the Participant's household (other than a tenant or employee of the Company), a trust in which these persons have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, or any other entity in which these persons (or the Participant) own more than fifty percent (50%) of the voting interests (collectively, "**Permitted Transferees**"); provided further that, (a) there may be no consideration for any such transfer and (b) subsequent transfers of Options transferred as provided above shall be prohibited except subsequent transfers back to the original holder of the Option and transfers to other Permitted Transferees of the original holder.

#### SECTION 15

##### **NONCOMPETITIVE ACTIONS**

The Committee may provide in an Award Agreement a requirement to enter into a noncompetition agreement in connection with the Award or the effect of a violation of a noncompetition agreement on an Award.

#### SECTION 16

##### **TERMINATION OR AMENDMENT OF PLAN**

The Committee may terminate or amend the Plan at any time. However, no grant shall be made after the tenth (10<sup>th</sup>) anniversary of the Restatement Date (the "**Term**"). Subject to changes in applicable law, regulations or rules that would permit otherwise, without the approval of the Company's stockholders within the time required, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.2), (b) no change in the class of persons eligible to receive Incentive Stock Options or purchase Stock under the Plan or to extend the Term of the Plan, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule or the stock exchange or market system on which the Stock is traded. No termination or amendment of the Plan shall affect any then outstanding Award unless expressly provided by the Committee or otherwise provided in the Plan. In any event, no termination or amendment of the Plan may adversely affect any then outstanding Award without the consent of the Participant, unless such termination or amendment is required to enable an Award designated as an Incentive Stock Option to qualify as an Incentive Stock Option or is necessary to comply with any applicable law, regulation or rule, including Code Section 409A or as otherwise permitted under the Plan, including upon a Change in Control.

**SECTION 17**

**STOCKHOLDER APPROVAL**

The Plan is adopted by the Board as of the Restatement Date and shall be approved by the stockholders of the Company on the earlier of the next stockholder's meeting following the effective date of such restatement or within twelve (12) months following the effective date of the restatement on or within twelve (12) months of the date of adoption thereof by the Board. Options or performance-based compensation under Section 8.2 granted prior to stockholder approval of the Plan or in excess of the Stock previously approved by the stockholders shall become exercisable and otherwise shall not be paid no earlier than the date of stockholder approval of the Plan or stockholder approval of such increase in the Stock, as the case may be.

**SECTION 18**

**NO GUARANTEE OF TAX CONSEQUENCES**

Neither the Company, the Board nor the Committee makes any commitment or guarantee that any federal, state or local tax treatment will apply or be available to any person participating or eligible to participate hereunder.

**SECTION 19**

**SEVERABILITY**

In the event that any provision of this Plan shall be held illegal, invalid or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if the illegal, invalid, or unenforceable provision was not included herein.

**SECTION 20**

**GOVERNING LAW**

The Plan shall be interpreted, construed and constructed in accordance with the laws of the State of Delaware without regard to its conflicts of law provisions, except as may be superseded by applicable laws of the United States.

**SECTION 21**

**SUCCESSORS**

All obligations of the Company under the Plan with respect to Incentive Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.



## **SECTION 22**

### **RIGHTS AS A STOCKHOLDER**

The holder of an Award shall have no rights as a stockholder with respect to any shares of Stock covered by the Award until the date of issue of a stock certificate to him or her for such shares. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

## **SECTION 23**

### **NO SPECIAL EMPLOYMENT OR SERVICE RIGHTS**

Nothing contained in the Plan or in an Award Agreement shall confer upon any Participant receiving a grant of any Award any right with respect to the continuation of his or her Service with the Company (or any Affiliate) or interfere in any way with the right of the Company (or Affiliate), subject to the terms of any separate employment agreement to the contrary, at any time to terminate such Service or to increase or decrease the compensation of the Participant from the rate in existence at the time of the grant of any Award.

## **SECTION 24**

### **REORGANIZATION OF COMPANY**

The existence of an Award shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the shares of Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

## **SECTION 25**

### **CODE SECTION 409A**

To the extent that any Award is deferred compensation subject to Code Section 409A, as determined by the Committee, the Award Agreement shall comply with the requirements of Code Section 409A in a manner as determined by the Committee in its sole discretion including, without limitation, using applicable definitions from Code Section 409A, such as a more restrictive definition of Change in Control to comply with Code Section 409A to the extent that it is more restrictive than as defined in the Plan, using the more restrictive definition of Disability as provided in Code Section 409A and specifying a time and form of payment schedule. In addition if any Award constitutes deferred compensation under Code Section 409A (a " **Section 409A Plan** "), then the Award shall be subject to the following requirements, if and to the extent required to comply with Code Section 409A and as determined by the Committee and specified in the Award Agreement:

- (a) Payments under the Section 409A Plan may not be made earlier than (i) the Participant's separation from service, (ii) the date of the Participant's Disability, (iii) the Participant's death, (iv) a specified time (or pursuant to a fixed schedule) specified in the Award Agreement at the date of the deferral of such compensation, (v) a change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation, or (vi) the occurrence of an unforeseeable emergency;

(b) The time or schedule for any payment of the deferred compensation may not be accelerated, except to the extent provided in applicable Treasury Regulations or other applicable guidance issued by the Internal Revenue Service;

(c) Elections with respect to the deferral of such compensation or the time and form of distribution of such deferred compensation shall comply with the requirements of Code Section 409A(a)(4); and

(d) The case of any Participant who is specified employee, a distribution on account of a separation from service may not be made before the date which is six (6) months after the date of the Participant's separation from service (or, if earlier, the date of the Participant's death).

For purposes of the foregoing, the terms "separation from service" and "specified employee", all shall be defined in the same manner as those terms are defined for purposes of Code Section 409A, and the limitations set forth herein shall be applied in such manner (and only to the extent) as shall be necessary to comply with any requirements of Code Section 409A that are applicable to the Award as determined by the Committee.

If an Award is subject to Code Section 409A, as determined by the Committee, the Committee may interpret or amend any Award to comply with Code Section 409A without a Participant's consent even if such amendment would have an adverse effect on a Participant's Award. With respect to an Award that is subject to Code Section 409A, the Board may amend or interpret the Plan as it deems necessary to comply with Code Section 409A, including, without limitation, limiting the Committee's or Company's discretion with respect to an Award that constitutes deferred compensation to the extent it would violate Code Section 409A, and no Participant consent shall be required even if such an amendment would have an adverse effect on a Participant's Award.

## **SECTION 26**

### **ADJUSTMENTS UPON A CHANGE IN CONTROL**

If a Change in Control occurs, except a Change in Control solely on account of Section 2.1(h)(ii), then the Committee, in its sole discretion, shall have the power and right to (but subject to any accelerated vesting specified in an Award Agreement):

(a) cancel, effective immediately prior to the occurrence of the Change in Control, each outstanding Option and Stock Appreciation Right with an exercise price that is greater than the value of the consideration that would be received if such Option or Stock Appreciation Right were exercised immediately prior to the occurrence of the Change in Control;

(b) cancel, effective immediately prior to the occurrence of the Change in Control, an outstanding Award (whether or not then exercisable) in exchange for a cash payment equal to:

(i) with respect to Options and Stock Appreciation Rights that currently have an exercise price less the value of the consideration that would be received immediately prior to the Change in Control if such Option or Stock Appreciation right were exercised immediately prior to the occurrence of the Change in Control, the excess of the value of such consideration over the exercise price;

(ii) with respect to Restricted Stock, Restricted Stock Units, Performance Awards (that would otherwise be settled in shares of Stock) and Other Stock-Based Awards, for each share of Stock covered by the Award, the value of consideration received by stockholders for each share of Stock as a result of the Change in Control; and

(iii) with respect to Cash Awards, the cash value of such Cash Awards as a result of the Change in Control;

provided, however, this subsection shall be inapplicable to an Award granted within six (6) months before the occurrence of the Change in Control but only if the Participant is an Insider and such disposition is not exempt under Rule 16b-3 (or other rules preventing liability of the insider under Section 16(b) of the Exchange Act) and, in that event, the provisions hereof shall be applicable to such Award after the expiration of six (6) months from the date of grant; or

(c) provide for the exchange or substitution of each Award outstanding immediately prior to such Change in Control (whether or not then exercisable) for another award with respect to the Stock or other property for which such Award is exchangeable and, incident thereto, make an equitable adjustment as determined by the Committee, in its discretion, in the exercise price of the Award, if any, or in the number of shares of Stock or amount of property (including cash) subject to the Award; or

(d) provide for assumption of the Plan and such outstanding Awards by the surviving entity or its parent.

The Committee, in its discretion, shall have the authority to take whatever action it deems to be necessary or appropriate to effectuate the provisions of this Section 26.

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IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Par Pacific Holdings, Inc. 2012 Long Term Incentive Plan as duly adopted by the Board on the Restatement Date.

PAR PACIFIC HOLDINGS, INC.

By: */s/ James Matthew Vaughn*

Name: \_\_\_\_\_ James Matthew Vaughn

Title: Senior Vice President, General Counsel  
and Secretary

December 2, 2013

Chris Micklas  
77 North Bay Blvd.  
The Woodlands, TX

**RE: Employment Offer**

Dear Chris:

We are pleased to extend this letter as confirmation of your offer of employment with PAR Petroleum (PAR) as Chief Financial Officer. This position is full time exempt.

Following is an outline of the terms and general conditions of your employment with PAR:

1. **Commencement Date:** December 9, 2013
2. **Salary:** You will be paid an annual base salary of \$330,000 in accordance with PAR's standard payroll practice. Your compensation will be reviewed annually in accordance with current PAR policy.
3. **Other Compensation:**

- a. **Annual Incentive Bonus:** You will participate in an annual discretionary incentive bonus plan and may be eligible for bonuses each year depending upon the profitability of the Company and your performance against metrics that will be defined each year. Your target bonus will be 40% of your annual base pay with a maximum of 80%.
- b. **Annual Restricted Stock Incentive:** You will be eligible to participate in an annual stock based incentive plan that will be awarded at the end of each year subject to meeting personal performance goals that will be negotiated for each annual period. The value at risk will be determined annually with your first annual at-risk target value being \$200,000 and a maximum of \$300,000. Shares awarded will vest over a 3 year period.

**Long Term Incentive:** You will be granted a value of \$450,000 in restricted PAR stock as outlined below. The actual number of shares granted will be determined on your starting date by using a price determined by a 60 day VWAP (Volume Weighted Average Price) consistent with current PAR equity plans. The restricted stock will vest over a 5 year period. The shares will be awarded as follows:

1. The grant value of \$300,000 will be awarded on your start date.
2. The grant value of \$150,000 will be awarded upon your completing one year employment.

The terms of this restricted stock grants in items a. and b., above, will be customary for awards of this type. I have previously provided the format for PAR restricted stock grants for your review. In any case, restricted stock grants will include key terms such as:

- i. A vesting schedule under which shares will vest in accordance with an established schedule on the anniversary of award.
- ii. Vesting shall occur immediately upon:
  - Death of grantee
  - Termination of grantee's employment without cause
  - Occurrence of change of control

4. **Vacation and Holidays:** You will be eligible for four weeks paid vacation and nine holidays per calendar year in accordance with current company policies.
5. **Benefits:** You will be eligible to participate in PAR sponsored benefit program available to employees generally. We will provide you a summary of benefits separately.

In making this offer, PAR understands that you are not under any obligation to any former employer, person, firm or corporation that would prevent, limit or impair in any way the performance by you of the duties as an employee of PAR.

This offer is subject to completion of a background investigation and the passing of alcohol and drug screening tests. We will schedule these as soon as possible after receiving your signed offer. This offer is also subject to compliance with the Immigration Reform and Control Act of 1986. The act requires you to establish your identity and employment eligibility. Therefore, on or before your first day of employment you will be required to fill out an Employment Verification Form, also referred to as an I-9, and present any of the documents required. Attached you will find a listing of the eligible documentation. Sometimes these documents can take time to obtain, so please start now to obtain them.

We are delighted to have you join the PAR team and look forward to a long and mutually beneficial relationship. Should you have any questions, please do not hesitate to contact me directly.

To acknowledge your acceptance of the foregoing, please sign in the space below and return a copy to me.

Sincerely,

/s/ Peter Coxon

Peter Coxon  
Chief Operating Officer

Agreed:

/s/ Christopher Micklas  
NAME Date

December 2, 2013

PAR PETROLEUM CORPORATION  
AWARD OF RESTRICTED STOCK

In this Award, Par Petroleum Corporation (the “*Company*”) grants to **Christopher Micklas** (the “*Participant*”), a Director or an Employee, Restricted Stock under the Par Petroleum Corporation 2012 Long Term Incentive Plan (“*Plan*”). This Award of Restricted Stock is governed by the terms of this Award document and the Plan. All capitalized terms not defined in this Award shall have the meaning of such terms as provided in the Plan.

1. The “*Date of Grant*” is **December 9, 2013**.
2. The total **number** of shares of Restricted Stock granted is **13,433**.
3. The Restricted Stock granted in this Award shall vest as follows:

Subject to item 4 below, Participant shall not become vested in any of the Restricted Stock granted unless he or she is continuously a Director of the Company or employed with the Company or a Company Affiliate from the Date of Grant through the Vesting Date, and Participant may not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of any Restricted Stock until such Restricted Stock become Vested as provided herein. The transfer restrictions and substantial risk of forfeiture imposed in the foregoing sentence shall lapse on the following “*Vesting Dates*”: as to 20% of the Restricted Stock, on the first anniversary of the Date of Grant; thereafter 20% on each of the second, third, fourth and fifth anniversary of the Date of Grant. The Restricted Stock as to which such restrictions so lapse are referred to as “*Vested*.”

4. Other Vesting Events are as follows:

Notwithstanding the foregoing vesting schedule in item 3, the Restricted Stock will be 100% Vested upon any one of the following “*Vesting Events*”: (a) Participant’s termination as Director and Service due to death or Disability or termination of employment with the Company and its Affiliates due to death or Disability, (b) the Participant’s termination of employment by the Company and its Affiliates without Cause or (c) upon a Change in Control. The date of the Participant’s termination of directorship and Service or termination of employment with the Company and its Affiliates on account of one of the Vesting Events shall be the Vesting Date for purposes of this Award. The date of the Change in Control shall be the Vesting Date for purposes of this Award.

5. Other Terms and Conditions:

(a) **No Fractional Shares.** All provisions of this Award concern whole shares of Stock. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

(b) **Not an Employment or Service Agreement.** This Award is not an employment agreement, and this Award shall not be, and no provision of this Award shall be construed or interpreted to create any right of Participant to continue as a Director or continue employment with or provide services to the Company or any of its Affiliates.

(c) **Independent Tax Advice and Acknowledgments.** Participant has been advised and Participant hereby acknowledges that he or she has been advised to obtain independent legal and tax advice regarding this Award, the grant of the Restricted Stock and the disposition of such shares, including, without limitation, the election available under Section 83(b) of the Internal Revenue Code. Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Award subject to all the terms and provisions of the Plan and this Award.

(d) The Committee has determined in connection with this Award that in the event that a Section 83(b) election is not made, the Participant who is an Employee may elect to have the Company withhold that number of shares of Restricted Stock otherwise deliverable to the Participant when such shares become Vested or to deliver to the Company a number of shares of Stock, in each case, having a Fair Market Value on the date of Vesting equal to the minimum amount required to be withheld for taxes as a result of such exercise. The election must be made in writing and must be delivered to the Company prior to the date of Vesting. If the number of shares so determined shall include a fractional share, the Participant shall deliver cash in lieu of such fractional share. All elections shall be made in a form approved by the Committee and shall be subject to disapproval, in whole or in part by the Committee.

The Restricted Stock granted hereunder will be subject to all applicable federal, state and local taxes domestic and foreign and withholding requirements (including, without limitation, any withholding required under any other employee benefit plan maintained by the Company or a Company Affiliate). The Participant hereby agrees to accept as binding, conclusive, and final all

decisions or interpretations of the Committee or the Board, as appropriate, upon any questions arising under the Plan or this Award.

PARTICIPANT: Christopher Micklas

Signature: /s/ Christopher Micklas

PAR PETROLEUM CORPORATION:

By: /s/ William Monteleone

William Monteleone  
Authorized Representative



PAR PETROLEUM CORPORATION  
AWARD OF RESTRICTED STOCK

In this Award, Par Petroleum Corporation (the “*Company*”) grants to **Christopher Micklas** (the “*Participant*”), a Director or an Employee, Restricted Stock under the Par Petroleum Corporation 2012 Long Term Incentive Plan (“*Plan*”). This Award of Restricted Stock is governed by the terms of this Award document and the Plan. All capitalized terms not defined in this Award shall have the meaning of such terms as provided in the Plan.

1. The “*Date of Grant*” is **December 9, 2014**.
2. The total **number** of shares of Restricted Stock granted is **9,965**.
3. The Restricted Stock granted in this Award shall vest as follows:

Subject to item 4 below, Participant shall not become vested in any of the Restricted Stock granted unless he or she is continuously a Director of the Company or employed with the Company or a Company Affiliate from the Date of Grant through the Vesting Date, and Participant may not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of any Restricted Stock until such Restricted Stock become Vested as provided herein. The transfer restrictions and substantial risk of forfeiture imposed in the foregoing sentence shall lapse on the following “*Vesting Dates*”: as to 20% of the Restricted Stock, on the first anniversary of the Date of Grant; thereafter 20% on each of the second, third, fourth and fifth anniversary of the Date of Grant. The Restricted Stock as to which such restrictions so lapse are referred to as “*Vested*.”

4. Other Vesting Events are as follows:

Notwithstanding the foregoing vesting schedule in item 3, the Restricted Stock will be 100% Vested upon any one of the following “*Vesting Events*”: (a) Participant’s termination as Director and Service due to death or Disability or termination of employment with the Company and its Affiliates due to death or Disability, (b) the Participant’s termination of employment by the Company and its Affiliates without Cause or (c) upon a Change in Control. The date of the Participant’s termination of directorship and Service or termination of employment with the Company and its Affiliates on account of one of the Vesting Events shall be the Vesting Date for purposes of this Award. The date of the Change in Control shall be the Vesting Date for purposes of this Award.

5. Other Terms and Conditions:

(a) **No Fractional Shares.** All provisions of this Award concern whole shares of Stock. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

(b) **Not an Employment or Service Agreement.** This Award is not an employment agreement, and this Award shall not be, and no provision of this Award shall be construed or interpreted to create any right of Participant to continue as a Director or continue employment with or provide services to the Company or any of its Affiliates.

(c) **Independent Tax Advice and Acknowledgments.** Participant has been advised and Participant hereby acknowledges that he or she has been advised to obtain independent legal and tax advice regarding this Award, the grant of the Restricted Stock and the disposition of such shares, including, without limitation, the election available under Section 83(b) of the Internal Revenue Code. Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Award subject to all the terms and provisions of the Plan and this Award.

(d) **The Committee has determined in connection with this Award that in the event that a Section 83(b) election is not made, the Participant who is an Employee may elect to have the Company withhold that number of shares of Restricted Stock otherwise deliverable to the Participant when such shares become Vested or to deliver to the Company a number of shares of Stock, in each case, having a Fair Market Value on the date of Vesting equal to the minimum amount required to be withheld for taxes as a result of such exercise. The election must be made in writing and must be delivered to the Company prior to the date of Vesting. If the number of shares so determined shall include a fractional share, the Participant shall deliver cash in lieu of such fractional share. All elections shall be made in a form approved by the Committee and shall be subject to disapproval, in whole or in part by the Committee.**

The Restricted Stock granted hereunder will be subject to all applicable federal, state and local taxes domestic and foreign and withholding requirements (including, without limitation, any withholding required under any other employee benefit plan maintained by the Company or a Company Affiliate). The Participant hereby agrees to accept as binding, conclusive, and final all

decisions or interpretations of the Committee or the Board, as appropriate, upon any questions arising under the Plan or this Award.

PARTICIPANT: Christopher Micklas

Signature: /s/ Christopher Micklas

PAR PETROLEUM CORPORATION:

By: /s/ William Monteleone

William Monteleone  
Authorized Representative



July 3, 2014

James Matthew Vaughn  
130 Amulet Oaks Court  
The Woodlands, Texas 77382  
281-298-5066  
matthew.vaughn@outlook.com

**RE: Employment Offer**

Dear Matt:

We are pleased to extend this letter as confirmation of your offer of employment with PAR Petroleum (PAR) as General Counsel. This position is full time exempt.

Following is an outline of the terms and general conditions of your employment with PAR:

1. **Commencement Date:** July 28, 2014
2. **Salary:** You will be paid an annual base salary of \$300,000 in accordance with PAR's standard payroll practice. Your compensation will be reviewed annually in accordance with current PAR policy.
3. **Other Compensation:**
  - a. **Annual Short Term Incentive Plan - Cash:** You will participate in an annual incentive plan and may be eligible for bonuses each year depending upon the profitability of the Company and your performance against metrics that will be defined each year. Your target bonus will be 40% of your annual base pay with a maximum of 80%.
  - b. **Annual Short Term Incentive Plan – Restricted Stock:** You will be eligible to participate in an annual stock based incentive plan that will be awarded at the end of each year subject to meeting personal performance goals that will be negotiated for each annual period. The value at risk will be determined annually with your first annual at-risk target value being \$250,000 and a maximum of \$350,000. Shares awarded will vest over a 3 year period.
  - c. **Long Term Incentive Plan – Restricted Stock Grant:** You will be granted a value of \$450,000 in restricted PAR stock as outlined below. The actual number of shares granted will be determined on your starting date by using a price determined by a 60



day VWAP (Volume Weighted Average Price) consistent with current PAR equity plans. The restricted stock will vest over a 5 year period. The shares will be awarded as follows:

1. The grant value of \$300,000 will be awarded on your start date.
  2. The grant value of \$150,000 will be awarded upon your completing one year employment.
- d. **Long Term Incentive Plan – Options / Net Asset Value Units (“NAV Units”):** You will be eligible to participate in the annual Options / NAV Units based plan depending on the profitability of the company and your performance against metrics that will be defined each year. Your target value will be 40% of your base salary split evenly between options and the NAV Units. The Options will vest over a 3-year time period and the NAV units will be evaluated at the end of the initial 3-year period and can be settled in either cash or immediately vested stock. The initial value of the options will be based on Black-Scholes valuation using a 35% volatility.

The terms of this restricted stock, options and NAV Unit grants in items (b), (c) and (d) above, will be customary for awards of this type. I have attached the current format for restricted stock, options and NAV Unit grants for your review. Key terms include:

- i. A vesting schedule under which shares will vest in accordance with an established schedule on the anniversary of award.
  - ii. Vesting shall occur immediately upon:
    - Death of grantee
    - Termination of grantee’s employment without cause
    - Occurrence of change of control
4. **Vacation and Holidays:** You will be eligible for four weeks paid vacation and nine holidays per calendar year in accordance with current company policies.
5. **Benefits:** You will be eligible to participate in PAR sponsored benefit program. We will provide you a summary of benefits separately.
6. **2014 Compensation:** Based on a start date of July 28, 2014 your compensation will be pro-rated based the following: Your salary will be paid ratably based on an annual salary of \$300,00 and you will be fully eligible to participate in the other forms of compensation as described in this letter at year end.



In making this offer, PAR understands that you are not under any obligation to any former employer, person, firm or corporation that would prevent, limit or impair in any way the performance by you of the duties as an employee of PAR. PAR also understands there is no outstanding obligation it would have to your current employer

This offer is subject to completion of a background investigation and the passing of alcohol and drug screening tests. We will schedule these as soon as possible after receiving your signed offer. This offer is also contingent upon compliance with the Immigration Reform and Control Act of 1986. The act requires you to establish your identity and employment eligibility. Therefore, on or before your first day of employment you will be required to fill out an Employment Verification Form, also referred to as an I-9, and present any of the documents required. Attached you will find a listing of the eligible documentation. Sometimes these documents can take time to obtain, so please start now to obtain them.

We are delighted to have you join the PAR team and look forward to a long and mutually beneficial relationship. Should you have any questions, please do not hesitate to contact me directly.

To acknowledge your acceptance of the foregoing, please sign in the space below and return a copy to me.

Sincerely,

/s/ William Monteleone

William Monteleone  
Chief Executive Officer

Agreed:

/s/ James Matthew Vaughn  
James Matthew Vaughn

July 3, 2014

Date

PAR PETROLEUM CORPORATION  
AWARD OF RESTRICTED STOCK  
(Employee)

In this Award, Par Petroleum Corporation (the “*Company*”) grants to **James Matthew Vaughn** (the “*Participant*”), an Employee, Restricted Stock under the Par Petroleum Corporation 2012 Long Term Incentive Plan (“*Plan*”). This Award of Restricted Stock is governed by the terms of this Award document and the Plan. All capitalized terms not defined in this Award shall have the meaning of such terms as provided in the Plan.

1. The “*Date of Grant*” is November 5, 2014.
2. The total **number** of shares of Restricted Stock granted is 15,417.
3. The Vesting Dates for the Restricted Stock granted in this Award are as follows:

Subject to item 4 below, Participant shall not become vested in any of the Restricted Stock granted unless he or she is continuously employed with the Company or an Affiliate from the Date of Grant through the Vesting Date, and Participant may not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of any Restricted Stock until such Restricted Stock become Vested as provided herein. The transfer restrictions and substantial risk of forfeiture imposed in the foregoing sentence shall lapse on the following applicable dates (each a “*Vesting Date*”): as to one fifth (1/5) of the Restricted Stock on July 28, 2015 and an additional one fifth (1/5) of the Restricted Stock on each anniversary of July 28, 2015 until the Restricted Stock is 100% Vested. The Restricted Stock as to which such restrictions so lapse are referred to as “*Vested*.”

4. Other Vesting Events are as follows:

Notwithstanding the foregoing vesting schedule in item 3, the Restricted Stock will be 100% Vested upon any one of the following “*Vesting Events*”: (a) Participant’s termination of employment with the Company and its Affiliates due to death or Disability, (b) the Participant’s termination of employment by the Company and its Affiliates without Cause or (c) upon a Change in Control. The date of the Participant’s termination of employment with the Company and its Affiliates on account of one of the Vesting Events shall be the Vesting Date for purposes of this Award. The date of the Change in Control shall be the Vesting Date for purposes of this Award.

5. Other Terms and Conditions:

(a) No Fractional Shares. All provisions of this Award concern whole shares of Stock. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

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(b) Not an Employment or Service Agreement. This Award is not an employment agreement, and this Award shall not be, and no provision of this Award shall be construed or interpreted to create any right of Participant to continue employment with or provide services to the Company or any of its Affiliates.

(c) Independent Tax Advice and Acknowledgments. Participant has been advised and Participant hereby acknowledges that he or she has been advised to obtain independent legal and tax advice regarding this Award, the grant of the Restricted Stock and the disposition of such shares, including, without limitation, the election available under Section 83(b) of the Internal Revenue Code. Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Award subject to all the terms and provisions of the Plan and this Award.

The Restricted Stock granted hereunder will be subject to all applicable federal, state and local taxes domestic and foreign and withholding requirements (including, without limitation, any withholding required under any other employee benefit plan maintained by the Company or an Affiliate). The Participant hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Committee or the Board, as appropriate, upon any questions arising under the Plan or this Award.

PARTICIPANT: James Matthew Vaughn

Signature: /s/ James Matthew Vaughn

PAR PETROLEUM CORPORATION

By: /s/ Brice Tarzwell

Name: Brice Tarzwell

Title: Senior Vice President, Chief Legal Officer and Secretary

PAR PETROLEUM CORPORATION  
AWARD OF RESTRICTED STOCK  
(Special Award)

In this Award, Par Petroleum Corporation (the “*Company*”) grants to **James Matthew Vaughn** (the “*Participant*”), a Director or an Employee, Restricted Stock under the Par Petroleum Corporation 2012 Long Term Incentive Plan (“*Plan*”). This Award of Restricted Stock is governed by the terms of this Award document and the Plan. All capitalized terms not defined in this Award shall have the meaning of such terms as provided in the Plan.

1. The “*Date of Grant*” is **July 3, 2015**.
2. The total **number** of shares of Restricted Stock granted is **7,026**.
3. The Restricted Stock granted in this Award shall vest as follows:

Subject to item 4 below, Participant shall not become vested in any of the Restricted Stock granted unless he or she is continuously a Director of the Company or employed with the Company or a Company Affiliate from the Date of Grant through the Vesting Date, and Participant may not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of any Restricted Stock until such Restricted Stock become Vested as provided herein. The transfer restrictions and substantial risk of forfeiture imposed in the foregoing sentence shall lapse on the following “*Vesting Dates*” as to 20% of the Restricted Stocks, on the first anniversary of the Date of Grant; thereafter, 20% on each of the second, third, fourth and fifth anniversary of the Date of Grant. The Restricted Stock as to which such restrictions so lapse are referred to as “*Vested*.”

4. Other Vesting Events are as follows:

Notwithstanding the foregoing vesting schedule in item 3, the Restricted Stock will be 100% Vested upon any one of the following “*Vesting Events*”: (a) Participant’s termination as Director and Service due to death or Disability or termination of employment with the Company and its Affiliates due to death or Disability, (b) the Participant’s termination of employment by the Company and its Affiliates without Cause or (c) upon a Change in Control. The date of the Participant’s termination of directorship and Service or termination of employment with the Company and its Affiliates on account of one of the Vesting Events shall be the Vesting Date for purposes of this Award. The date of the Change in Control shall be the Vesting Date for purposes of this Award.

5. Other Terms and Conditions:

(a) **No Fractional Shares.** All provisions of this Award concern whole shares of Stock. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

(b) **Not an Employment or Service Agreement.** This Award is not an employment agreement, and this Award shall not be, and no provision of this Award shall be construed or interpreted to create any right of Participant to continue as a Director or continue employment with or provide services to the Company or any of its Affiliates.

(c) **Independent Tax Advice and Acknowledgments.** Participant has been advised and Participant hereby acknowledges that he or she has been advised to obtain independent legal and tax advice regarding this Award, the grant of the Restricted Stock and the disposition of such shares, including, without limitation, the election available under Section 83(b) of the Internal Revenue Code. Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Award subject to all the terms and provisions of the Plan and this Award.

(d) **The Committee has determined in connection with this Award that in the event that a Section 83(b) election is not made, the Participant who is an Employee may elect to have the Company withhold that number of shares of Restricted Stock otherwise deliverable to the Participant when such shares become Vested or to deliver to the Company a number of shares of Stock, in each case, having a Fair Market Value on the date of Vesting equal to the minimum amount required to be withheld for taxes as a result of such exercise. The election must be made in writing and must be delivered to the Company prior to the date of Vesting. If the number of shares so determined shall include a fractional share, the Participant shall deliver cash in lieu of such fractional share. All elections shall be made in a form approved by the Committee and shall be subject to disapproval, in whole or in part by the Committee.**



The Restricted Stock granted hereunder will be subject to all applicable federal, state and local taxes domestic and foreign and withholding requirements (including, without limitation, any withholding required under any other employee benefit plan maintained by the Company or a Company Affiliate). The Participant hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Committee or the Board, as appropriate, upon any questions arising under the Plan or this Award.

PARTICIPANT: James Matthew Vaughn

Signature: /s/ James Matthew Vaughn

Title: Senior Vice President and General Counsel

PAR PETROLEUM CORPORATION

By: /s/ Jeff Hollis

Title: Associate General Counsel



March 10, 2015

Jim R. Yates  
550 Kahiau Loop  
Honolulu, HI 96821

Re: Employment Offer

Par Petroleum Corporation (“**PAR**” or the “**Company**”) is pleased to extend this letter as confirmation of your offer of employment as President of Mid Pac Petroleum, LLC (“**Mid Pac**”) following consummation of that certain Agreement and Plan of Merger by and among Par Petroleum Corporation, Bogey, Inc., Koko’oha Investments, Inc., and Bill D. Mills, dated as of June 2, 2014, as amended (the “**Merger**”). It is anticipated that following consummation of the Merger, PAR will restructure its businesses in Hawaii, including Mid Pac, in which case you will serve as the President of the resulting marketing and logistics entity. You will report to Joseph Israel, President and Chief Executive Officer of PAR. This position is full-time exempt.

The following is an outline of the terms and general conditions of your employment:

1. **Commencement Date:** April 1, 2015.
2. **Salary:** You will be paid an annual base salary of \$300,000 in accordance with PAR’s standard payroll practice, pro-rated based on your Commencement Date. Your compensation will be reviewed annually in accordance with current PAR policy.
3. **Annual Incentive Bonus:** Commencing in 2015, you will participate in an annual incentive plan and may be eligible for bonuses each year depending upon the profitability of the Company and your performance against metrics that will be defined each year. Your target bonus will be 75% of your annual base pay payable in cash.

You will also be eligible to participate in an annual stock and option based incentive plan that will be awarded at the end of each year depending upon the profitability of the Company and your performance against metrics that will be defined each year. Your annual at-risk target value will be 75% of your base pay. You may choose to accept this compensation in the form of (i) restricted PAR stock or (ii) 2/3 restricted PAR stock and 1/3 options; provided, however, such election shall be made within 5 days after the Commencement Date. The restricted stock will vest over a 4-year period, and the options will vest over a 3-year period. There is no guarantee of award payments where performance goals are not met. For 2015, such restricted stock (or restricted stock and options) shall be granted after the first Compensation Committee meeting subsequent to the Commencement Date.

The actual number of shares and options granted will be determined consistent with current PAR equity and option plans. The terms of the restricted stock and options grant will be customary for awards of this type and include key terms such as:

- i. A vesting schedule under which shares and options will vest on the anniversary of award.
- ii. Vesting shall occur immediately upon:

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800 Gessner Rd., Suite 875 | Houston, Texas 77024  
Office: (281) 899-4800 | Fax: (281) 565-1237

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- Death of grantee
  - Termination of grantee's employment without cause
4. **Vacation:** Your past industry experience will count for purposes of determining your vacation eligibility at Mid Pac in accordance with current company policies.
  5. **Benefits:** You will be eligible to participate in PAR sponsored benefits programs. We will provide you a summary of benefits separately.
  6. **Severance:** In the event of the termination of your employment without Cause or for Good Reason, (as hereinafter defined), you shall be entitled to receive the following severance benefits:
    - i. Salary continuation payments equal to one (1) year's base annual compensation in effect at the time of your termination, less all applicable withholding and deductions, payable pro rata over a period of twelve (12) months;
    - ii. A bonus equal to the average of the bonus paid to you over the prior three years (and if such termination occurs prior the end of three years, then the target bonus shall be imputed for such unserved periods), less all applicable withholding and deductions, payable pro rata over a period of twelve (12) months; and
    - iii. Outstanding unvested equity awards shall be accelerated and vest effective upon the date of your termination of employment.

For purposes of this Offer Letter, the terms "**Cause**" and "**Good Reason**" shall have the following meanings:

"**Cause**" shall mean that you have (a) been convicted of, or plead *nolo contendere* to, a felony or crime involving moral turpitude; (b) committed an act of personal dishonesty or fraud involving personal profit in connection with your employment by Mid Pac, PAR or its affiliates; (c) committed a material breach of any material covenant, provision, term, condition, understanding or undertaking set forth in this offer letter or any restrictive covenant running in favor of PAR to which you may be subject; (d) committed an act which the Board of Directors of PAR, (including the Compensation Committee) has found to have involved willful misconduct or gross negligence on your part; (e) failed or refused to substantially perform the lawful duties of your employment in any material respect; or (f) failed to comply with the lawful written rules and policies of PAR and its affiliates in any material respect; *provided, however*, that no termination under clause (c), (d), (e) or (f) above shall be effective unless you shall have first received written notice describing in reasonable detail the basis for the termination and within fifteen (15) days following delivery of such notice you shall have failed to cure such alleged behavior constituting "**Cause**"; *provided, further*, that this notice requirement prior to termination shall be applicable only if such behavior or breach is capable of being cured.

"**Good Reason**" shall mean that you have resigned from employment with Mid Pac, PAR or its affiliates following the occurrence of one or more of the events set forth in the clauses (i) through (iv) below without your prior written consent, *provided*, that, in connection with any event or events specified in clauses (i) through (iv) below, (a) you have first delivered written notice to PAR of your intention to resign from employment due to one or more of such events, which notice specifies in reasonable detail the circumstances claimed to provide the basis for such resignation, and (b) such event or events are not cured by PAR within fifteen (15) days (or such longer reasonable period of time as is necessary to cure such event so long as PAR is diligently pursuing such cure) following delivery of such written notice:

- i. any diminution in your base annual compensation;
- ii. any removal from your position as President of Mid Pac or the resulting marketing and logistics entity described in the first paragraph of this offer letter or any material diminution in your authority, duties, or responsibilities;
- iii. a material change in the geographic location of your principal office with PAR; or
- iv. any material breach by PAR of its obligations under this Agreement.

The foregoing severance benefits and payments shall be conditioned upon (1) your execution and delivery to PAR of an effective release of all claims against, and covenant not to sue, PAR and its subsidiaries, affiliates, officers, directors, employees, representatives and agents, which release is not revoked within applicable statutory timeframes and (2) your continued compliance with all restrictive covenants and continuing obligations to PAR, a breach of which covenants or obligations shall result in the termination and forfeiture of all of the foregoing benefits and payments.

In making this offer, PAR understands that you are not under any obligation to any former employer, person, firm, or corporation that would prevent, limit, or impair in any way the performance by you of the duties as an employee of PAR.

This offer letter supersedes and replaces in their entirety any and all employment, retention, severance or other similar agreements to which you may have been a party with Mid Pac, including but not limited to that certain Employment Agreement dated as of September 1, 2007. Accordingly, upon execution of this letter, such agreements shall be null and void and of no further effect, and you agree to waive and release any and all claims or causes of action you may possess against Mid Pac, PAR or any of their respective affiliates in connection therewith. You agree to execute any and all further documents that may reasonably be required to effectuate the terms of this paragraph.

We are delighted to have you join the PAR team and look forward to a long and mutually beneficial relationship. Should you have any questions, please do not hesitate to contact me directly.

To acknowledge your acceptance of the foregoing, please sign in the space below and return a copy to me no later than March 12, 2015, after which time this offer letter shall become void and of no force and effect.

Sincerely,

/s/ Joseph Israel

Joseph Israel  
Chief Executive Officer

Agreed:

/s/ Jim Yates \_\_\_\_\_  
Jim R. Yates

March 12, 2015 \_\_\_\_\_  
Date

PAR PETROLEUM CORPORATION  
AWARD OF RESTRICTED STOCK  
(Employee)

In this Award, Par Petroleum Corporation (the “*Company*”) grants to Jim R. Yates (the “*Participant*”), an Employee, Restricted Stock under the Par Petroleum Corporation 2012 Long Term Incentive Plan (“*Plan*”). This Award of Restricted Stock is governed by the terms of this Award document and the Plan. All capitalized terms not defined in this Award shall have the meaning of such terms as provided in the Plan.

1. The “*Date of Grant*” is **May 8, 2015**.
2. The total **number** of shares of Restricted Stock granted is **6,385**.
3. The Vesting Dates for the Restricted Stock granted in this Award are as follows:

Subject to item 4 below, Participant shall not become vested in any of the Restricted Stock granted unless he or she is continuously employed with the Company or an Affiliate from the Date of Grant through the Vesting Date, and Participant may not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of any Restricted Stock until such Restricted Stock become Vested as provided herein. The transfer restrictions and substantial risk of forfeiture imposed in the foregoing sentence shall lapse on the following applicable dates (each a “*Vesting Date*”): as to one quarter (1/4) of the Restricted Stock on May 8, 2016 and an additional one quarter (1/4) of the Restricted Stock on each anniversary of May 8 until the Restricted Stock is 100% Vested. The Restricted Stock as to which such restrictions so lapse are referred to as “*Vested*.”

4. Other Vesting Events are as follows:

Notwithstanding the foregoing vesting schedule in item 3, the Restricted Stock will be 100% Vested upon any one of the following “*Vesting Events*”: (a) Participant’s termination of employment with the Company and its Affiliates due to death or Disability, (b) the Participant’s termination of employment by the Company and its Affiliates without Cause or for Good Reason or (c) upon a Change in Control. The date of the Participant’s termination of employment with the Company and its Affiliates on account of one of the Vesting Events shall be the Vesting Date for purposes of this Award. The date of the Change in Control shall be the Vesting Date for purposes of this Award.

For purposes of this Award, the terms “*Cause*” and “*Good Reason*” shall have the following meanings:

“*Cause*” shall mean that you have (a) been convicted of, or please *nolo contendere* to, a felony or crime involving moral turpitude; (b) committed an act of personal dishonesty or fraud involving personal profit in connection with your employment by Mid Pac, Par or its affiliates; (c) committed a material breach of any material covenant, provision, term, condition, understanding

or undertaking set forth in this letter or any restrictive covenant running in favor of Par to which you may be subject; (d) committed an act which the Board of Directors of Par, (including the Compensation Committee) has found to have involved willful misconduct or gross negligence on your part; (e) failed or refused to substantially perform the lawful duties of your employment in any material respect; or (f) failed to comply with the lawful written rules and policies of Par and its affiliates in any material respect; *provided, however*, that no termination under clause (c), (d), (e) or (f) above shall be effective unless you shall have first received written notice describing in reasonable detail the basis for the termination and within fifteen (15) days following delivery of such notice you shall have failed to cure such alleged behavior constituting **“Cause”**, *provided, further*, that this notice requirement prior to termination shall be applicable only if such behavior or breach is capable of being cured.

**“Good Reason”** shall mean that you have resigned from employment with Mid Pc, Par or its affiliates following the occurrence of one or more events set forth in the clauses (I) through (IV) below without your prior written consent, *provided*, that, in connection with any event or events specified in clauses (I) through (IV) below, (a) you have first delivered written notice to Par of your intention to resign from employment due to one or more such events, which notice specifies in reasonable detail the circumstances claimed to provide the basis of such resignation, and (b) such event or events are not cured by Par within fifteen (15) days (or such longer reasonable period of time as is necessary to cure such event so long as Par is diligently pursuing such cure) following delivery of such written notice:

- I. any diminution in your base annual compensation;
- II. any removal from your position as President of Mid Pac or the resulting marketing and logistics entity described in the first paragraph of the offer letter or any material diminution in your authority, duties, or responsibilities;
- III. a material change in the geographic location of your principal office with Par; or
- IV. any material breach by Par of its obligation under this Agreement.

The foregoing severance benefits and payments shall be conditioned upon (1) your execution and delivery to Par of an effective release of all claims against, and covenant not to sue, Par and its subsidiaries, affiliates, officers, directors, employees, representatives and agents, which release is not revoked within applicable statutory timeframes and (2) your continued compliance with all restrictive covenants and continuing obligations to Par, a breach of which covenants or obligations shall result in the termination and forfeiture of all the foregoing benefits and payments.

5. Other Terms and Conditions:

(a) No Fractional Shares. All provisions of this Award concern whole shares of Stock. If the application of any provision hereunder would yield a fractional share, such

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fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

(b) Not an Employment or Service Agreement. This Award is not an employment agreement, and this Award shall not be, and no provision of this Award shall be construed or interpreted to create any right of Participant to continue employment with or provide services to the Company or any of its Affiliates.

(c) Independent Tax Advice and Acknowledgments. Participant has been advised and Participant hereby acknowledges that he or she has been advised to obtain independent legal and tax advice regarding this Award, the grant of the Restricted Stock and the disposition of such shares, including, without limitation, the election available under Section 83(b) of the Internal Revenue Code. Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Award subject to all the terms and provisions of the Plan and this Award.

The Restricted Stock granted hereunder will be subject to all applicable federal, state and local taxes domestic and foreign and withholding requirements (including, without limitation, any withholding required under any other employee benefit plan maintained by the Company or an Affiliate). The Participant hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Committee or the Board, as appropriate, upon any questions arising under the Plan or this Award.

PARTICIPANT: Jim R. Yates

Signature: /s/ Jim Yates

PAR PETROLEUM CORPORATION

By: /s/ Jeff Hollis

Name: Jeff Hollis

Title: Associate General Counsel

January 2, 2014

Kelly Rosser  
9102 Glenfair Court  
Spring, Texas 77379

**RE: Employment Offer**

Dear Kelly:

We are pleased to extend this letter as confirmation of your offer of employment with Par Petroleum (PAR) as Corporate Controller. This position will report directly to Christopher Micklas the CFO and is full time exempt.

Following is an outline of the terms and general conditions of your employment with PAR:

1. **Commencement Date:** February 17, 2014
  2. **Salary:** You will be paid an annual base salary of \$220,000 in accordance with PAR's standard payroll practice. Your compensation will be reviewed annually in accordance with current company policy.
  3. **Other Compensation:**
    - a. **Annual Incentive Bonus:** You will participate in an annual incentive plan and may be eligible for bonuses each year depending upon the profitability of the Company and your performance against metrics that will be defined each year. Your target bonus will be 25% of your annual base pay with a maximum of 50%.
    - b. **Annual Restricted Stock Incentive:** You will be eligible to participate in an annual stock based incentive plan that will be awarded at the end of each year subject to meeting personal performance goals that will be negotiated for each annual period. The value at risk will be determined annually with your first annual at-risk target value being \$100,000. Shares awarded will vest over a 3 year period.
    - c. **Acceptance of Employment Incentive:** You will be granted a value of \$50,000 in restricted PAR stock as of the commencement of your employment. The actual number of shares granted will be determined by using a price determined by a 60 day VWAP (Volume Weighted Average Price) consistent with current PAR equity plans. The restricted stock will vest over a 5 year period.
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In any case, restricted stock grants will include key terms such as:

- i. A vesting schedule under which shares will vest in accordance with an established schedule on the anniversary of award.
- ii. Vesting shall occur immediately upon:
  - Death of grantee
  - Retirement of grantee
  - Termination of grantee's employment without cause
  - Occurrence of change of control

4. **Vacation and Holidays:** You will be eligible for four weeks paid vacation and nine holidays per calendar year in accordance with current company policies.

5. **Benefits:** You will be eligible to participate in PAR/Texadian sponsored benefit program beginning the first of the month after completion of 30 days service.

In making this offer, PAR understands that you are not under any obligation to any former employer, person, firm or corporation that would prevent, limit or impair in any way the performance by you of the duties as an employee of PAR.

This offer is subject to completion of a background investigation and the passing of alcohol and drug screening tests. We will schedule these as soon as possible after receiving your signed offer. This offer is also contingent upon compliance with the Immigration Reform and Control Act of 1986. The act requires you to establish your identity and employment eligibility. Therefore, on or before your first day of employment you will be required to fill out an Employment Verification Form, also referred to as an I-9, and present any of the documents required. Attached you will find a listing of the eligible documentation. Sometimes these documents can take time to obtain, so please start now to obtain them.

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We are delighted to have you join the PAR team and look forward to a long and mutually beneficial relationship. Should you have any questions, please do not hesitate to contact me directly.

To acknowledge your acceptance of the foregoing, please sign in the space below and return a copy to me.

Sincerely,

/s/ Christopher Micklas

Christopher Micklas  
CFO

Agreed:

/s/ Kelly Rosser  
Kelly Rosser \_\_\_\_\_ Date

January 2, 2014

PAR PETROLEUM CORPORATION  
AWARD OF RESTRICTED STOCK  
(Employee)

In this Award, Par Petroleum Corporation (the “*Company*”) grants to **Kelly Rosser** (the “*Participant*”), an Employee, Restricted Stock under the Par Petroleum Corporation 2012 Long Term Incentive Plan (“*Plan*”). This Award of Restricted Stock is governed by the terms of this Award document and the Plan. All capitalized terms not defined in this Award shall have the meaning of such terms as provided in the Plan.

1. The “*Date of Grant*” is February 17, 2014.
2. The total **number** of shares of Restricted Stock granted is 2,354.
3. The Vesting Dates for the Restricted Stock granted in this Award are as follows:

Subject to item 4 below, Participant shall not become vested in any of the Restricted Stock granted unless he or she is continuously employed with the Company or an Affiliate from the Date of Grant through the Vesting Date, and Participant may not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of any Restricted Stock until such Restricted Stock become Vested as provided herein. The transfer restrictions and substantial risk of forfeiture imposed in the foregoing sentence shall lapse on the following applicable dates (each a “*Vesting Date*”): as to one fifth (1/5) of the Restricted Stock on July 28, 2015 and an additional one fifth (1/5) of the Restricted Stock on each anniversary of July 28, 2015 until the Restricted Stock is 100% Vested. The Restricted Stock as to which such restrictions so lapse are referred to as “*Vested*.”

4. Other Vesting Events are as follows:

Notwithstanding the foregoing vesting schedule in item 3, the Restricted Stock will be 100% Vested upon any one of the following “*Vesting Events*”: (a) Participant’s termination of employment with the Company and its Affiliates due to death or Disability, (b) the Participant’s termination of employment by the Company and its Affiliates without Cause or (c) upon a Change in Control. The date of the Participant’s termination of employment with the Company and its Affiliates on account of one of the Vesting Events shall be the Vesting Date for purposes of this Award. The date of the Change in Control shall be the Vesting Date for purposes of this Award.

5. Other Terms and Conditions:

(a) **No Fractional Shares.** All provisions of this Award concern whole shares of Stock. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

(b) **Not an Employment or Service Agreement.** This Award is not an employment agreement, and this Award shall not be, and no provision of this Award shall be construed or interpreted to create any right of Participant to continue employment with or provide services to the Company or any of its Affiliates.

(c) **Independent Tax Advice and Acknowledgments.** Participant has been advised and Participant hereby acknowledges that he or she has been advised to obtain independent legal and tax advice regarding this Award, the grant of the Restricted Stock and the disposition of such shares, including, without limitation, the election available under Section 83(b) of the Internal Revenue Code. Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Award subject to all the terms and provisions of the Plan and this Award.

The Restricted Stock granted hereunder will be subject to all applicable federal, state and local taxes domestic and foreign and withholding requirements (including, without limitation, any withholding required under any other employee benefit plan maintained by the Company or an Affiliate). The Participant hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Committee or the Board, as appropriate, upon any questions arising under the Plan or this Award.

PARTICIPANT: Kelly Rosser

Signature: /s/ Kelly Rosser

PAR PETROLEUM CORPORATION

By: /s/ Brice Tarzwell  
Name: Brice Tarzwell  
Title: Senior Vice President, Chief Legal Officer and Secretary

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a) PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, William Pate, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Par Pacific Holdings, Inc.;
  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 officer(s) 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 officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
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- 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: May 5, 2016

/s/ William Pate

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William Pate

President and Chief Executive Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a) PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Christopher Micklas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Par Pacific Holdings, Inc.;
  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 officer(s) 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 officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
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- 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: May 5, 2016

/s/ Christopher Micklas

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Christopher Micklas

Chief Financial Officer



**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Par Pacific Holdings, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2016 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, William Pate, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ William Pate

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William Pate

President and Chief Executive Officer

May 5, 2016

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Par Pacific Holdings, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2016 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Christopher Micklas, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Christopher Micklas

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Christopher Micklas  
Chief Financial Officer

May 5, 2016