

\$500,000,000

**TERM LOAN CREDIT AGREEMENT**

Dated as of January 28, 2013

among

TESORO CORPORATION,  
as the Borrower,

The Several Lenders  
from Time to Time Parties Hereto,

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION  
as Administrative Agent and Collateral Agent,

and

J.P. MORGAN SECURITIES LLC.,  
as Sole Lead Arranger and Sole Bookrunner

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TERM LOAN CREDIT AGREEMENT dated as of January 28, 2013, among TESORO CORPORATION, a Delaware corporation (the “**Borrower**”), the lending institutions from time to time parties hereto (each a “**Lender**” and, collectively, the “**Lenders**”) and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as Administrative Agent and Collateral Agent (such terms and each other capitalized term used but not defined in this preamble having the meaning provided in Section 1 hereto).

WHEREAS, the Borrower has requested that, immediately upon the satisfaction in full of the conditions precedent set forth in Section 5B below, the Lenders extend credit to the Borrower in the form of \$500,000,000 in aggregate principal amount of Initial Term Loans to be borrowed on the Funding Date (the “**Initial Term Loan Facility**”);

WHEREAS, the Lenders have indicated their willingness to extend such credit on the terms and subject to the conditions set forth herein;

WHEREAS, in connection with the foregoing and as an inducement for the Lenders to extend the credit contemplated hereunder, the Borrower has agreed to secure all of its Secured Obligations by granting to the Collateral Agent, for the benefit of the Secured Parties, a perfected security interest on certain of its assets (except as otherwise set

forth in the Loan Documents), including, but not limited to, a pledge of all of the Capital Stock of Tesoro Refining & Marketing Company LLC and Tesoro Alaska Company;

WHEREAS, in connection with the foregoing and as an inducement for the Lenders to extend the credit contemplated hereunder, certain Subsidiaries of the Borrower have agreed to guarantee the payment when due of all Secured Obligations, including, without limitation, all principal, interest and other amounts that shall be at any time payable by the Borrower under this Agreement or the other Loan Documents; and

NOW THEREFORE, in consideration of the premises and the covenants and agreements contained herein, the parties hereto hereby agree as follows:

## SECTION 1. Definitions

### 1.1. Defined Terms.

(a) As used herein, the following terms shall have the meanings specified in this Section 1.1 unless the context otherwise requires (it being understood that defined terms in this Agreement shall include in the singular number the plural and in the plural the singular):

“**2017 Notes**” shall mean the 4.250% Senior Notes due 2017 of the Borrower issued in compliance with and under that certain indenture, dated as of September 27, 2012, by and among the Borrower, the guarantors party thereto and U.S. Bank National Association, as trustee.

“**2022 Notes**” shall mean the 5.375% Senior Notes due 2022 of the Borrower issued in compliance with and under that certain indenture, dated as of September 27, 2012, by

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and among the Borrower, the guarantors party thereto and U.S. Bank National Association, as trustee.

“**ABL Collateral**” shall have the meaning ascribed to it in the ABL Intercreditor Agreement.

“**ABL Credit Facility**” shall mean that certain Sixth Amended and Restated Credit Agreement, dated as of January 4, 2013, as amended, supplemented or amended and restated from time to time, among the Borrower, JPMorgan Chase Bank, National Association, as administrative agent, and the financial institutions from time to time party thereto, and including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith.

“**ABL Obligations**” shall mean Obligations in respect of Indebtedness secured by a Lien on ABL Collateral ranking senior to the Lien securing the Obligations under this Agreement.

“**ABL Intercreditor Agreement**” shall mean the ABL Intercreditor Agreement in substantially the form of Exhibit K dated as of the Effective Date, among JPMorgan Chase Bank, National Association, as Revolving Credit Collateral Agent and Revolving Credit Administrative Agent for the holders of the Revolving Credit Obligations (each as defined therein), JPMorgan Chase Bank, National Association, as Initial Term Loan Collateral Agent and Initial Term Loan Administrative Agent for the Term Loan Secured Parties (each as defined therein), the Loan Parties, and each additional representative party thereto from time to time.

“**ABR**” shall mean for any day a fluctuating rate per annum equal to the highest of:

(a) the Federal Funds Effective Rate plus ½ of 1%,

(b) the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent as its “prime rate” and

(c) the LIBOR Rate for a one-month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1.0%;

*provided* that, for the avoidance of doubt, for purposes of calculating the LIBOR Rate pursuant to clause (c) above, the LIBOR Rate for any day shall be based on the rate per annum determined by the Administrative Agent at approximately 11:00 a.m. (London time) on such day by reference to the rate appearing on the Reuters Screen LIBOR01 Page (or any successor page or any successor service, or any substitute page or substitute for such service, providing rate quotations comparable to the Reuters Screen LIBOR01 Page, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) for a period equal to one-month. The “prime rate” is a rate set by the Administrative Agent based upon various factors, including the Administrative Agent’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced



rate. Any change in the ABR due to a change in such rate announced by the Administrative Agent, in the Federal Funds Effective Rate or in the one-month LIBOR Rate shall take effect at the opening of business on the day specified in the public announcement of such change.

**“ABR Loan”** shall mean each Loan bearing interest based on the ABR.

**“Account Debtor”** shall mean the account debtor or obligor with respect to any of the Receivables and/or the prospective purchaser with respect to any contract right, and/or any party who enters into or proposes to enter into any contract or other arrangement with the Borrower or any Restricted Subsidiary.

**“Acquired Debt”** shall mean, with respect to any specified Person, (a) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, including, without limitation, Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Restricted Subsidiary of such specified Person and (b) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person, but excluding, in any event, Indebtedness that is extinguished, retired or repaid in connection with such Person merging with or becoming a Restricted Subsidiary of such specified Person.

**“Administrative Agent”** shall mean JPMorgan Chase Bank, National Association, as the administrative agent for the Lenders under this Agreement and the other Loan Documents, or any successor administrative agent appointed in accordance with the provisions of Section 10.9.

**“Administrative Agent’s Office”** shall mean the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 11.2, or such other address or account as the Administrative Agent may from time to time notify in writing to the Borrower and the Lenders.

**“Administrative Questionnaire”** shall have the meaning provided in Section 11.6(b)(ii)(D) hereof.

**“Affiliate”** of any specified Person shall mean, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

**“Affiliate Transaction”** shall have the meaning provided in Section 8.5 hereof.

**“Agent Parties”** shall have the meaning provided in Section 11.17(d) hereof.

**“Agents”** shall mean the Administrative Agent, the Collateral Agent and Sole Lead Arranger and Sole Bookrunner.

“**Agreement**” shall mean this Term Loan Credit Agreement.

“**Agreement Accounting Principles**” shall mean GAAP, applied in a manner consistent with that used in preparing the financial statements of the Borrower referred to in Section 6.4; *provided, however*, “Agreement Accounting Principles” shall mean GAAP as in effect in the United States as of the Effective Date, applied in a manner consistent with that used in preparing the financial statements of the Borrower referred to in Section 6.4. Notwithstanding anything to the contrary herein, any obligations of a Person under a lease (whether existing now or entered into in the future) that is not (or would not be) required to be classified and accounted for as a capital lease on the balance sheet of such Person under the Agreement Accounting Principles as in effect on the Effective Date shall not be treated as a capital lease solely as a result (x) the adoption of changes in or (y) changes in the application of GAAP after the Effective Date.

“**Applicable ABR Margin**” shall mean at any date, with respect to each ABR Loan, 1.25% *per annum*.

“**Applicable LIBOR Margin**” shall mean at any date, with respect to each LIBOR Loan, 2.25% *per annum*.

“**Approved Fund**” shall mean any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“**Asset Sale**” shall mean (i) the sale, lease, conveyance or other disposition of any assets or rights (including, without limitation, by way of a Sale and Leaseback Transaction) of the Borrower or any of its Restricted Subsidiaries other than in the ordinary course of business (*provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Borrower and its Restricted Subsidiaries taken as a whole shall be governed by Sections 8.8 and 9.1(k) hereof and not by the provisions in Section 8.4 hereof); and (ii) the issue or sale by the Borrower or any of its Restricted Subsidiaries of Equity Interests of any of the Borrower’s Restricted Subsidiaries, in the case of either clause (i) or (ii), whether in a single transaction or a series of related transactions, (a) that have a Fair Market Value in excess of \$50.0 million or (b) for Net Proceeds in excess of \$50.0 million; *provided* that the following shall not be deemed to be Asset Sales:

(1) any sale or exchange of production of crude oil, natural gas and natural gas liquids, or refined products or residual hydrocarbons, or any other asset or right constituting inventory, made in the ordinary course of the Permitted Business;

(2) any disposition of assets in trade or exchange for assets of comparable Fair Market Value used or usable in any Permitted Business (including, without limitation, the trade or exchange for a controlling interest in another business or all or substantially all of the assets or operating line of a business, in each case, engaged in a Permitted Business or for other non-current assets to be used in a Permitted Business, including, without limitation, assets or Investments of the nature or type described in clause (m) of the definition of “Permitted Investments”); *provided* that any cash or Cash Equivalents received by the Borrower or a Restricted Subsidiary in connection with such trade or exchange

(net of any transaction costs of the type deducted under the definition of “Net Proceeds”) shall be treated as Net Proceeds of an Asset Sale and shall be applied in the manner set forth in Section 8.4 hereof;

(3) a transfer of assets by the Borrower to a Restricted Subsidiary of the Borrower or by a Restricted Subsidiary of the Borrower to the Borrower or to a Restricted Subsidiary of the Borrower;

(4) an issuance or sale of Equity Interests by a Restricted Subsidiary of the Borrower to the Borrower or to another Restricted Subsidiary of the Borrower;

(5) (A) a Permitted Investment or (B) a Restricted Payment that is permitted by Section 8.1 hereof;

(6) the trade, sale, exchange or other disposition of cash or Cash Equivalents or the unwinding of any Hedging Obligations;

(7) any sale, assignment, lease, license, transfer, abandonment or other disposition of (A) damaged, worn-out, unserviceable or other obsolete or excess equipment or other property or (B) other property no longer necessary for the proper conduct of the business of the Borrower or any of its Subsidiaries;

(8) the abandonment or relinquishment of assets or property in the ordinary course of business, including without limitation the abandonment, relinquishment or farm-out of oil and gas leases, concessions or drilling or exploration rights or interests therein;

(9) any lease of assets entered into in the ordinary course of business and with respect to which the Borrower or any Restricted Subsidiary of the Borrower is the lessor and the lessee has no option to purchase such assets for less than fair market value at any time the right to acquire such asset occurs;

(10) the disposition of assets received in settlement of debts accrued in the ordinary course of business;

(11) the creation or perfection of a Lien that is not prohibited by this Agreement and the disposition of any assets or rights resulting from the enforcement thereof;

(12) the surrender or waiver of contract rights or the settlement, release or surrender of contractual, non-contractual or other claims of any kind;

(13) any sale or other disposition pursuant to the Omnibus Agreement;

(14) the grant in the ordinary course of business of any non-exclusive license of patents, trademarks, registrations therefor and other similar intellectual property;

(15) any sale or other disposition of Capital Stock in or Indebtedness of an Unrestricted Subsidiary;  
and

(16) the disposition or assignment of Receivables and related Receivables Documentation pursuant to any Permitted Credit Enhancement Transaction.

“**Asset Sale Offer**” shall have the meaning provided in Section 8.4(c) hereof.

“**Assignment and Acceptance**” shall mean an assignment and acceptance substantially in the form of Exhibit F hereto, or such other form as may be approved by the Administrative Agent, acting reasonably.

“**Attributable Amount**” shall mean, with respect to any Sale and Leaseback Transaction involving any Principal Property, as at the time of determination, the present value (discounted at the interest rate borne by the Loans, compounded annually) of the total obligations of the lessee for rental payments (other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items that do not constitute payments for property rights) during the remaining term of the lease included in such Sale and Leaseback Transaction (including any period for which such lease has been extended), including, in the case of any lease that is terminable by the lessee upon payment of penalty, the amount of such penalty (but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated); *provided, however*, that the Attributable Amount of each of the following Sale and Leaseback Transactions involving a Principal Property shall, in each case, be zero:

(1) a Sale and Leaseback Transaction in which the lease is for a period, including renewal rights, not in excess of three years;

(2) a Sale and Leaseback Transaction in which the transfer of the Principal Property is made within 270 days of the acquisition or construction of, or the completion of a material improvement to, such Principal Property;

(3) a Sale and Leaseback Transaction in which the lease secures or relates to industrial revenue or pollution control bonds;

(4) a Sale and Leaseback Transaction in which the transaction is between or among the Borrower and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries; or

(5) a Sale and Leaseback Transaction pursuant to which the Borrower, within 270 days after the completion of the transfer of the Principal Property, applies toward the retirement of its Indebtedness or the Indebtedness of a Restricted Subsidiary, or to the purchase of other property constituting a Principal Property, the net proceeds from the transfer of the Principal Property;

*provided, however*, that the amount that must be applied to the retirement of Indebtedness shall be reduced by (a) the principal amount of any debentures, notes, debt securities or Loans of the

Borrower or a Restricted Subsidiary surrendered to the applicable trustee or agent for retirement and cancellation within 270 days of the completion of the transfer of the Principal Property, (b) the principal amount of any Indebtedness not included in clause (5)(a) of this definition to the extent such amount of Indebtedness is voluntarily retired by the Borrower or a Restricted Subsidiary within 270 days of the completion of the transfer of the Principal Property and (c) all fees and expenses associated with the Sale and Leaseback Transaction.

**“Auction Agent”** shall mean (a) the Administrative Agent or (b) any other financial institution or advisor employed by Borrower (whether or not an Affiliate of the Administrative Agent) to act as an arranger in connection with any Discounted Loan Prepayment pursuant to Section 4.1(c)(ii); *provided* that the Borrower shall not designate the Administrative Agent as the Auction Agent without the written consent of the Administrative Agent (it being understood that the Administrative Agent shall be under no obligation to agree to act as the Auction Agent).

**“Authorized Officer”** shall mean as to any Person, the Chairman of the Board, any Manager or Director, the President, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Treasurer, the Assistant or Vice Treasurer, the Vice President-Finance, the General Counsel, any Executive Vice President, Senior Vice President or Vice President, the Controller or the Secretary and any manager, managing member or general partner, in each case, of such Person, and any other senior officer designated as such in writing to the Administrative Agent by such Person. Any document delivered hereunder that is signed by an Authorized Officer shall be conclusively presumed to have been authorized by all necessary corporate, limited liability company, partnership and/or other action on the part of the Borrower or any other Loan Party and such Authorized Officer shall be conclusively presumed to have acted on behalf of such Person.

**“BBA LIBOR”** shall have the meaning provided in the definition of “LIBOR Rate”.

**“benefited Lender”** shall have the meaning provided in Section 11.8(a) hereof.

**“Board”** shall mean the Board of Governors of the Federal Reserve System of the United States (or any successor).

**“Board of Directors”** or **“board of directors”** shall mean, for any Person, the board of directors or other governing body of such Person or, if such Person does not have such a board of directors or other governing body and is owned or managed by a single entity, the board of directors or other governing body of such entity, or, in either case, any committee thereof duly authorized to act on behalf of such board of directors or other governing body. Unless otherwise provided, “board of directors” shall mean the board of directors of the Borrower.

**“Borrower”** shall have the meaning provided in the preamble to this Agreement.

**“Borrower Materials”** shall have the meaning provided in Section 11.17(d) hereof.

**“Borrower Offer of Specified Discount Prepayment”** shall mean the offer by Borrower to make a voluntary prepayment of Loans at a specified discount to par pursuant to Section 4.1(c)(ii).

**“Borrowing”** shall mean and include the incurrence of one Class and Type of Initial Term Loan on the Funding Date (or resulting from conversions on a given date after the Funding Date) having, in the case of LIBOR Loans, the same Interest Period (provided that ABR Loans incurred pursuant to Section 2.10(b) shall be considered part of any related Borrowing of LIBOR Loans).

**“Borrowing Base”** shall mean, as of any date, an amount equal to:

- (1) 90% of the face amount of all accounts receivable owned by the Borrower and its Restricted Subsidiaries as of the end of the most recent fiscal quarter preceding such date that were not more than 90 days past due; plus
- (2) 85% of the book value (before any reduction from current cost to LIFO cost) of all inventory owned by the Borrower and its Restricted Subsidiaries as of the end of the most recent fiscal quarter preceding such date; plus
- (3) 100% of the cash and Cash Equivalents owned by the Borrower and its Restricted Subsidiaries as of the end of the most recent fiscal quarter preceding such date.

**“BP Acquisition”** shall mean the contemplated acquisition by Tesoro Refining & Marketing Company LLC of British Petroleum’s integrated Southern California refining and marketing business from BP West Coast Products, LLC, Atlantic Richfield Company, ARCO Midcon LLC, ARCO Terminal Services Corporation, ARCO Material Supply Company, CH-Twenty, Inc., Products Cogeneration Company and Energy Global Investments (USA), Inc., as disclosed in the Form 8-K filed by the Borrower with the SEC on August 13, 2012.

**“Business Day”** shall mean any day excluding Saturday, Sunday and any other day on which banking institutions in New York City are authorized by law or other governmental actions to close, and, if such day relates to any interest rate settings as to a LIBOR Loan, any fundings, disbursements, settlements and payments in respect of any such LIBOR Loan, or any other dealings pursuant to this Agreement in respect of any such LIBOR Loan, such day shall be a day on which dealings in deposits in Dollars are conducted by and between banks in the London interbank eurodollar market.

**“Capital Lease Obligations”** shall mean, an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP, and the Maturity Date thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty; *provided* that any obligations of the Borrower or its Restricted Subsidiaries, or of a special purpose or other entity not consolidated with the Borrower and its

Restricted Subsidiaries (i) that were not or would not have been included on the consolidated balance sheet of the Borrower as capital lease obligations on the Effective Date and (ii) that are subsequently recharacterized as capital lease obligations or, in the case of such a special purpose or other entity becoming consolidated with the Borrower and its Restricted Subsidiaries, due to a change in accounting treatment or otherwise after the Effective Date, may, in the Borrower's sole discretion, not be treated as Capital Lease Obligations or Indebtedness.

**"Capital Stock"** shall mean:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

**"Cash Equivalents"** shall mean

- (i) United States dollars, Canadian dollars and the Euro;
- (ii) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition;
- (iii) certificates of deposit, time deposits and Euro dollar time deposits with maturities of not more than one year from the date of acquisition, bankers' acceptances with maturities of not more than one year from the date of acquisition and overnight bank deposits, in each case, with any domestic commercial bank having capital and surplus in excess of \$500.0 million and \$100.0 million (or the U.S. dollar equivalent as of the date of determination) in the case of non-U.S. banks;
- (iv) repurchase obligations for underlying securities of the types described in clauses (ii) and (iii) above entered into with any financial institution meeting the qualifications specified in clause (iii) above;
- (v) commercial paper rated at least P-1 by Moody's or at least A-1 by S&P with maturities of not more than one year from the date of acquisition;
- (vi) marketable short-term money market and similar securities having a rating of at least P-2 or A-2 from either Moody's or S&P, respectively (or, if at any time neither