

(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

Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) and in each case with maturities of not more than two years from the date of acquisition;

(vii) investment funds investing 95% of their assets in securities of the types described in clauses (i) through (vi) above and (viii) through (x) below;

(viii) readily marketable direct obligations issued by any state, commonwealth or territory of the United States or any political subdivision or taxing authority thereof having an Investment Grade Rating from either Moody's or S&P with maturities of not more than two years from the date of acquisition;

(ix) Indebtedness or preferred stock issued by Persons with a rating of "A" or higher from S&P or "A2" or higher from Moody's with maturities of one year or less from the date of acquisition; and

(x) Investments with average maturities of 12 months or less from the date of acquisition in money market funds rated AAA- (or the equivalent thereof) or better by S&P or Aaa3 (or the equivalent thereof) or better by Moody's.

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clause (i) above, *provided* that such amounts are converted into any currency listed in clause (i) as promptly as practicable and in any event within ten Business Days following the receipt of such amounts.

"Change in Law" shall mean (a) the adoption of any law, rule, regulation or treaty after the Effective Date, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority after the Effective Date or (c) compliance by any Lender with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the Effective Date; *provided however*, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law" regardless of the date enacted, adopted, issued or implemented and shall be included as a Change in Law only to the extent a Lender is imposing applicable increased costs or costs in connection with capital adequacy requirements similar to those described in clauses (a)(ii) and (c) of Section 2.10 generally on other borrowers of loans under comparable syndicated credit facilities.

"Change of Control" shall mean the occurrence of any of the following events: (i) there shall be consummated (A) any consolidation or merger of the Borrower in which the Borrower is not the continuing or surviving corporation or pursuant to which shares of the Borrower's common stock would be converted into cash, securities or other property, other than a merger of the Borrower where a majority of the Board of Directors of the surviving corporation

are, and for a two year period after the merger continue to be, persons who were directors of the Borrower immediately prior to such merger or were elected as directors, or nominated for election as directors, by a vote of at least two-thirds of the directors then still in office who were directors of the Borrower immediately prior to such merger, or (B) any sale, lease, exchange or transfer (in one transaction or a series of transactions) of all or substantially all of the assets of the Borrower, unless, immediately following such sale, lease, exchange or transfer, such assets are owned, directly or indirectly, by the Borrower or one or more Restricted Subsidiaries of the Borrower; (ii) the shareholders of the Borrower shall approve any plan or proposal for the liquidation or dissolution of the Borrower; (iii) (A) any “person” as defined in the Exchange Act, other than the Borrower or a Restricted Subsidiary or any employee benefit plan sponsored by the Borrower or a Restricted Subsidiary, shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Borrower representing 50% or more of the combined voting power of the Borrower’s then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, and (B) at any time during a period of two consecutive years thereafter, individuals who immediately prior to the beginning of such period constituted the Board of Directors of the Borrower shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination by the Board of Directors for election by the Borrower’s shareholders of each new director during such period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period; or (iv) a “Change of Control” or like event under any agreement, document or instrument evidencing Material Indebtedness.

“**Class**” when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Initial Term Loans or Extended Term Loans (of the same Extension Series), and when used in reference to any Lender, refers to whether such Lender has a Loan of such Class.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“**Collateral**” shall have the meaning provided for such term in each of the Collateral Documents and shall in any event include all property subject or purported to be subject to liens securing Secured Obligations.

“**Collateral Agent**” shall mean JPMorgan Chase Bank, National Association, as Collateral Agent under the Collateral Documents, or any successor Collateral Agent appointed in accordance with the provisions of Section 10.9.

“**Collateral Documents**” shall mean all agreements, instruments and documents executed in connection with this Agreement that are intended to create or evidence Liens to secure the Secured Obligations, including, without limitation, the Security Agreement, the Pledge Agreement and all other security agreements, loan agreements, notes, guarantees, subordination agreements, pledges, warrants, mortgages, charges, debentures, hypothecations, powers of attorney, consents, assignments, contracts, fee letters, notices, leases, financing statements and all

other written matter whether heretofore, now, or hereafter executed by or on behalf of the Borrower or any of the Guarantors and delivered to the Collateral Agent or any of the Lenders, together with all agreements and documents referred to therein or contemplated thereby.

“Commitment Expiration Date” shall mean the earlier of (a) August 9, 2013 and (b) the date, if any, on which the Borrower voluntarily terminates the Commitments prior to funding.

“Commitment Fee” shall have the meaning set forth in Section 3.2.

“Commitments” shall mean (a) in the case of each Lender that is a Lender on the date hereof, the amount set forth opposite such Lender’s name on Schedule 1.1(a) hereto as such Lender’s “Commitment” and (b) in the case of any Lender that becomes a Lender after the date hereof, the amount specified as such Lender’s “Commitment” in the Assignment and Acceptance pursuant to which such Lender assumed a portion of the total Commitment, in each case as the same may be changed from time to time pursuant to the terms hereof. The aggregate amount of the Commitments as of the Effective Date is \$500,000,000.

“Commodity Hedging Agreements” shall mean agreements or arrangements designed to protect such Person against fluctuations in the price of (i) crude oil, natural gas, or other hydrocarbons, including refined hydrocarbon products; (ii) electricity and other sources of energy or power used in the Borrower’s refining or processing operations; or (iii) any other commodity; in each case, in connection with the conduct of its business and not for speculative purposes.

“Commodity Hedging Obligations” shall mean, with respect to any Person, the net payment Obligations of such Person under Commodity Hedging Agreements.

“Communications” shall have the meaning provided in Section 11.17(a).

“Confidential Information” shall have the meaning provided in Section 11.16 hereof.

“Consolidated Cash Flow” shall mean, with respect to any Person for any period, the Consolidated Net Income of such Person for such period,

(i) increased (without duplication) by:

(a) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted (and not added back) in computing such Consolidated Net Income, plus

(b) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest expense, the interest component of any de-

ferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations (including amortization of fees)), to the extent that any such expense was deducted in computing such Consolidated Net Income, plus

(c) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation and amortization were deducted in computing such Consolidated Net Income, plus

(d) any other non-cash items (including, without limitation, write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting, but excluding any such non-cash item to the extent that it represents an accrual of, or reserve for, cash expenditures in any future period), plus

(e) the amount of any restructuring charge or reserve or non-recurring integration costs deducted (and not added back) in such period computing Consolidated Net Income, including any one-time costs incurred in connection with acquisitions after the Effective Date and costs related to the closure and/or consolidation of facilities,

(ii) decreased by (without duplication) non-cash gains increasing such Consolidated Net Income for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or a reserve for a potential cash item that reduced Consolidated Cash Flow in any prior period in each case, on a consolidated basis, and

(iii) increased or decreased by (without duplication): (a) any net gain or loss resulting in such period from Hedging Obligations and the application of Financial Accounting Standards Codification No. 815—Derivatives and Hedging, *plus* or *minus*, as applicable, (b) any net gain or loss resulting in such period from currency translation gains or losses related to currency remeasurements of Indebtedness (including any net loss or gain resulting from hedge agreements for currency exchange risk and revaluations of intercompany balances).

“Consolidated Net Income” shall mean, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries (for such period, on a consolidated basis, determined in accordance with GAAP); *provided* that:

(i) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions or other payments that are actually paid in cash (or to the extent converted into cash) to the referent Person or a Restricted Subsidiary thereof;

(ii) the Net Income of any Restricted Subsidiary that is not a Guarantor shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders;

(iii) the cumulative effect of a change in accounting principles shall be excluded;

(iv) any ceiling limitation write-downs under SEC guidelines shall be treated as capitalized costs, as if such write-down had not occurred;

(v) an amount equal to any extraordinary, unusual or non-recurring gains or losses, including, without limitation, any fees, expenses or charges related to any Permitted Investment, acquisition or disposition permitted by this Agreement, offering of Capital Stock or Indebtedness of such Person permitted to be incurred under this Agreement (in each case, whether or not successful) but excluding any restructuring or similar charge, shall be excluded;

(vi) any non-cash compensation expense realized for any grant of stock, stock options or other equity-based awards shall be excluded;

(vii) non-cash gains and losses attributable to movement in the mark-to-market valuation of Hedging Obligations pursuant to Accounting Standards Codification No. 815, shall be excluded;

(viii) any impairment charge or asset write-off pursuant to Accounting Standards Codification No. 350 and Accounting Standards Codification No. 360 shall be excluded;

(ix) any gain or loss realized (less all fees and expenses or charges related thereto) upon the sale or other disposition of any property of such Person or any of its consolidated Subsidiaries (including pursuant to any Sale and Leaseback Transaction) that is not sold or otherwise disposed of in the ordinary course of business, shall be excluded;

(xi) any net income (loss) of any other Person acquired during the specified period for any period prior to the date of such acquisition, shall be excluded; and

(xii) any net after-tax income or loss (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of Indebtedness, including, without limitation, any make-whole premium or similar charge related to any Indebtedness being refinanced, shall be excluded.