

employees of the Agent) paid or incurred by the Agent in connection with the preparation, execution, delivery, administration, collection and enforcement of this Security Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). Any and all costs and expenses incurred by the Grantors in the performance of actions required pursuant to the terms hereof shall be borne solely by the Grantors.

- 16 -

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8.10. Headings. The title of and section headings in this Security Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Security Agreement.

8.11. Termination. This Security Agreement shall continue in effect (notwithstanding the fact that from time to time there may be no Secured Obligations outstanding) until (i) the Credit Agreement has terminated pursuant to its express terms and (ii) all of the Secured Obligations have been indefeasibly paid and performed in full and no commitments of the Agent or the Secured Parties which would give rise to any Secured Obligations are outstanding.

8.12. Entire Agreement. This Security Agreement embodies the entire agreement and understanding between the Grantors and the Agent relating to the Collateral and supersedes all prior agreements and understandings between the Grantors and the Agent relating to the Collateral.

8.13. **CHOICE OF LAW. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

8.14. **CONSENT TO JURISDICTION. THE AGENT AND EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY:**

**8.14.1 SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK AND APPELLATE COURTS FROM ANY THEREOF;**

**8.14.2 CONSENTS THAT ANY SUCH ACTION OR PROCEEDING SHALL BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;**

**8.14.3 AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO SUCH PERSON AT ITS ADDRESS SET FORTH ON SCHEDULE 11.2 OF THE CREDIT AGREEMENT AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT TO SECTION 11.2 OF THE CREDIT AGREEMENT;**

- 17 -

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**8.14.4 AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY REQUIREMENTS OF LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION;**

**8.14.5 WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO IN THIS SECTION 8.14 ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES; AND**

**8.14.6 AGREES THAT A FINAL JUDGMENT IN ANY ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.**

8.15. Indemnity. Each Grantor hereby agrees, jointly with the other Grantors and severally, to indemnify the Agent and the Secured Parties, and their respective successors, assigns, agents and employees, from and against any and all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent or any Secured Party is a party thereto) imposed on, incurred by or asserted against the Agent or the Secured Parties, or their respective successors, assigns, agents and employees, in any way relating to or arising out of this Security Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including, without limitation, latent and other defects, whether or not discoverable by the Agent or the Secured Parties or any Grantor, and any claim for patent, trademark or copyright infringement) except for acts or omissions of the Agent or any Secured Party after such Person has taken possession and control of the Collateral.

8.16. Subordination of Intercompany Indebtedness. Each Grantor agrees that any and all claims of such Grantor against any other Grantor (each an “Obligor”) with respect to any “Intercompany Indebtedness” (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Secured Obligations, or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Secured Obligations. Notwithstanding any right of any Grantor to ask, demand, sue for, take or receive any payment from any Obligor, all rights, liens and security interests of such Grantor, whether now or hereafter arising and howsoever existing, in any assets of any other Obligor shall be and are subordinated to the rights of the Secured Parties and the Agent in those assets. No Grantor shall have any right to possession of any such asset or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until all of the Secured Obligations (other than contingent indemnity obligations) shall have been fully paid and satisfied (in cash) and all Commitments under the Credit Agreement have terminated or expired. If all or any part of the assets of any Obligor, or the proceeds thereof, are subject to any distribution, division or application to the creditors of such Obligor, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any such Obligor is dissolved or if substantially all of the assets of any such Obligor are sold, then, and in any such event (such

events being herein referred to as an “Insolvency Event”), subject to the ABL Intercreditor Agreement, any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness of any Obligor to any Grantor (“Intercompany Indebtedness”) shall be paid or delivered directly to the Agent for application on any of the Secured Obligations, due or to become due, until such Secured Obligations (other than contingent indemnity obligations) shall have first been fully paid and satisfied (in cash). Should any payment, distribution, security or instrument or proceeds thereof be received by the applicable Grantor upon or with respect to the Intercompany Indebtedness after any Insolvency Event and prior to the satisfaction of all of the Secured Obligations (other than contingent indemnity obligations) and the termination or expiration of all Commitments of the Lenders under the Credit Agreement, such Grantor shall receive and hold the same in trust, as trustee, for the benefit of the Secured Parties and shall, subject to the ABL Intercreditor Agreement, forthwith deliver the same to the Agent, for the benefit of the Secured Parties, in precisely the form received (except for the endorsement or assignment of the Grantor where necessary), for application to any of the Secured Obligations, due or not due, and, until so delivered, the same shall be held in trust by the Grantor as the property of the Secured Parties. If any such Grantor fails to make any such endorsement or assignment to the Agent, the Agent or any of its officers or employees is irrevocably authorized to make the same. Each Grantor agrees that until the Secured Obligations (other than the contingent indemnity obligations) have been paid in full (in cash) and satisfied and all Commitments under the Credit Agreement have terminated or expired, no Grantor will assign or transfer to

any Person (other than the Agent or the Borrower or another Grantor) any claim any such Grantor has or may have against any Obligor.

8.17. Partial Invalidity. If and to the extent that any Grantor's obligations hereunder are terminated or are otherwise deemed to be invalid or unenforceable, such termination, invalidity or unenforceability shall not affect the continued effectiveness, validity or enforceability of this Security Agreement with respect to any one or more of the other Grantors.

## ARTICLE 9

### NOTICES

9.1. Sending Notices. Any notice required or permitted to be given under this Security Agreement shall be sent (and deemed received) in the manner and to the addresses set forth in Section 11.2 of the Credit Agreement; and any such notice delivered to the Borrower shall be deemed to have been delivered to all of the Grantors.

9.2. Change in Address for Notices. Each of the Grantors, the Agent and the Lenders may change the address for service of notice upon it by a notice in writing to the other parties.

## ARTICLE 10

### THE AGENT

JPMorgan Chase Bank, National Association has been appointed Agent for the Secured Parties hereunder pursuant to Section 10 of the Credit Agreement. It is expressly understood and agreed by the parties to this Security Agreement that any authority conferred upon the Agent he-

- 19 -

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reunder is subject to the terms of the delegation of authority made by the Secured Parties to the Agent pursuant to the Credit Agreement, and that the Agent has agreed to act (and any successor Agent shall act) as such hereunder only on the express conditions contained in such Section 10. Any successor Agent appointed pursuant to Section 10 of the Credit Agreement shall be entitled to all the rights, interests and benefits of the Agent hereunder.

## ARTICLE 11

### THE ABL INTERCREDITOR AGREEMENT

Notwithstanding anything herein to the contrary, the lien and security interest in the Collateral granted to the Agent pursuant to this Agreement and the exercise of certain rights and remedies by the Agent hereunder with respect to the Collateral are subject to the provisions of the ABL Intercreditor Agreement. In the event of any conflict between the terms of the ABL Intercreditor Agreement and this Agreement, the terms of the ABL Intercreditor Agreement shall govern and control. Notwithstanding anything herein to the contrary, prior to the Discharge of ABL Obligations (as such term is defined in the ABL Intercreditor Agreement), the requirements of this Agreement to deliver ABL Collateral and any certificates, instruments or Documents in relation thereto to the Agent shall be deemed satisfied by delivery of such ABL Collateral and such certificates, instruments or documents in relation thereto to the ABL Agent (as bailee for the Agent). Each Grantor shall provide a prompt written notice to the Agent describing all certificates, instruments, documents or other Collateral delivered to the ABL Agent pursuant to the immediately preceding sentence.

## ARTICLE 12

### RELEASE OF LIENS

12.1. The Lenders hereby authorize the Agent, at its option and in its discretion, to release any Lien granted to or held by the Agent upon any Collateral (i) upon termination of the Commitments and payment and satisfaction of all of the

Secured Obligations at any time arising under or in respect of this Agreement or the Loan Documents or the transactions contemplated hereby or thereby; (ii) as permitted by, but only in accordance with, the terms of the applicable Loan Document; or (iii) if approved, authorized or ratified in writing by the Required Lenders, unless such release is required to be approved by all of the Lenders hereunder. Upon request by the Agent at any time, the Lenders will confirm in writing the Agent's authority to release particular types or items of Collateral pursuant to this Section 12.

12.2. Upon any sale or transfer of assets constituting Collateral which is permitted pursuant to the terms of any Loan Document (other than any such sale to another Grantor), or consented to in writing by the Required Lenders or all of the Lenders, as applicable, and upon at least five (5) Business Days' prior written request by the Borrower to the Agent, the Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the Liens granted to the Agent for the benefit of the Secured Parties herein or pursuant hereto upon the Collateral that was sold or transferred; provided, however, that (i) the Agent shall not be required to execute any such document on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any con-

- 20 -

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sequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Secured Obligations or any Liens upon (or obligations of the Borrower or any Guarantor in respect of) all interests retained by the Borrower or any Guarantor, including, without limitation, the proceeds of the sale, all of which shall continue to constitute part of the Collateral.

12.3. The Lenders hereby authorize the Agent to release any Lien granted to or held by the Agent in respect of any assets or property constituting ABL Collateral securing ABL Obligations, upon the release of the security interests in such assets or property securing any ABL Obligations. Notwithstanding the foregoing, Section 5.1(a) of the ABL Intercreditor Agreement shall govern with respect to released ABL Collateral prior to the Discharge of ABL Obligations (as defined in the ABL Intercreditor Agreement).

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- 21 -

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IN WITNESS WHEREOF, each of the Grantors and the Agent have executed this Security Agreement as of the date first above written.

TESORO CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

GOLDSTAR MARITIME COMPANY  
TESORO ALASKA COMPANY  
TESORO AVIATION COMPANY  
TESORO COMPANIES, INC.  
TESORO ENVIRONMENTAL RESOURCES  
COMPANY  
TESORO FAR EAST MARITIME COMPANY  
TESORO HAWAII, LLC  
TESORO INSURANCE HOLDING COMPANY  
TESORO MARITIME COMPANY  
TESORO NORTHSTORE COMPANY  
TESORO REFINING & MARKETING COMPANY LLC  
TESORO SIERRA PROPERTIES, LLC  
TESORO SOCAL PIPELINE COMPANY LLC  
TESORO SOUTH COAST COMPANY, LLC  
TESORO TRADING COMPANY  
TESORO WASATCH, LLC  
TESORO WEST COAST COMPANY, LLC  
TREASURE FRANCHISE COMPANY LLC

By: \_\_\_\_\_  
Name:  
Title:

SMILEY'S SUPER SERVICE, INC.

By: \_\_\_\_\_  
Name:  
Title:

Acknowledged:

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,  
as Agent

By: \_\_\_\_\_

Name:

Title:

Signature Page to Security Agreement

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EXHIBIT "A"

(See Sections 3.3, 3.4, 3.5, 3.6, 3.11 and 4.1.3 of Security Agreement)

Exact Legal Name of Grantor:

**Tesoro Corporation**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: N/A

Exact Legal Name of Grantor:

**Gold Star Maritime Company**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: Alaska, California, Hawaii, Oregon, Washington<sup>1</sup>

Exact Legal Name of Grantor:

**Smiley's Super Service, Inc.**

Chief Executive Office:

1311 Palama Street

Honolulu, HI 96817

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Hawaii

Location of Inventory: N/A

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<sup>1</sup> Inventory often in transit.

A-1

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Exact Legal Name of Grantor:

**Tesoro Alaska Company**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: Alaska

Exact Legal Name of Grantor:

**Tesoro Aviation Company**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: N/A

Exact Legal Name of Grantor:

**Tesoro Companies, Inc.**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: N/A

A-2

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Exact Legal Name of Grantor:

**Tesoro Environmental Resources Company**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: N/A

Exact Legal Name of Grantor:

**Tesoro Far East Maritime Company**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: Alaska, California, Hawaii, Oregon, Washington<sup>2</sup>

Exact Legal Name of Grantor:

**Tesoro Hawaii, LLC**

Chief Executive Office:

91-325 Komohana Street

Kapolei, HI 96707

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Hawaii

Location of Inventory: Hawaii<sup>3</sup>

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<sup>2</sup> Inventory often in transit.

<sup>3</sup> Inventory often in transit.



A-3

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Exact Legal Name of Grantor:

**Tesoro Insurance Holding Company**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: N/A

Exact Legal Name of Grantor:

**Tesoro Maritime Company**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: N/A

Exact Legal Name of Grantor:

**Tesoro Northstore Company**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Alaska

Location of Inventory: N/A

A-4

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Exact Legal Name of Grantor:

**Tesoro Refining & Marketing Company LLC**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: California, Washington, Utah, North Dakota<sup>4</sup>

Exact Legal Name of Grantor:

**Tesoro Sierra Properties, LLC**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: N/A

Exact Legal Name of Grantor:

**Tesoro SoCal Pipeline Company LLC**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware

Location of Inventory: N/A

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<sup>4</sup> Inventory often in transit.

Exact Legal Name of Grantor:

**Tesoro South Coast Company, LLC**

Chief Executive Office:

19100 Ridgewood Parkway

San Antonio, TX 78259

FEIN: XX-XXXXXXX

Jurisdiction of Incorporation/Organization/Formation: Delaware