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FORM 10-K
(Annual Report)

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Sector	Energy
Fiscal Year	12/31

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

or

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

For the transition period from _____ to _____

Commission File Number 1-3473

TESORO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware		**95-0862768**
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)

19100 Ridgewood Pkwy, San Antonio, Texas 78259-1828

(Address of principal executive offices) (Zip Code)

210-626-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $0.16 2/3 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

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

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer	☑		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

At June 30, 2016 , the aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately $8.8 billion based upon the closing price of its common stock on the New York Stock Exchange Composite tape. At February 15, 2017 , there were 116,986,291 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Proxy Statement to be filed pursuant to Regulation 14A pertaining to the 2016 Annual Meeting of Stockholders are incorporated by reference into Part III hereof. The Company intends to file such Proxy Statement no later than 120 days after the end of the fiscal year covered by this Form 10-K.

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TESORO

This Annual Report on Form 10-K (including documents incorporated by reference herein) contains statements with respect to our expectations or beliefs as to future events. These types of statements are "forward-looking" and subject to uncertainties. See "Important Information Regarding Forward-Looking Statements."

IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (including information incorporated by reference) contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact, including without limitation statements regarding expectations regarding refining margins, revenues, cash flows, capital expenditures, turnaround expenses and other financial items, our business strategy, goals and expectations concerning our market position, future operations, margins and profitability, are forward-looking statements. Forward-looking statements may be identified by use of the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will," "would" and similar terms and phrases. Although we believe our assumptions concerning future events are reasonable, a number of risks, uncertainties and other factors could cause actual results and trends to differ materially from those projected, including, but not limited to:

- the constantly changing margin between the price we pay for crude oil and other refinery feedstocks as well as renewable identification numbers ("RINs") and environmental credits, and the prices at which we are able to sell refined products;
- changes in the expected value of and benefits derived from acquisitions and capital projects;
- changes in global economic conditions on our business, especially in California, and the business of our suppliers, customers, business partners and credit lenders;
- changes in fuel and utility costs for our facilities;
- changes in the cost or availability of third-party vessels, pipelines and other means of transporting crude oil feedstocks and refined products;
- regulatory and other requirements concerning the transportation of crude oil, particularly from the Bakken area;
- changes in the carrying costs of our inventory;
- the timing and extent of changes in commodity prices and underlying demand for our refined products, natural gas and natural gas liquids;
- the availability and costs of crude oil, other refinery feedstocks, refined products and RINs;
- changes in our cash flow from operations;
- earthquakes or other natural disasters affecting operations;
- direct or indirect effects on our business resulting from actual or threatened terrorist incidents, cyber-security breaches or acts of war;
- weather conditions affecting our operations or the areas in which our refined products are marketed;
- actions of customers and competitors;
- state and federal environmental, economic, health and safety, energy and other policies and regulations, including those related to climate change and any changes therein, and any legal or regulatory investigations, delays, compliance costs or other factors beyond our control;
- delays in obtaining necessary approvals and permits;
- adverse rulings, judgments, or settlements in litigation or other legal or tax matters, including unexpected environmental remediation costs in excess of any reserves;
- operational hazards inherent in refining operations and in transporting and storing crude oil and refined products;
- changes in our credit profile;
- changes in capital requirements or in execution of planned capital projects;
- disruptions due to equipment interruption or failure at our facilities or third-party facilities;
- seasonal variations in demand for refined products and natural gas;
- risks related to labor relations and workplace safety;
- political developments; and
- the factors described in greater detail under "Competition" and "Risk Factors" in Items 1 and 1A, and our other filings with the SEC.

All forward-looking statements included in this report are based on information available to us on the date of this report. We undertake no obligation to revise or update any forward-looking statements as a result of new information, future events or otherwise.

GLOSSARY OF TERMS

Alkylation - A process that chemically combines isobutane with other hydrocarbons through the control of temperature and pressure in the presence of an acid catalyst. This process produces alkylates, which have a high octane value and are blended into gasoline to improve octane values.

API - American Petroleum Institute - The main U.S. trade association for the oil and natural gas industry.

API Gravity - A scale for denoting the lightness or heaviness of crude oil and other liquid hydrocarbons. Calibrated in API degrees (or degrees API), it is used universally to express a crude oil's relative density in an inverse measure - the lighter the crude, the higher the API gravity, and vice versa.

Blendstocks - Components used for blending or compounding into finished jet or gasoline (e.g., straight-run gasoline, alkylate, reformulate, benzene, toluene, and xylene). Excludes oxygenates (alcohols, ethers), butane and pentanes.

Calcining - A process whereby green or raw petroleum coke from the refining process is converted to a high grade coke by thermally treating it to remove moisture and volatile combustible matter. The upgraded high grade calcined coke is typically used by the aluminum industry.

CARB - California Air Resources Board - Gasoline and diesel fuel sold in the state of California are regulated by CARB and require stricter quality and emissions reduction performance than required by other states.

Cracking - The process of breaking down larger hydrocarbon molecules into smaller molecules using catalysts and/or elevated temperatures and pressures.

D&A - Depreciation and amortization expenses.

Deasphalting - A solvent extraction process of recovering higher-value oils from refining residues.

Delayed Coking - A process by which the heaviest crude oil fractions can be thermally cracked under conditions of elevated temperatures to produce both refined products and petroleum coke.

Exchange Arrangement - An agreement providing for the delivery of crude oil or refined products to/from a third party, in exchange for the delivery of crude oil or refined products to/from the third party.

FERC - Federal Energy Regulatory Commission.

Fluid Catalytic Cracking - A process that breaks down larger, heavier, and more complex hydrocarbon molecules into simpler and lighter molecules through the use of a catalytic agent and is used to increase the yield of gasoline. Fluid catalytic cracking uses a catalyst in the form of very fine particles, which behave as a fluid when aerated with a vapor.

Fractionation - The process of separating natural gas liquids into its component parts by heating the natural gas liquid stream and boiling off the various fractions in sequence from the lighter to the heavier hydrocarbon.

Fuel Margin - The margin on fuel products sold through our Marketing segment calculated as revenues less cost of sales. Cost of sales in fuel margin are based on purchases from our refining segment and third parties using average bulk market prices adjusted for transportation and other differentials.

Gas Processing - A complex industrial process designed to remove the heavier and more valuable natural gas liquids components from raw natural gas allowing the residue gas remaining after extraction to meet the quality specifications for long-haul pipeline transportation or commercial use.

Gross Refining Margin - The margin on products manufactured and purchased, including those sold to our Marketing segment. Gross refining margin is the difference between the prices of all manufactured refined products sold and the cost of crude oil and other feedstocks used to produce refined products, including the cost of transportation and distribution.

Heavy Crude Oil - Crude oil with an API gravity of 24 degrees or less. Heavy crude oil is typically sold at a discount to lighter crude oil.

Heavy Fuel Oils, Residual Products, Internally Produced Fuel and Other - Products other than gasoline, jet fuel and diesel fuel produced in the refining process. These products include residual fuels, gas oils, propane, petroleum coke, asphalt and internally produced fuel.

Hydrocracking - A process that uses a catalyst to crack heavy hydrocarbon molecules in the presence of hydrogen. Major products from hydrocracking are distillates, naphtha, propane and gasoline components such as butane.

Hydrotreating - A process that removes sulfur from refined products in the presence of catalysts and substantial quantities of hydrogen to reduce sulfur dioxide emissions that result from the use of the products.

Isomerization - A process that alters the fundamental arrangement of atoms in the molecule without adding or removing anything from the original material. The process is used to convert normal butane into isobutane and normal pentane into isopentane and hexane into isohexane.

Jobber/Dealer - Retail station owned by a third party that sells products purchased from or through us.

Light Crude Oil - Crude oil with an API gravity greater than 24 degrees. Light crude oil is typically sold at a premium to heavy crude oil.

Manufacturing Costs - Costs associated directly with the manufacturing process including cash operating expenses, but excluding depreciation and amortization.

Mbpd - Thousand barrels per day.

MMBtu - Million British thermal units.

MMMBtu - Billion British thermal units.

MMcf - Million cubic feet.

Multi-Site Operator ("MSO") - Companies licensed to operate retail stations in which we have a fee or leasehold interest in the property and title to the fuel until sold to the consumer. MSOs operate the non-fuel business at the location and employ the operating personnel.

Naphtha - Refined product used as a gasoline blending component, a feedstock for reforming and as a petrochemical feedstock.

NGLs - Natural gas liquids.

OPEC - Organization of the Petroleum Exporting Countries

Other Feedstocks - Any non-crude raw or semi-finished material, which is further processed in various units of a refinery.

Refined Products - Hydrocarbon compounds, such as gasoline, diesel fuel, jet fuel and residual fuel that are produced by a refinery.

Refining Yield - Volumes of product produced from crude oil and feedstocks.

Reforming - A process that uses controlled heat and pressure with catalysts to rearrange certain hydrocarbon molecules into petrochemical feedstocks and higher octane stocks suitable for blending into finished gasoline.

Residual crude oil - The remainder of the crude oil after gasoline and distillate fuel oils have been extracted through distillation.

SG&A - Selling, general and administrative expenses.

Sweet crude oil - Crude oil containing less than 0.45% sulfur.

Sour crude oil - Crude oil containing greater than 0.45% sulfur.

Tesoro Index - A performance benchmark that uses several crude oils and approximately 8 to 10 products to provide a potentially closer representation of the trends in the available margin. Our actual gross refining margins differ from the Tesoro Index based on the actual slate of crude oil that is run at our refineries and the products we produce or yield. The published Tesoro Index, including a reconciliation of the included components, is available on our website at www.tsocorp.com.

Throughput - The quantity of crude oil and other feedstocks processed at a refinery measured in barrels per day.

Turnaround - The scheduled shutdown of a refinery processing unit for significant overhaul and refurbishment. Turnaround expenditures are capitalized and amortized over the period of time until the next planned turnaround of the unit.

Unit Train - A train consisting of approximately one hundred rail cars containing a single material (such as crude oil) that is transported by the railroad as a single unit from its origin point to the destination, enabling decreased transportation costs and faster deliveries.

Vacuum Distillation - Distillation under reduced pressure, which lowers the boiling temperature of crude oil in order to distill crude oil components that have high boiling points.

As used in this Annual Report on Form 10-K, the terms "Tesoro," the "Company," "we," "us" or "our" may refer to Tesoro Corporation, one or more of its consolidated subsidiaries or all of them taken as a whole. The words "we," "us" or "our" generally include Tesoro Logistics LP ("TLLP"), a publicly traded limited partnership, and its subsidiaries as consolidated subsidiaries of Tesoro Corporation with certain exceptions where there are transactions or obligations between TLLP and Tesoro Corporation or its other subsidiaries. When used in descriptions of agreements and transactions, "TLLP" or the "Partnership" refers to TLLP and its consolidated subsidiaries.

PART I

ITEM 1. BUSINESS

Tesoro was incorporated in Delaware in 1968. Headquartered in San Antonio, Texas, we are one of the largest independent petroleum refining, logistics and marketing companies in the United States. Our common stock trades on the New York Stock Exchange under the symbol "TSO."

Our business is organized into three operating segments:

REFINING. Our refining operating segment refines crude oil and other feedstocks into transportation fuels, such as gasoline and gasoline blendstocks, jet fuel and diesel fuel, as well as other products, including heavy fuel oils, liquefied petroleum gas and petroleum coke for sale in bulk markets to a wide variety of customers within our markets.

TLLP. Our logistics operating segment, which is comprised of TLLP's assets and operations, includes certain crude oil and natural gas gathering assets, natural gas and NGLs processing assets, and crude oil and refined products terminalling, transportation and storage assets acquired from Tesoro and third parties. The TLLP financial and operational data presented include the historical results of all assets acquired from Tesoro prior to the dates they were acquired by TLLP. The historical results of operations of these assets have been retrospectively adjusted to conform to the current presentation.

MARKETING. Our marketing segment sells transportation fuels through branded and unbranded channels. The branded business sells transportation fuels using a unique brand portfolio with the ARCO®, Shell®, Exxon®, Mobil®, USA Gasoline ™ , Rebel ™ , Thrifty ™ and Tesoro® brands across a network of 2,492 retail stations.

See Notes 15 and 19 to our consolidated financial statements in Item 8 for additional information on our operating segments and properties.

REFINING

OVERVIEW. We currently own and operate seven petroleum refineries located in the western United States with a combined crude oil capacity of 895 Mbpd. Our Refining segment buys and refines crude oil and other feedstocks into transportation fuels that we sell to a wide variety of customers. Demand for gasoline is higher during the spring and summer months than during the fall and winter months in most of our markets due to seasonal changes in vehicle miles traveled. As a result, our operating results for both the Refining and Marketing segments for the first and fourth quarters are typically lower than the second and third quarters.

REGIONS. We currently operate the Refining segment in three separate regions: California, Pacific Northwest and Mid-Continent. Our geographic footprint and integrated logistics and marketing businesses enable our refineries to interact across these regions providing higher asset utilization and lower operating costs while maintaining well-balanced product supplies to better serve our customers.

CALIFORNIA REFINERIES

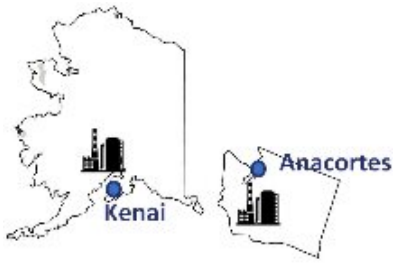


Crude Oil Capacity / 2016 Throughput (in Mbpd)
Los Angeles: 380 / 364
Martinez: 166 / 143

LOS ANGELES. Our Los Angeles refinery is located on approximately 930 acres in the Carson-Wilmington area of California about 20 miles south of Los Angeles. The refinery's major processing units include crude distillation, vacuum distillation, delayed coking, hydrocracking, naphtha reforming, hydrotreating, fluid catalytic cracking, butane isomerization and alkylation. The refinery produces a high proportion of transportation fuels, including CARB gasoline and CARB diesel fuel, conventional gasoline, diesel fuel and jet fuel. The refinery also produces heavy fuel oils, liquefied petroleum gas, petroleum coke, calcined coke and electricity.

MARTINEZ. Our Martinez refinery is located on approximately 2,200 acres in Martinez, California about 30 miles east of San Francisco. The refinery's major processing units include crude distillation, vacuum distillation, delayed coking, hydrocracking, naphtha reforming, hydrotreating, fluid catalytic cracking and alkylation units. The refinery produces a high proportion of transportation fuels, including CARB gasoline and CARB diesel fuel, conventional gasoline and diesel fuel. The refinery also produces liquefied petroleum gas and petroleum coke.

PACIFIC NORTHWEST REFINERIES



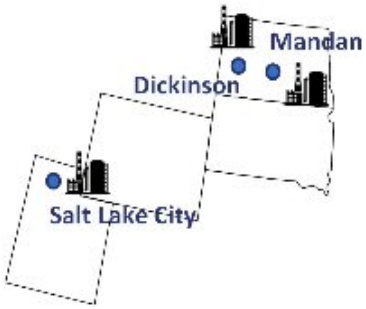
Crude Oil Capacity / 2016 Throughput (in Mbpd)
Anacortes: 120 / 124 (a)
Kenai: 72 / 57

(a) Throughput can exceed crude oil capacity due to the processing of other feedstocks in addition to crude oil.

ANACORTES. Our Anacortes refinery is located on approximately 950 acres in northwest Washington about 70 miles north of Seattle. The refinery's major processing units include crude distillation, vacuum distillation, deasphalting, naphtha reforming, hydrotreating, fluid catalytic cracking, butane isomerization and alkylation units, which enable us to produce a high proportion of transportation fuels such as conventional gasoline, diesel fuel and jet fuel. The refinery also produces heavy fuel oils and liquefied petroleum gas.

KENAI. Our Kenai refinery is located on approximately 450 acres on the Cook Inlet near Kenai, Alaska about 60 miles southwest of Anchorage. The refinery's major processing units include crude distillation, vacuum distillation, hydrocracking, hydrotreating, naphtha reforming, diesel desulfurizing and light naphtha isomerization units, which produce transportation fuels, including gasoline and gasoline blendstocks, jet fuel and diesel fuel, as well as other products, including heating oil, heavy fuel oils, liquefied petroleum gas and asphalt.

MID-CONTINENT REFINERIES



Crude Oil Capacity / 2016 Throughput (in Mbpd)
Salt Lake City: 63 / 58
Mandan: 74 / 71
Dickinson: 20 / 14 (b)

(b) Throughput for the 2016 period for Dickinson measured since our acquisition of the refinery on June 28, 2016.

SALT LAKE CITY. Our Salt Lake City refinery is located on approximately 150 acres in Salt Lake City, Utah. The refinery's major processing units include crude distillation, fluid catalytic cracking, naphtha reforming, hydrotreating and alkylation units, which produce transportation fuels, including gasoline, diesel fuel and jet fuel, as well as other products, including heavy fuel oils and liquefied petroleum gas.

MANDAN. Our Mandan refinery is located on approximately 950 acres along the Missouri River near Mandan, North Dakota. The refinery's major processing units include crude distillation, fluid catalytic cracking, naphtha reforming, hydrotreating and alkylation units, which produce transportation fuels, including gasoline, diesel fuel and jet fuel, as well as other products, including heavy fuel oils and liquefied petroleum gas.

DICKINSON. Acquired during 2016, our Dickinson refinery is located on 318 acres approximately 100 miles west of the Mandan refinery near Dickinson, North Dakota. The refinery produces ultra-low sulfur diesel, naphtha and residuals.

FEEDSTOCK PURCHASES. We purchase crude oil and other feedstocks from domestic and foreign sources either through the spot market or term agreements with renewal provisions and volume commitments. We purchase domestic crude oil produced primarily in North Dakota, Alaska, California, Utah and Wyoming. We purchase foreign crude oil produced in South America, the Middle East, Canada, western Africa and other locations. We lease access to the Trans-Panama pipeline (the "Panama Pipeline") and several tanks in Panama through agreements expiring in April 2017 that allow us to deliver the crude oil acquired in Africa and the Atlantic region of South America to refineries on the West Coast. We also transport crude oil across the Panama Pipeline for third parties. At December 31, 2016 , we held title to approximately 5.2 million barrels of crude oil in transit or in Panama for delivery to our refineries on the West Coast or to third parties.

SOURCES OF OUR CRUDE OIL PURCHASES BASED ON VOLUMES PURCHASED



Our refineries process both heavy and light crude oil. Light crude oil, when refined, produces a greater proportion of higher value transportation fuels such as gasoline, diesel and jet fuel, and as a result is typically more expensive than heavy crude oil. In contrast, heavy crude oil produces more low value by-products and heavy residual oils. These lower value products can be upgraded to higher value products through additional, more complex and expensive refining processes.

PRIMARY CRUDE OIL CHARACTERISTICS AND SOURCES OF CRUDE OIL FOR OUR REFINERIES

	Characteristics					Sources				
	Sweet	Sour	Residual	Other Feedstocks	Blendstocks	United States	Canada	South & Central America	Asia	Middle East & Africa
Los Angeles	■	■	■	■	■	■	■	■	■	■
Martinez	■	■	■	■	■	■	■	■	■	■
Anacortes	■			■	■	■	■		■	■
Kenai	■				■	■			■	
Mandan	■			■	■	■				
Salt Lake City	■			■	■	■	■			
Dickinson	■					■				

REFINED PRODUCTS . The total products produced in the refining process are referred to as the refining yield. The refining yield consists primarily of transportation fuels, including gasoline and gasoline blendstocks, jet fuel and diesel fuel, but may also include other products such as heavy fuel oils, liquefied petroleum gas, petroleum coke, calcined coke and asphalt.

2016 THROUGHPUT VOLUMES AND REFINING YIELDS

	California		Pacific Northwest		Mid-Continent		Total Refining	
	Volume	%	Volume	%	Volume	%	Volume	%
Throughput								
Heavy crude	170	34	6	3	—	—	176	21
Light crude	304	60	162	90	132	96	598	73
Other feedstocks	33	6	13	7	5	4	51	6
Total	**507**	**100**	**181**	**100**	**137**	**100**	**825**	**100**
Yield								
Gasoline and gasoline blendstocks	294	53	80	42	77	55	451	51
Diesel fuel	113	21	35	19	41	29	189	22
Jet fuel	71	13	35	19	12	8	118	13
Heavy fuel oils, residual products, internally produced fuel and other (a)	74	13	37	20	11	8	122	14
Total (b)	**552**	**100**	**187**	**100**	**141**	**100**	**880**	**100**

(a) The majority of internally produced fuel is consumed during the refining process.
(b) Refined product sales may exceed our yield due to purchased refined products.

LOGISTICS ASSETS



TERMINAL AND PIPELINES. We transport, store and distribute crude oil, feedstocks and refined products through our terminals and pipelines or terminals and pipelines owned by TLLP and third-parties in our market areas as well as through purchases and exchange arrangements with other refining and marketing companies. Our refineries are integrated with each other via pipelines, terminals and barges. The transportation links that connect our refineries allow for movement of intermediate and finished products, which permit us to optimize our value chain and maximize utilization.

MARINE. We charter tankers to optimize the transportation of crude oil, feedstocks, and refined products to support our refinery system and ensure adequate shipping capacity. Our current U.S.-flag and foreign-flag tanker time charters will expire with varying dates between 2017 and 2021 , unless we exercise renewal options. We also time charter tug and barge units and a ship assist tug with varying expiration dates between 2017 through 2018 , unless we exercise renewal options. We continually look to optimize our marine fleet and minimize costs, and from time to time we sub-charter vessels in our fleet to third-parties to maintain high utilization. All of our chartered tankers and barges are double-hulled.

RAIL. We maintain a fleet of leased rail cars to transport crude and refined products in support of our refining operations. In 2016, Tesoro placed an order for 525 additional tank cars for crude oil service that exceed the U.S. Department of Transportation's 117 standards that were announced in 2015 ("DOT120J200"). These cars started delivering in the second half of 2016 and will complement the 210 DOT120J200 tank cars currently in our fleet. We intend to continue ordering new rail cars that are among the safest available at the time of order and to comply with all relevant regulatory requirements.

REFINED PRODUCT SALES



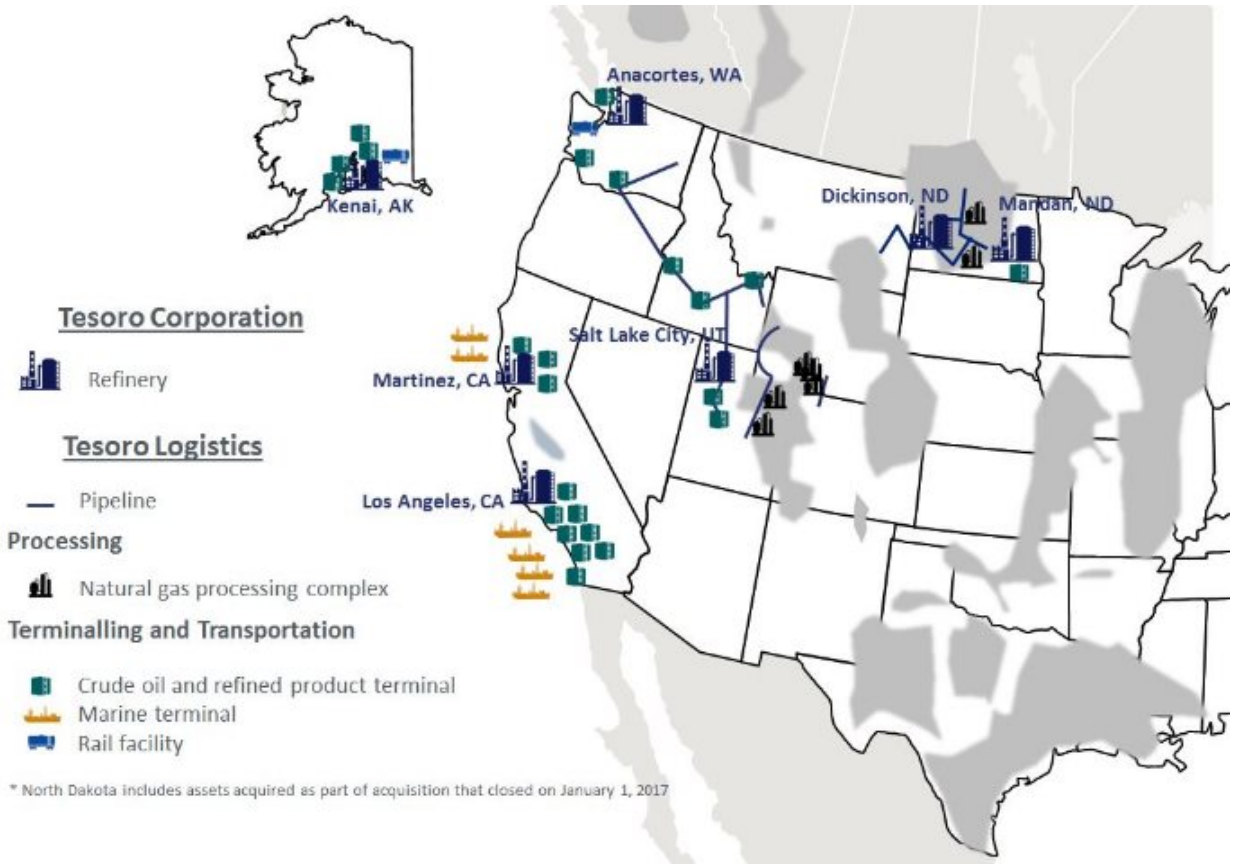
Our Marketing segment provides a committed outlet for the majority of gasoline produced by our refineries; however, we also sell gasoline and gasoline blendstocks, jet fuel, diesel fuel, heavy fuel oils and residual products in bulk markets in the western U.S. We also opportunistically export gasoline and diesel fuel to certain foreign markets. Our bulk sales are primarily to independent unbranded distributors, other refining and marketing companies, utilities, railroads, airlines and marine and industrial end-users. Our sales include refined products that we manufacture, purchase or receive through exchange arrangements.

SALES OF PURCHASED PRODUCTS. In the normal course of business, we purchase refined products manufactured by others for resale through our marketing and bulk operations to our customers to meet local market demands and fulfill supply commitments. We purchase these refined products, primarily gasoline, jet fuel, diesel fuel and industrial and marine fuel blendstocks, mainly in the spot market.

TLLP

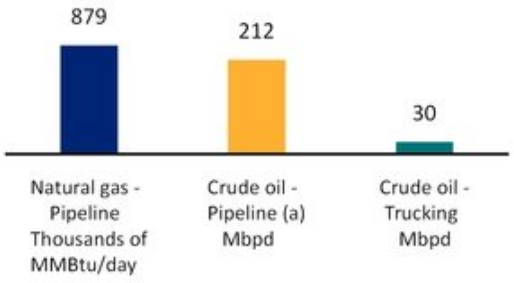
OVERVIEW. TLLP is a fee-based, growth-oriented Delaware limited partnership formed by us to own, operate, develop and acquire logistics assets. TLLP is a publicly traded limited partnership that is traded on the New York Stock Exchange under the symbol "TLLP." TLLP's operations are organized into three businesses: Gathering, Processing, and Terminalling and Transportation. TLLP owns and operates a network of crude oil, refined products and natural gas pipelines, terminals with dedicated and non-dedicated storage capacity for crude oil and refined products, rail facilities with loading and off-loading capabilities, marine terminals and trucking fleets. In addition, TLLP owns and operates natural gas processing and fractionation complexes. TLLP generates revenues by charging fees for gathering crude oil and natural gas, for processing natural gas, and for terminalling, transporting and storing crude oil and refined products. TLLP's customers experience modest seasonality due to regulatory restrictions, weather conditions and seasonal refined product demand, resulting in higher volumes during the summer months and lower volumes during the winter months. Many of the effects of seasonality on TLLP's operating results are mitigated through fee-based commercial agreements that include minimum volume commitments. On January 1, 2017 , TLLP acquired crude oil, natural gas and produced water gathering systems and two natural gas processing facilities ("North Dakota Gathering and Processing Assets"). The North Dakota Gathering and Processing Assets include over 650 miles of crude oil, natural gas, and produced water gathering pipelines, 170 MMcf per day of natural gas processing capacity and 18,700 bpd of fractionation capacity in the Sanish and Pronghorn fields of the Williston Basin in North Dakota.

TLLP intends to continue expanding its business through organic growth, including the construction of new assets and increasing the utilization of existing assets, and by acquiring assets from us and third parties. TLLP's continued expansion of the logistics business is expected to allow us to optimize the value of our assets within the midstream and downstream value chain. Below is a map of TLLP's strategic assets in relation to our refineries.



GATHERING. TLLP's Gathering business consists of crude oil, natural gas and produced water gathering systems in the North Dakota Williston Basin/Bakken Shale area (the "Bakken Region") and the Uinta, Vermillion and greater Green River basins. TLLP's High Plains System, located in the Bakken Region, gathers and transports crude oil from various production locations in this area for transportation to Tesoro's North Dakota refinery and other destinations in the Bakken Region, including export rail terminals and pipelines. In addition in the High Plains System, we own and operate a truck-based crude oil gathering operation and a pipeline regulated by the FERC. TLLP's natural gas gathering systems include the Uinta Basin, Vermillion, Williston, Green River, and Three Rivers gathering systems, its equity method investments in Rendezvous Gas Services, L.L.C., Uintah Basin Field Services, L.L.C. and Three Rivers Gathering, LLC, and two pipelines regulated by the FERC through which it provides natural gas and crude oil transportation services.

TLLP GATHERING - VOLUMES TRANSPORTED IN 2016



(a) Also includes barrels that were gathered and delivered into TLLP's High Plains System by truck.

PROCESSING. TLLP's Processing business consists of natural gas processing and fractionation complexes with a combined processing throughput capacity of approximately 1,600 MMcf/d and fractionation throughput capacity of approximately 34 Mbpd. TLLP processes gas for certain producers under keep-whole processing agreements. Under a keep-whole agreement, a producer transfers title to the NGLs produced during gas processing and the processor, in exchange, delivers to the producer natural gas with a BTU content equivalent to the NGLs removed. The operating margin for these agreements is determined by the spread between NGLs sales prices and the price paid to purchase the replacement natural gas ("Shrink Gas"). We are party to a five-year agreement, entered into in December 2014 and amended in February 2016, with TLLP that substantially transfers the commodity risk exposure associated with these keep-whole processing agreements from TLLP to us (the "Keep-Whole Commodity Agreement"). Under the Keep-Whole Commodity Agreement, we pay TLLP a fee to process NGLs related to keep-whole agreements and deliver Shrink Gas to the producers on behalf of TLLP. TLLP pays us a marketing fee in exchange for assuming the commodity risk.

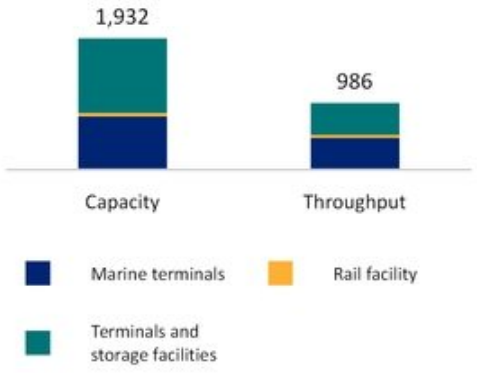
As of 2016, pricing under this agreement is subject to a tiered pricing structure with pricing for a base level of NGLs production and pricing for incremental volumes over 315,000 gallons per day. The pricing for both the base and incremental volumes are subject to revision each year.

TERMINALLING AND TRANSPORTATION. TLLP's Terminalling and Transportation business consists of: crude oil and refined products terminals and storage facilities in the western and midwestern U.S. that are supplied by Tesoro-owned and third-party pipelines, trucks and barges; marine terminals in California that load and unload vessels; pipelines that transport products and crude oil from our refineries to nearby facilities in Salt Lake City and Los Angeles; a 50% fee interest in a pipeline that transports jet fuel from our Los Angeles refinery to the Los Angeles International Airport; a regulated common carrier products pipeline running from Salt Lake City, Utah to Spokane, Washington and a jet fuel pipeline to the Salt Lake City International Airport (the "Northwest Products Pipeline"); a rail-car unloading facility in Washington that receives crude oil transported on unit trains we lease; a petroleum coke handling and storage facility in Los Angeles that handles and stores petroleum coke from our Los Angeles refinery; and a regulated common carrier refined products pipeline system connecting our Kenai refinery to Anchorage, Alaska.

TLLP TRANSPORTATION VOLUME (in Mbpd)

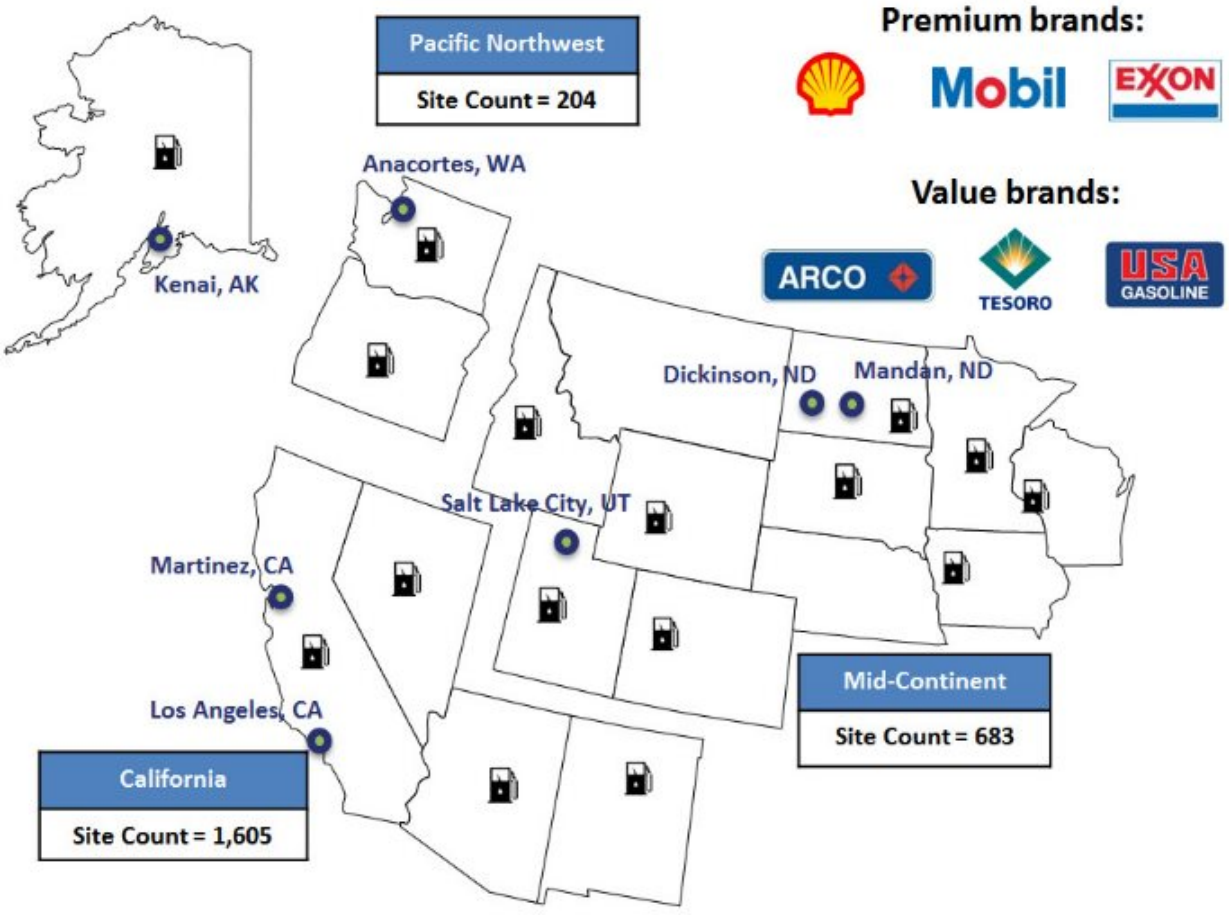


TLLP TERMINALLING THROUGHPUT (in Mbpd)



MARKETING

Our Marketing segment sells gasoline and diesel fuel in the western U.S. through branded and unbranded channels. Our branded operations include transportation fuel sales through retail stations and agreements with third-party dealers and distributors. Our unbranded business includes volumes sold through agreements with third-party distributors/operators. Our branded and unbranded channels provide a committed outlet for the majority of the gasoline produced by our refineries. The map below shows the approximate number of retail outlets by region included in our Marketing segment's branded network of retail stations under the ARCO®, Shell®, Exxon®, Mobil®, USA Gasoline ™ , Rebel ™ , Thrifty ™ and Tesoro® brands as of December 31, 2016 .



COMPETITION

The refining industry is highly competitive and includes a diverse set of competitors. Our primary competitors are typically the other local refining, marketing and logistics companies within the regions we operate, but may include companies from across the globe depending on the market environment. The competitors range from small independently owned businesses to some of the largest integrated multi-national oil companies in the world.

We obtain all of our crude oil from third-party sources and compete in the world market for the crude oil and feedstocks we process, and for the customers who purchase refined products. The availability and cost of crude oil and other feedstocks, as well as the prices of the products we produce, are heavily influenced by global supply and demand dynamics.

We compete with other refiners and with importers for customers in most of our market areas including sales of our distillate production through wholesale and bulk channels. Competition and concentrations specific to each of our refineries are:

- Our Martinez, Los Angeles and Anacortes refineries compete with several refiners in the U.S., Canada and throughout the Pacific Rim;
- Our Kenai refinery competes with two other in-state refineries along with refineries on the West Coast and in Asia. Our jet fuel sales in Alaska are concentrated in Anchorage, where we are one of the principal suppliers at the Anchorage International Airport; and
- Our mid-continent refineries in Mandan, Dickinson, and Salt Lake City compete with supplies provided from refineries in surrounding states and pipeline supply from the Midwest and Gulf Coast regions.

We sell gasoline through our network of branded retail stations as well as on an unbranded, or wholesale, and bulk basis. Our marketing operations compete with other independent marketers, integrated oil companies and high-volume retailers. Competitive factors that affect Marketing include product price, location, convenience and brand appeal.

TLLP's gathering business competes with a number of transportation, midstream, and trucking companies for the gathering and transportation of crude oil and natural gas, as applicable, in the areas in which they operate. TLLP's gathering business competes for opportunities to build gathering lines from producers or other pipeline companies, to provide accessible and flexible service to producers, and facilitate the transportation of crude oil and natural gas to applicable markets. In processing, TLLP competes with midstream companies and producers primarily based on reputation, commercial terms, reliability, service levels, flexibility, access to markets, location, available capacity, capital expenditures and fuel efficiencies. TLLP's terminalling and transportation business competes predominately with independent terminal and pipeline companies, integrated petroleum companies, refining and marketing companies and distribution companies with marketing and trading arms. Competition in particular geographic areas is affected primarily by the volumes of refined products produced by refineries located in those areas, the availability of refined products and the cost of transportation to those areas from refineries located in other areas.

HEALTH & SAFETY

Improving personal and process safety is a core value at Tesoro. We are committed to operating our refineries, pipelines, retail stations and other facilities in a manner that promotes the health and safety of our employees, our customers and the communities where we do business.

Our Environmental, Health & Safety (EH&S) policy in conjunction with our Operational Excellence Management System establish metrics, expectations and responsibilities for achieving our goals for these key areas:

PERSONAL SAFETY. At Tesoro, we consider the health and safety of our people a core value and an essential area of focus of our leadership. We strive to instill a culture of personal responsibility among our employees and contractors by setting clear expectations around our safety standards and policies. We conduct regular audits, assessments and program reviews to ensure these practices are being followed and to identify improvements to enhance our workplace safety.

PROCESS SAFETY. Our facilities are designed, constructed, operated and maintained to ensure safe work environments. To maintain the integrity of our operating systems, we enforce a disciplined framework that includes comprehensive design, engineering, operating and maintenance practices. We use industry-recognized methodologies to assure process safety and asset integrity and reduce the risk of incidents.

TRANSPORTATION SAFETY. We are committed to conducting business in a manner that promotes the safety of our employees and those living around us. This includes the operations of our pipelines, storage facilities, rail cars and trucking fleet, which transports crude oil and other feedstock, as well as fuel and other products. We proactively led the industry in the safe transport of crude oil via rail by working collaboratively with tank car manufacturers to develop enhanced rail cars (120J) that surpass regulatory standards.

GOVERNMENT REGULATION AND LEGISLATION

REGULATORY CONTROLS AND EXPENDITURES. Like other companies engaged in similar businesses, we are subject to extensive and frequently changing federal, state, regional and local laws, regulations and ordinances relating to the environment, including those governing emissions or discharges to land, air and water, the handling and disposal of solid and hazardous wastes and the remediation of contamination. While we believe our facilities are in substantial compliance with current requirements, we will continue to engage in efforts to meet new legislative and regulatory requirements applicable to our operations. Compliance with these laws and regulations may require us to make significant expenditures.

For example:

- The U.S. Environmental Protection Agency ("EPA") has promulgated multiple regulations to control greenhouse gas emissions under the Federal Clean Air Act. The first of these regulations, finalized on April 1, 2010, set standards for the control of greenhouse gas emissions from light trucks and cars. The U.S. Congress may also consider legislation regarding greenhouse gas emissions in the future.
- The Energy Independence and Security Act of 2007 mandates the blending of increasing amounts of renewable fuels in the supply of transportation fuels used domestically. This use of renewable fuels is required of all manufacturers and importers of transportation fuels sold domestically. The EPA implemented the second renewable fuel standard ("RFS2") through regulation and RFS2 requires transportation fuel manufacturers to provide proof of purchase of these renewable fuels. The costs associated with RFS2 compliance are uncertain and fluctuate with market dynamics.
- The EPA finalized amendments to the Clean Air Act Risk Management Planning regulations in 2016 significantly expanding the regulatory requirements.
- The Department of Transportation ("DOT") issued new regulations in 2015 governing the design of rail cars used to transport petroleum and other materials.
- In California, Senate Bill 32 ("SB 32") set a new greenhouse gas emission reduction requirement of 40% below 1990 levels by 2030. Assembly Bill ("AB 197") mandated direct emission reductions of greenhouse gases from large stationary sources such as our refineries. Assembly Bill 32 ("AB 32"), previously created a statewide cap on greenhouse gas emissions now replaced by SB 32 but also created a low carbon fuel standard, which requires a 10% reduction in the carbon intensity of fuels by 2020.
- In California, the Board for the South Coast Air Quality Management District passed amendments to the Regional Clean Air Incentives Market ("RECLAIM") on December 4, 2015. The RECLAIM Amendments became effective in 2016 and required a staged reduction of Nitrogen Oxides through 2022.
- In California, new and expanded Process Safety Management and Refinery Safety and Prevention regulations were proposed in 2016 in response to recommendations made in 2014 by the Governor's Interagency Refinery Safety Working Group.

The impact of these and other regulatory and legislative developments is likely to result in increased compliance costs, additional operating restrictions on our business and an increase in the cost of the products we manufacture. Depending on market conditions, we may attempt to pass these costs on to consumers. If that is not possible, the changes could have an adverse impact on our financial position, results of operations, and liquidity. We cannot currently determine the amounts of such future impacts. For additional information regarding our environmental matters see "Environmental and Other Matters" in Item 7.

OIL SPILL PREVENTION AND RESPONSE. We operate in environmentally sensitive coastal waters, where tanker, pipeline, rail cars and other petroleum product transportation operations are regulated by federal, state and local agencies and monitored by environmental interest groups. The transportation of crude oil and refined products involves risk and subjects us to the provisions of the Federal Oil Pollution Act of 1990 and related state requirements, which require that most petroleum refining, transport and storage companies maintain and update various oil spill prevention and oil spill contingency plans. Our spill prevention plans and procedures are frequently reviewed and modified to prevent releases and to minimize potential impacts to land and water should a release occur. We have submitted these plans and received federal and state approvals necessary to comply with the Federal Oil Pollution Act of 1990 and related regulations. At our facilities adjacent to water, federally certified Oil Spill Response Organizations ("OSROs") are available to respond to a spill on water from above ground storage tanks or pipelines. We have contracts in place to ensure support from the respective OSROs for spills in both open and inland waters, as well as on land.

We currently charter tankers to ship crude oil from foreign and domestic sources to our California, Washington and Alaska refineries. The tanker owners contract with OSROs to comply with federal, state and local requirements, except in Alaska where we contract with the OSROs. The OSROs are capable of responding to an oil spill equal to the greatest tanker volume delivering crude oil to our refineries. Those volumes range from 350,000 barrels to two million barrels.

We have entered into spill-response contracts with various OSROs to provide spill-response services, if required, to respond to a spill of oil originating from our facilities. We have spill-response agreements in Alaska with Cook Inlet Spill Prevention and Response, Incorporated and with Alyeska Pipeline Service Company. We also have entered into contracts with Marine Spill Response Corporation for the San Francisco Bay, Puget Sound, the Port of Los Angeles and the Port of Long Beach, and the Clean Rivers Cooperative, Inc. for the Columbia River, and Bay West, Inc. in our Mid-Continent region. These OSROs are capable of responding to an oil spill on water equal to the greatest volume above ground storage tank at our facilities or pipelines. Those volumes range from 50,000 to 600,000 barrels. We also contract with one spill-response organization outside the U.S. to support our shipments in foreign waters. In addition, we contract with various spill-response specialists to ensure appropriate expertise is available for any contingency. We believe these contracts provide the additional services necessary to meet or exceed all regulatory spill-response requirements and support our commitment to environmental stewardship.

The OSROs we contract with have the highest available rating and certification from the U.S. Coast Guard and are required to annually demonstrate their response capability to the U.S. Coast Guard and state agencies. We maintain our own spill-response resources to mitigate the impact of a spill from a tanker at our refineries until an OSRO can deploy its resources. Our spill response capability meets the U.S. Coast Guard and state requirements to either deploy on-water containment equipment two and one-half times the length of a vessel at our dock or have smaller vessels available.

The services provided by the OSROs principally consist of operating response-related equipment, managing certain aspects of a response and providing technical expertise. The OSROs provide various resources in response to an oil spill. The resources include dedicated vessels that have skimming equipment to recover oil, storage barges to temporarily store recovered oil, containment boom to control the spread of oil on water and land and to protect shorelines, and various pumps and other equipment supporting oil recovery efforts and the protection of natural resources. The OSROs have full-time personnel and contract with third parties to provide additional personnel when needed.

As a general matter, our agreements with these organizations do not contain specific physical or financial limitations. General physical limitations of these organizations would include the geographical area for which services are available and the amount of resources available at the initiation of a request for services or the duration of response and recovery efforts.

Additionally, we require all tankers and barges engaged in moving crude oil, heavy and finished products to be double hulled. All vessels used by us to transport crude oil and refined products over water are examined or evaluated and subject to our approval prior to their use.

RAIL CAR SAFETY. Tesoro maintains a fleet of leased rail cars to transport crude and support our refining operations. Generally, rail operations are subject to federal, state and local regulations. Over the last year, Tesoro has added over 700 new DOT120J200 tank cars to its crude oil fleet. These cars exceed the new federal standards issued by the DOT during 2015. The new DOT regulations allow for an orderly phase out or retrofit of previous generation rail cars. In 2016, Tesoro retrofit 250 cars while phasing out 500 older CPC-1232 tank cars. Tesoro will continue to comply with all regulatory requirements and order only new rail cars that are among the safest and most robust available at the time of order. TLLP rail operations are limited to loading and unloading rail cars at its facilities. TLLP believes its entire rail car loading and unloading operations meet or exceed all applicable regulations.

PIPELINE SAFETY. Our pipelines, gathering systems and terminal operations, including those owned by TLLP, are subject to increasingly strict safety laws and regulations. The transportation and storage of refined products, natural gas and crude oil involve a risk that hazardous liquids may be released into the environment, potentially causing harm to the public or the environment. The DOT, through the Pipeline and Hazardous Materials Safety Administration and state agencies, enforce safety regulations with respect to the design, construction, operation, maintenance, inspection and management of our pipeline and storage facilities.

REGULATION OF PIPELINES. Operations on portions of our pipelines are regulated by state agencies in Alaska and California. In addition, TLLP owns and operates crude oil, refined product and natural gas pipelines, which are common carriers regulated by various federal, state and local agencies. The FERC regulates interstate transportation on TLLP's High Plains System, Northwest Products Pipeline and natural gas pipeline under the Interstate Commerce Act, the Energy Policy Act of 1992 and the rules and regulations promulgated under those laws.

Federal regulation of interstate pipelines extends to such matters as rates, services, and terms and conditions of service; the types of services offered to customers; the certification and construction of new facilities; the acquisition, extension, disposition or abandonment of facilities; the maintenance of accounts and records; relationships between affiliated companies; the initiation and continuation of services; market manipulation in connection with interstate sales, purchases or transportation of commodities; and participation by interstate pipelines in cash management arrangements.

The intrastate operation of TLLP's Alaska pipeline is regulated by the Regulatory Commission of Alaska. The state regulatory authorities require that we notify shippers of proposed tariff increases to provide the shippers an opportunity to protest the increases. In addition to challenges to new or proposed rates, challenges to existing intrastate rates are permitted by complaint of an interested person or by independent action of the appropriate regulatory authority. The intrastate operations of TLLP's High Plains System in North Dakota are regulated by the North Dakota Public Service Commission. Applicable state law requires that pipelines operate as common carriers, that access to transportation services and pipeline rates be non-discriminatory, that if more crude oil is offered for transportation than can be transported immediately the crude oil volumes transported be apportioned equitably and that pipeline rates be just and reasonable.

WORKING CAPITAL

We fund our business operations through a combination of available cash and equivalents and cash flows generated from operations. In addition, our revolving lines of credit are available for additional working capital needs. For additional information regarding working capital see "Capital Resources and Liquidity" in Item 7.

EMPLOYEES

We had more than 6,300 full-time employees at December 31, 2016 , approximately 2,090 of whom are full-time represented union employees covered by collective bargaining agreements. The agreements for approximately 1,750 of these employees will expire on February 1, 2019 , the agreements for approximately 80 of these employees will expire on March 1, 2017 , and the agreements for the remaining represented employees expire on May 1, 2019.

EXECUTIVE OFFICERS

The following is a list of our executive officers, their ages and their positions at Tesoro, effective as of February 21, 2017 .

There are no family relationships among the officers listed, and there are no arrangements or understandings pursuant to which any of them were elected as officers. Officers are elected annually by our Board of Directors (the "Board") in conjunction with the annual meeting of stockholders. The term of each office runs until the corresponding meeting of the Board in the next year or until a successor has been elected or qualified. Positions held for at least the past five years for each of our executive officers are described below (positions, unless otherwise specified, are with Tesoro).

Gregory J. Goff , 60 , was named President and Chief Executive Officer in May 2010 and Chairman of our Board of Directors in December 2014. Mr. Goff also serves as Chief Executive Officer and Chairman of the Board of Directors of Tesoro Logistics GP, LLC ("TLGP"), the general partner of TLLP. Since March 2015, Mr. Goff has served as Chairman of the Board of the American Fuel & Petrochemical Manufacturers. Before joining Tesoro, he served as Senior Vice President, Commercial for ConocoPhillips Corporation ("ConocoPhillips"), an international, integrated energy company, from 2008 to 2010. Mr. Goff held various positions at ConocoPhillips from 1981 to 2008, including Managing Director and CEO of Conoco JET Nordic from 1998 to 2000; Chairman and Managing Director of Conoco Limited, a UK-based refining and marketing affiliate, from 2000 to 2002; President of ConocoPhillips Europe and Asia Pacific downstream operations from 2002 to 2004; President of ConocoPhillips specialty businesses and business development from 2006 to 2008; and President of ConocoPhillips specialty businesses and business development from 2006 to 2008. Mr. Goff serves as Chairman of the Board of the American Fuel and Petrochemical Manufacturers trade association and on the National Advisory Board of the University of Utah Business School. Previously, Mr. Goff served on the board of Chevron Phillips Chemical Company and was a member of the upstream and downstream committees of the American Petroleum Institute. In addition, Mr. Goff has public company experience from his prior service on the board of directors of DCP Midstream GP, LLC. Mr. Goff received a Bachelor's degree in Science and Master's degree in Business Administration from the University of Utah.

Keith M. Casey , 50 , was named Executive Vice President, Marketing and Commercial in August 2016. Prior to his current role, Mr. Casey served as Executive Vice President, Operations, since May 2014. Prior to that, he served as Senior Vice President, Strategy and Business Development beginning in April 2013. Prior to joining Tesoro, Mr. Casey served as Vice President, BP Products North America, Texas City Refinery beginning in September 2006.

Kim K.W. Rucker , 50 , joined Tesoro in March 2016 as Executive Vice President, General Counsel and Secretary. Ms. Rucker also serves as Executive Vice President and General Counsel for TLGP. Before joining Tesoro, Ms. Rucker served as Executive Vice President, Corporate and Legal Affairs, General Counsel and Corporate Secretary of Kraft Food Groups, Inc., a food and beverage company (now The Kraft-Heinz Company), from October 2012 to July 2015. She joined Mondelēz International as Executive Vice President, Corporate & Legal Affairs, Kraft Foods North America in September 2012. Prior to that, she served as Senior Vice President, General Counsel and Chief Compliance Officer of Avon Products, Inc., a global manufacturer of beauty and related products, beginning in March 2008 and as Corporate Secretary in February 2009. Ms. Rucker also served as Senior Vice President, Secretary and Chief Governance Officer of Energy Future Holdings Corp. (formerly TXU Corp.), an energy company, from 2004 to 2008. She was Corporate Counsel for Kimberly-Clark Corporation and a Partner in the Corporate & Securities group at Sidley Austin LLP in Chicago. Ms. Rucker serves on the board of directors of Lennox International Inc. She holds a bachelor of business administration degree in economics from the University of Iowa, a law degree from the Harvard Law School and a master's in public policy from the John F. Kennedy School of Government at Harvard University.

Steven M. Sterin , 45 , was named Executive Vice President and Chief Financial Officer in August 2014. In August 2016, he also assumed leadership of corporate development in support of our growth plans. Mr. Sterin also serves as Executive Vice President and Chief Financial Officer of TLGP. Prior to joining Tesoro, Mr. Sterin served as the Senior Vice President and Chief Financial Officer of Celanese Corporation, a global technology and specialty material company, from July 2007 until May 2014 and continued to serve as an employee until August 2014. From December 2010 through January 2013, he was president of Celanese's Advanced Fuel Technologies business. Mr. Sterin joined Celanese in 2003 as Director of Finance and Controller for the company's chemical business and also served as Corporate Controller and Principal Accounting Officer before being appointed CFO. Before Celanese, Mr. Sterin spent six years with global chemicals company Reichhold, Inc. in a variety of financial positions, including Director of Tax and Treasury in the Netherlands, Global Treasurer and Vice President of Finance for one of the company's divisions in North Carolina. Mr. Sterin holds a Master of Professional Accounting degree and a Bachelor of Business Administration degree in accounting, which he earned concurrently at the University of Texas at Austin. He is also a certified public accountant in Texas.

Cynthia J. Warner , 58 , was named Executive Vice President, Operations in August 2016. Prior to her current role, Mrs. Warner served as Executive Vice President, Strategy and Business Development since October 2014. Before joining Tesoro, Mrs. Warner served as President, Chief Executive Officer, and Chairman of the Board of Sapphire Energy beginning in 2009.

Blane W. Peery , 50 , was named Vice President and Controller of both Tesoro and TLGP in November 2016. Prior to that, he served as Vice President, Process Excellence and Chief Information Officer from February 2015 through October 2016. Mr. Peery has experience leading global accounting organizations, business planning and analysis functions, supply chain groups, global shared services including finance, human resources, information technology, and mergers and acquisitions integration. From March 2014 to February 2015, Mr. Peery served as VP, Global Business Services at Mylan N.V., a leading global pharmaceutical company. Prior to that he worked for Celanese Corporation, a global technology and specialty materials company, for over 20 years in roles with increasing responsibility, including positions as its Vice President, Global Business Services from October 2012 to March 2014, its Vice President, Supply Chain from October 2011 to October 2012 and its first-ever Global Accounting Director. Mr. Peery began his career as an auditor for PricewaterhouseCoopers and is a Certified Public Accountant (CPA). Mr. Peery holds a Bachelor of Business Administration degree in accounting, which he earned at the University of Texas at Austin.

Stephan E. Tompsett , 40 , was named Vice President, Treasurer and Credit in August 2016. From May 2015 through August 2016, he served as Chief Financial Officer, Logistics of Tesoro Companies, Inc. Prior to joining Tesoro, Mr. Tompsett served in a variety of finance roles at Energy Transfer Partners from February 2011 to May 2015. From September 2008 to January 2011, he was Vice President, Corporate Development at Synthesis Energy Systems. He was an associate at JPMorgan from July 2005 to August 2008. Mr. Tompsett holds a Master of Business Administration degree from the University of Texas at Austin - Red McCombs School of Business and a Bachelors of Science degree in biology and mathematics from the University of Texas at Austin.

WEBSITE ACCESS TO REPORTS AND OTHER INFORMATION

Our Internet website address is http://www.tsocorp.com . Information contained on our Internet website is not part of this Annual Report on Form 10-K.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other public filings with the Securities and Exchange Commission ("SEC") are available, free of charge, on our website as soon as reasonably practicable after we file them with, or furnish them to, the SEC. You may also access these reports on the SEC's website at http://www.sec.gov .

ITEM 1A. RISK FACTORS

Our proposed acquisition of Western Refining is subject to significant risks and uncertainties.

As described elsewhere in this Annual Report on Form 10-K, we have entered into a merger agreement, dated as of November 16, 2016, with Western Refining, Inc. ("Western Refining") pursuant to which, on the terms and subject to the conditions included therein, we have agreed to acquire Western Refining. Our ability to complete the proposed acquisition on a timely basis or at all is subject to numerous risks and uncertainties, including, but not limited to, the following:

- we may not obtain required shareholder approval;
- we may not obtain required regulatory approvals or receipt of regulatory approvals may take longer than expected or may impose conditions to the proposed acquisition that are not presently anticipated or cannot be met;
- conditions to the proposed acquisition may not be fulfilled in a timely manner or at all; or
- unforeseen events and those beyond our control.

The proposed acquisition also subjects us to business uncertainties while it is pending and places other restrictions on our business, including, without limitation:

- our ability to attract, retain and motivate key personnel until the proposed acquisition is completed and for a period of time thereafter;
- our ability to maintain our relationships with our customers and other third parties we transact with, who may seek to change their existing business relationships with us as a result of the proposed acquisition; and
- restrictions imposed on us under the merger agreement that prohibit us from entering into certain corporate transactions and taking other specified actions without the consent of Western Refining, which may prevent us from pursuing attractive business opportunities that may arise prior to the completion of the acquisition.

We have incurred and expect to continue to incur significant transaction and acquisition-related costs associated with the proposed acquisition. These, as well as other unanticipated costs and expenses could have a material adverse effect on our financial condition and operating results. Combining our businesses may be more difficult, costly or time consuming than expected. Integration involves numerous challenges, including our ability to integrate our businesses in an efficient and timely manner, integrate our systems and controls as well as integrate our relationships with our customers, suppliers, employees and other third parties. The integration process may, for us and Western Refining, result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies.

The success of the proposed acquisition will depend on, among other things, our ability to realize the anticipated benefits and cost savings from combining our and Western Refining's businesses in a manner that facilitates growth opportunities and realizes anticipated synergies and costs savings. These anticipated benefits and cost savings may not be realized fully or at all, or may take longer to realize than expected or could have other adverse effects that we do not currently foresee.

The volatility of crude oil prices, refined product prices and natural gas and electrical power prices may have a material adverse effect on our cash flow and results of operations.

Our refining margins are influenced by the price of our refining feedstocks-crude oil and other feedstocks-and the price of our refined products. These prices often move independently of each other, which can negatively impact our margins, earnings or cash flows. In recent years, prices have fluctuated significantly due to global and local factors that are beyond our control, including:

- production and availability of foreign and domestic crude oil and refined products;
- production controls set and maintained by the members of the Organization of the Petroleum Exporting Countries;
- transportation infrastructure availability, local market conditions, operation levels of other refineries in our markets, and the import or export of crude and refined products;
- political instability, threatened or actual terrorist incidents, acts of war, and other global political conditions;
- domestic and foreign governmental regulations and taxes;
- the price, availability and efficiency of competing energy sources;
- local, regional, national and worldwide economic conditions; and
- weather conditions, hurricanes or other natural disasters.

Some of these factors can vary by region and may change quickly, adding to market volatility, while others may have longer-term effects. The long-term effects of these and other factors on prices for crude oil, refinery feedstocks and refined products are uncertain and could negatively impact our margins, earnings or financial condition.

The short-term effects of these fluctuations could affect our margins, earnings and cash flows. We purchase our refinery feedstocks weeks before manufacturing and selling the refined products. Price level changes during the period between purchasing feedstocks and selling the refined products could affect our margins, earnings or cash flows. In addition, we purchase refined products manufactured by others to sell to our customers. If we are unable to manage our commodity exposure risk, it could affect our business, financial condition and results of operations. Lower refining margins may reduce the amount of refined products we produce, which may reduce our revenues, income from operations or cash flows. Significant reductions in margins could require us to reduce our capital expenditures or impair the carrying value of our assets.

Volatile prices for natural gas and electricity used by our refineries and other operations affect manufacturing and operating costs. Natural gas and electricity prices have been, and will continue to be, affected by supply and demand for fuel and utility services in both local and regional markets. In addition, the volume of crude oil, refined products, natural gas and NGLs that TLLP distributes and stores at its terminals, transports and processes depends substantially on our and other customers' profit margins, the market price of crude oil, natural gas, NGLs and other refinery feedstocks, and product demand.

A substantial change to fiscal or tax policies may adversely affect our business.

Recent events have given rise to a heightened possibility of a substantial change to fiscal and tax policies, which may include comprehensive tax reform. We cannot predict the impact these changes will have on our business; however, it is possible that these changes could adversely affect our business, our cash flows, our profitability, and our ability to compete domestically and internationally. Until we know what changes are enacted, we will not know the type or extent of the effects on our business.

We may be unsuccessful in integrating the operations of the assets we have acquired or may acquire in the future, or in realizing all or any part of the anticipated benefits of any such acquisition.

If we are unable to successfully integrate our acquisitions into our business, we may never realize their expected benefits. With each acquisition, we may discover unexpected costs, environmental liabilities, delays, or lower than expected cost savings or synergies. In addition, we may be unable to successfully integrate the diverse company cultures, retain key personnel, apply our expertise to new competencies, or react to adverse changes in commodity prices or industry conditions.

We cannot predict with certainty the benefits of these acquisitions, which often constitute multi-year endeavors. For example, our proposed acquisition of Western Refining is uncertain and, if completed, will require substantial capital during 2017 and later years. If we are unable to realize all or part of the projected benefits from this or other acquisitions within our expected timeframes, our business, results of operations and financial condition may suffer.

We are subject to interruptions of supply and increased costs as a result of our reliance on logistics assets for the transportation of crude oil, feedstocks and refined products within our business.

Our subsidiaries own and operate seven refineries in the western United States, which refine crude oil and other feedstocks into refined products for sale to a wide variety of markets. We rely on a variety of logistics assets to transport crude oil, feedstocks and refined products, including, but not limited to, marine vessels, marine terminals, rail, pipelines, product terminals, storage tanks and trucks. Some of these assets are owned and operated by third-parties. In particular, losing access to certain assets owned by TLLP could halt production at some of our refineries. Accidents, natural disasters, government regulation, third-party actions or other events outside of our control could impede our use or increase the cost of using these assets, which could have a material adverse effect on our financial condition and results of operations.

Adverse changes in global economic conditions and the demand for transportation fuels may impact our business and financial condition in ways that we currently cannot predict.

Our business is affected by the strength of the U.S. and global economies, and the risk of global economic downturn continues. Prolonged downturns could result in declines in consumer and business confidence and spending as well as increased unemployment and reduced demand for transportation fuels. These conditions may decrease the creditworthiness of our suppliers, customers and business partners, which could interrupt or delay our suppliers' performance of our contracts, reduce or delay customer purchases, delay or prevent customers from obtaining financing to purchase our products, or result in bankruptcy of customers or business partners. Any of these events may adversely affect our cash flow, profitability and financial condition.

Our business includes selling products in international markets, and we are subject to risks of doing business on a global level.

We sell some of our products internationally, primarily to markets in Mexico, South America and Asia. Our operating results or financial condition could be negatively impacted by disruptions in any of these markets, including economic instability, restrictions on the transfer of funds, duties and tariffs, transportation delays, import and export controls, changes in governmental policies, labor unrest and changing regulatory and political environments. In addition, if trade relationships deteriorate with these countries, if existing trade agreements are modified or terminated, or if taxes, border adjustments or tariffs make trading with these countries more costly, it could have a material adverse effect on our business.

The availability and cost of renewable identification numbers could have an adverse effect on our financial condition and results of operations.

The RFS2 requires refiners to add annually increasing amounts of "renewable fuels" to their petroleum products or to purchase credits, known as renewable identification numbers ("RINs"), in lieu of such blending. Due to regulatory uncertainty and in part due to the nation's fuel supply approaching the "blend wall" (the 10% ethanol limit prescribed by most automobile warranties), the price and availability of RINs has been volatile.

While we generate RINs by blending renewable fuels manufactured by third parties, we purchase RINs on the open market to comply with the RFS2. We cannot predict the future prices of RINs, and the costs to obtain the necessary RINs could be material. Our financial condition and results of operations could be adversely affected if we are unable to pass the cost of compliance on to our customers, pay significantly higher prices for RINs, and generate or purchase RINs to meet RFS2 mandated standards.

Meeting the requirements of, including the cost to comply with evolving environmental, health and safety laws and regulations including those related to climate change could materially affect our performance, financial condition and results of operations.

Environmental, health and safety laws and regulations may continue to raise our operating costs and require significant capital investments. If we discover new conditions at our facilities that require remediation, or if environmental, health and safety, and energy requirements change materially, we could be required to increase our capital expenditures, which could negatively impact our financial condition. We cannot predict developments in federal or state laws or regulations governing environmental, health and safety or energy matters, or how these changes may affect our business or financial condition.

Currently, multiple legislative and regulatory measures to address greenhouse gas (including carbon dioxide, methane and nitrous oxides) and other emissions are in various phases of consideration, promulgation or implementation. These include actions to develop national, statewide or regional programs, each of which could require reductions in our greenhouse gas or other emissions and decrease the demand for our refined products. Requiring reductions in these emissions could result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls at our facilities and (iii) administer and manage any emissions programs, including acquiring emission credits or allotments. For example:

- In California, the state legislature adopted SB 32 in 2016. SB 32 set a cap on emissions of 40% below 1990 levels by 2030 but did not establish a particular mechanism to achieve that target. The legislature also adopted a companion bill -AB 197 that most significantly directs the California Air Resources Board to prioritize direct emission reductions on large stationary sources. While AB 197 does not specifically preclude a market mechanism, it is expected to result in future regulations that will target greenhouse gas reductions at refineries, in addition to the mandates imposed by the existing cap and trade and low carbon fuel standard programs created by AB 32. AB 32 requires the state to reduce its greenhouse gas ("GHG") emissions to 1990 levels by 2020. Two regulations implemented to achieve this goal are Cap-and-Trade and the Low Carbon Fuel Standard ("LCFS"). In 2012, the California Air Resource Board implemented Cap-and-Trade. This program currently places a cap on GHGs and we are required to acquire a sufficient number of credits to cover emissions from our refineries and our in-state sales of gasoline, diesel, and some LPGs. In 2009, CARB adopted the LCFS, which requires a 10% reduction in the carbon intensity of gasoline and diesel by 2020. Compliance is demonstrated by blending lower carbon intensity biofuels into gasoline and diesel or by purchasing credits. Compliance with each of these programs is demonstrated through a market-based credit system. If we are unable to pass the costs of compliance on to our customers, sufficient credits are unavailable for purchase, we have to pay a significantly higher price for credits, or if we are otherwise unable to meet our compliance obligation, our financial condition and results of operations could be adversely affected.
- In California, the Board for the South Coast Air Quality Management District passed amendments to the RECLAIM on December 4, 2015. The RECLAIM Amendments became effective in 2016 and require a staged reduction of NOx through 2022.

- The EPA adopted a new rule in 2015 requiring further reductions in the National Ambient Air Quality Standard for ozone.

In addition, pre-rulemaking is underway in California to implement the recommendations made in 2014 by the Governor's Interagency Refinery Safety Working Group to significantly expand the scope and requirements of California's process safety management regulations. The final requirements could have a material impact on our cash flows, profitability and financial condition.

Regulatory and other requirements concerning the transportation of crude oil and other commodities by rail may cause increases in transportation costs or limit the amount of crude that we can transport by rail.

We rely on a variety of systems to transport crude oil, including rail. In 2012, we completed the construction of a 50 Mbpd crude oil rail car unloading facility in Anacortes, Washington (the "Anacortes Rail Facility"), which TLLP subsequently acquired from us. The Anacortes Rail Facility allows us to receive crude oil into our Anacortes refinery. We have also entered into a joint venture with Savage Companies to construct, own and operate a unit train unloading and marine loading terminal at the Port of Vancouver, USA. The construction of the terminal is subject to approval by regulatory agencies and will have a capacity up to 360 Mbpd.

In 2015 the U.S. Department of Transportation issued new standards and regulations applicable to crude-by-rail transportation (Enhanced Tank Car Standards and Operational Controls for High-Hazard Flammable Trains). These or other regulations could increase the time required to move crude oil from production areas to our refineries, increase the cost of rail transportation and decrease the efficiency of shipments of crude oil by rail within our operations. Any of these outcomes could have a material adverse effect on our business and results of operations.

We rely upon certain critical information systems for the operation of our business, and the failure of any critical information system, including a cyber-security breach, may result in harm to our reputation and business.

We depend heavily on our technology infrastructure and critical information systems, including data networks, telecommunications, remote connectivity, cloud-based information controls, software applications and hardware, including those that are critical to operating our refineries, pipelines, terminals, retail stations and other business operations. In addition, we collect sensitive data, including personally identifiable information of our customers using credit cards at our retail outlets.

We are in the process of completing the enterprise resource planning project (see further discussion in Item 7) which aims to simplify business processes by implementing a standardized and scalable technology platform. Large information systems and business process transformations such as this one are complex and require significant investments in system software, business process development and employee resources. Our business and results of operations may be adversely affected if we experience operating problems, scheduling delays, cost overages or service limitations. Additionally, we may not achieve all of the expected synergies with this project which may impact our ability to achieve the project's objectives.

Our technology infrastructure and information systems are subject to damage or interruption from a number of potential sources including natural disasters, software viruses or other malware, power failures, cyber-attacks, employee error or malfeasance, and other events. Although we have experienced actual or attempted breaches of our cybersecurity, none of these breaches have had a material effect on our business, operations or reputation (or compromised any customer data). However, no cybersecurity or emergency recovery processes is failsafe, and if our safeguards fail or our data or technology infrastructure is compromised, the safety and efficiency of our operations could be materially harmed, our reputation could suffer, and we could be subject us to additional costs, liabilities, and costly legal challenges, including those involving privacy of customer data. Any of these outcomes could materially harm our business and operations. Finally, state and federal legislation relating to cybersecurity could impose new requirements, which could increase our costs or reduce our efficiency.

Disruption of our ability to obtain crude oil could adversely affect our operations, revenue and cash flow.

To maintain or increase production levels at our refineries, we must continually contract for crude oil supplies from third parties. A material decrease in crude oil production from the fields that supply our refineries as a result of decreased exploration and production activity, natural production declines or otherwise, could result in a decline in the volume of crude oil available to our refineries. Such an event could result in an overall decline in volumes of refined products processed at our refineries and a corresponding reduction in our revenue and cash flow.

In addition, many of our logistics agreements contain minimum volume commitments. If we do not satisfy the minimum volume commitments, we will still be responsible for payment for transportation and storage services as if we had utilized such minimum volumes.

Terrorist attacks aimed at our facilities or that impact our customers or the markets we serve could adversely affect our business.

The U.S. government has issued warnings that energy assets in general, including the nation's refining, pipeline and terminal infrastructure, may be future targets of terrorist organizations. Any future terrorist attacks on our facilities, those of our customers, or on any transportation networks, including pipelines, could have a material adverse effect on our business. Similarly, any future terrorist attacks that severely disrupt the markets we serve could materially and adversely affect our results of operations, financial position and cash flows.

Our inventory risk management activities may result in substantial derivative variability or losses.

We enter into derivative transactions to manage the risks from changes in the prices of crude oil, refined products, natural gas, and other feedstocks associated with our physical inventories and future production, and these may result in substantial derivatives variability or losses, which could increase the volatility of our earnings. We manage price risk on inventories above or below our target levels to minimize the impact these price fluctuations have on our earnings and cash flows. Consequently, our results may fluctuate significantly from one reporting period to the next depending on commodity price fluctuations and our relative physical inventory positions. These transactions may also expose us to risks for financial losses; for example, if our production is less than we anticipated at the time we entered into a hedge agreement or if a counterparty to our hedge agreement fails to perform its obligations under the agreements. See Item 7A.

Competition in the refining, logistics and marketing industry is intense, and an increase in competition in the markets in which we sell our products could adversely affect our earnings and profitability.

We compete with a broad range of refining and marketing companies, including certain multinational oil companies. Competitors with greater geographic diversity, larger or more complex refineries, integrated operations with exploration and productions resources and broader access to resources, may be better able to withstand volatile market conditions and to bear the risks inherent in the refining industry. For example, competitors that engage in exploration and production of crude oil may be better positioned to withstand periods of depressed refining margins or feedstock shortages. Our competitors' recent consolidations and acquisitions and their plans for projects that could increase refining capacity or efficiency could increase competition in our markets, reduce our margins and affect our cash flow.

In addition, we compete with alternative energy and fuel producers for some industrial, commercial and individual consumers. There is significant governmental and consumer pressure to increase the use of alternative fuels and vehicles in the United States. If these alternative energy sources gain support as a result of governmental regulations and subsidies, technological advances, consumer demand, or other causes, they could impact demand for our products and our financial condition.

Our operations are subject to operational hazards that could expose us to potentially significant losses.

Refineries, gas processing plants, pipelines, rail cars, terminals and other components of our business are subject to potential operational hazards and risks inherent in refining operations and in transporting and storing crude oil, natural gas, refined products and waste. Operational hazards, such as fires, floods, earthquakes, explosions, third-party accidents, maritime disasters, security breaches, pipeline ruptures and spills, mechanical failure of equipment, severe weather and other natural disasters, at our or third-party facilities, could result in business interruptions or shutdowns and damage to our properties and the properties of others. A serious accident at our facilities could also result in serious injury or death to our employees or contractors and could expose us to significant liability for personal injury claims and reputational risk. These events could create significant liabilities that are outside the limits or scope or our insurance policies, and could expose us to penalties under federal, state and local laws. The costs that we could have to pay in penalties or for clean-up, remediation and damages could have a material adverse effect on our business, financial condition and operations. Any such unplanned event or shutdown could have a material adverse effect on our business, financial condition and results of operations.

In addition, we operate in and adjacent to environmentally sensitive coastal waters where tanker, pipeline, rail car and refined product transportation and storage operations are closely regulated by federal, state and local agencies and monitored by environmental interest groups. Our coastal refineries receive crude oil and other feedstocks by tanker. In addition, our refineries receive crude oil and other feedstocks by rail car and truck. Transportation and storage of crude oil, other feedstocks and refined products over and adjacent to water involves inherent risk and subjects us to the provisions of the Federal Oil Pollution Act of 1990 and state laws in California, Washington and Alaska. If we are unable to promptly and adequately contain any accident or discharge involving tankers, pipelines, rail cars or above ground storage tanks transporting or storing crude oil, other feedstocks or refined products, we may be subject to substantial liability. In addition, the service providers we have contracted to aid us in a discharge response may be unavailable due to weather conditions, governmental regulations or other local or global events. State or federal rulings could divert our response resources to other global events.

We are also required to ensure the quality and purity of the products loaded at our loading racks and pipeline connections. If our quality control measures were to fail or be compromised, we may have contaminated or off-specification products commingled in our pipelines and storage tanks that could be sent to customers and other end users. These types of incidents could result in product liability claims from our customers or other pipelines to which our pipelines connect. These product liability claims may have a material adverse effect on our business or results or operations or our ability to maintain existing customers or retain new customers.

We do not maintain insurance coverage against all potential losses. Marine vessel charter agreements may not provide complete indemnity for oil spills, and any marine charterer's liability insurance we carry may not cover all losses. If a loss event is not fully covered by insurance or if our insurers fail to honor their coverage commitments for an insured event or if our counterparties fail to honor any indemnification agreements, it could have a material adverse effect on our business, financial condition and results of operations.

Our operations are also subject to general environmental risks, expenses and liabilities, which could affect our results of operations.

From time to time we have been, and presently are, subject to litigation and investigations with respect to environmental and related matters, including product liability claims related to the oxygenate methyl tertiary butyl ether. We may become involved in further litigation or other civil or criminal proceedings, or we may be held responsible in any existing or future litigation or proceedings, the costs of which could be material.

We operate and have in the past operated retail stations with underground storage tanks in various jurisdictions. Federal and state regulations and legislation govern the storage tanks, and compliance with these requirements can be costly. The operation of underground storage tanks poses certain risks, including leaks. Leaks from underground storage tanks, which may occur at one or more of our retail stations, or which may have occurred at our previously operated retail stations, may impact soil or groundwater and could result in fines or civil liability for us.

Large capital projects can take several years to complete, and if we are unable to complete capital projects at their expected costs or in a timely manner, or if market conditions deteriorate significantly between the project approval date and the project startup date, our results of operations, cash flows or project returns could be adversely impacted.

We are constructing several new projects and expanding existing ones, such as the construction of the Vancouver Energy Project and the Clean Product Upgrade Project. The construction process involves numerous regulatory, environmental, political and legal uncertainties, most of which are not fully within our control. If we are unable to complete capital projects at their expected costs or in a timely manner our results of operations or cash flows could be adversely affected. In addition, our revenues may not increase immediately upon the expenditure of funds because construction or expansion may occur over an extended period of time, and we may not receive any material increases in revenues until after substantial completion of the project.

To approve a large-scale capital project, the project must meet an acceptable level of return on the capital to be employed in the project. We base these economic projections on our best estimate of future market conditions that are not within our control. Most large-scale projects take many years to complete and during this multi-year period, market conditions can change from those we forecast due to changes in general economic conditions, available alternative supply and changes in customer demand. Accordingly, we may not be able to realize our expected returns from a large investment in a capital project, and this could negatively impact our results of operations, cash flows and return on capital employed.

Because of our debt obligations, our business, financial condition, results of operations and cash flows could be negatively impacted by a deterioration of our credit profile, a decrease in debt capacity or unsecured commercial credit available to us, or by factors adversely affecting credit markets generally.

At December 31, 2016 , our total debt obligations for borrowed money and capital lease obligations were $7.0 billion . We may incur substantial additional debt obligations in the future.

Our indebtedness may impose various restrictions and covenants on us that could have material adverse consequences, including:

- increasing our vulnerability to changing economic, regulatory and industry conditions;
- limiting our ability to compete and our flexibility in planning for, or reacting to, changes in our business and the industry;
- limiting our ability to pay dividends to our stockholders;
- limiting our ability to borrow additional funds; and

- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for working capital, capital expenditures, acquisitions and other purposes.

Refining optimization requires precise inventory management, which we perform through combinations of working capital and debt. A decrease in our debt or commercial credit capacity, including unsecured credit extended by third-party suppliers, or a deterioration in our credit profile, could increase our costs of borrowing money or limit our access to the capital markets and commercial credit, which could affect our ability to manage our inventory or otherwise materially and adversely affect our business, financial condition, results of operations and cash flows.

Our business may be negatively affected by work stoppages, slowdowns or strikes by our employees, as well as new labor requirements.

As of December 31, 2016, approximately 2,090 of our employees are covered by collective bargaining agreements at our Anacortes, Mandan, Martinez, Los Angeles and Salt Lake City refineries. The agreements for approximately 1,750 of these employees will expire on February 1, 2019, agreements for approximately 80 others will expire on March 1, 2017 , and agreements for the remaining represented employees expire on May 1, 2019. A strike, work stoppage or other labor action could have an adverse effect on our financial condition or results of operations.

In addition, California requires refinery owners to pay prevailing wages to contract craft workers and restricts refiners' ability to hire qualified employees to a limited pool of applicants. Legislation or changes in regulations (e.g. the U.S. Department of Labor's recent interpretation regarding joint employers/independent contractors) could result in labor shortages higher labor costs, and an increased risk that contract employees become joint employees of Tesoro, which could trigger bargaining issues, employment discrimination liability issues as well as wage and benefit consequences, especially during critical maintenance and construction periods.

Ownership of the general partner of TLLP may involve a greater exposure to legal liability than our historic business operations.

One of our subsidiaries acts as the general partner of TLLP. Our control of the general partner may increase the possibility of claims of breach of fiduciary duties including claims of conflicts of interest related to TLLP. Any liability resulting from such claims could have a material adverse effect on our future business, financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal properties are described in Item 1 under "Refining," "TLLP" and "Marketing." We believe that our properties and facilities are adequate for our operations and are adequately maintained. We, along with TLLP, are the lessee under a number of cancellable and noncancellable leases for certain properties, including office facilities, retail facilities, ship charters, barges and equipment used in the storage, transportation and production of feedstocks and refined products. We conduct our marketing business through a network of 2,492 retail stations. Our unbranded business includes volumes sold through agreements with third-party distributors/operators at terminals supporting our refineries. See Note 12 and 15 to our consolidated financial statements in Item 8 for additional information on our leased properties.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we become party to lawsuits, administrative proceedings and governmental investigations, including environmental, regulatory and other matters. Large, and sometimes unspecified, damages or penalties may be sought from us in some matters and certain matters may require years to resolve. Although we cannot provide assurance, we believe that an adverse resolution of the matters described below will not have a material adverse impact on our liquidity, financial position, or results of operations.

UNRESOLVED MATTERS

MERGER-RELATED LITIGATION. On February 7, 2017, a Tesoro stockholder filed a purported class action complaint in the Court of Chancery of the State of Delaware, captioned Carl Arias v. Gregory J Goff, et al., Case No. 2017-0094-, on behalf of himself and all other Tesoro stockholders against the current members of our board of directors. The complaint alleges that our directors breached their fiduciary duties of care, loyalty, good faith and/or disclosure by failing to disclose to our stockholders all material

information necessary to make an informed decision regarding whether to approve the issuance of Tesoro common stock in connection with our proposed acquisition of Western Refining. Among other remedies, the plaintiff seeks to enjoin the merger and to hold our directors liable for allegedly breaching their fiduciary duties. The action also seeks to recover costs and disbursements from the defendants, including attorneys' fees and experts' fees. The defendants intend to defend the action vigorously.

WASHINGTON REFINERY FIRE. The naphtha hydrotreater unit at our Washington refinery was involved in a fire in April 2010, which fatally injured seven employees and rendered the unit inoperable. The Washington State Department of Labor & Industries ("L&I") initiated an investigation of the incident. L&I completed its investigation in October 2010, issued a citation and assessed approximately a $2 million fine, which we appealed. We disagree with L&I's characterizations of operations at our Washington refinery and believe, based on available evidence and scientific reviews, that many of the agency's conclusions are mistaken. We filed an appeal of the citation in January 2011. In separate September 2013, November 2013 and February 2015 orders, the Board of Industrial Insurance Appeals ("BIIA") granted partial summary judgment in our favor rejecting 33 of the original 44 allegations in the citation as lacking legal or evidentiary support. The hearing on the remaining 11 allegations concluded in July 2016, and we expect the judge to issue a recommended decision for the BIIA's review in 2017. While we cannot currently estimate the final amount or timing of the resolution of this matter, we have established an accrual based on our best estimate at the time.

AIR QUALITY REGULATIONS. On February 12, 2016, we received an offer to settle 35 Notice of Violations ("NOV") received from the Bay Area Air Quality Management District ("BAAQMD"). The NOVs were issued from May 2011 to November 2015 and allege violations of air quality regulations for ground level monitors located at our Martinez refinery. While we are negotiating a settlement of the allegations with the BAAQMD, we cannot currently estimate the amount or timing of the resolution of this matter, and we believe the outcome will not have a material impact on our liquidity, financial position, or results of operations.

Also, on January 31, 2017, we received an offer to settle 51 NOVs received from the BAAQMD. The NOVs were issued from July 2011 to July 2015 and allege violations of various air quality regulations at our Martinez refinery. While we are evaluating the allegations and cannot currently estimate the amount or timing of the resolution of this matter, we believe the outcome will not have a material impact on our liquidity, financial position, or results of operations.

FUEL STANDARDS. On April 19, 2016, we received an offer to settle two NOVs received from CARB. The NOVs were issued in February 2016 and allege certain batches of fuels produced in June and July 2015 at our Martinez and Los Angeles refineries violated fuel standards within the California Code of Regulations. While we are actively discussing a settlement of the allegations with CARB, we cannot currently estimate the amount or timing of the resolution of this matter.

RESOLVED MATTERS

In December 2016, we settled allegations from CARB related to reports filed by our Los Angeles refinery in 2013 and 2014 under California's Greenhouse Gas Mandatory Reporting Program. The amount paid to settle this matter did not have a material impact on our liquidity, financial positions or results of operations. Also in December 2016, we agreed to settle three NOVs from the County of San Diego, Department of Environmental Health. The NOVs were issued after the inspection of three marketing sites between December 2014 and June 2015 and alleged improper operation of underground storage tank leak detection equipment as required by the California Health and Safety Code. The amount we have agreed to pay to settle this matter will not have a material impact on our liquidity, financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable **.**

PART II

ITEM 5. MARKET FOR REGISTRANT ' S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

PERFORMANCE GRAPH

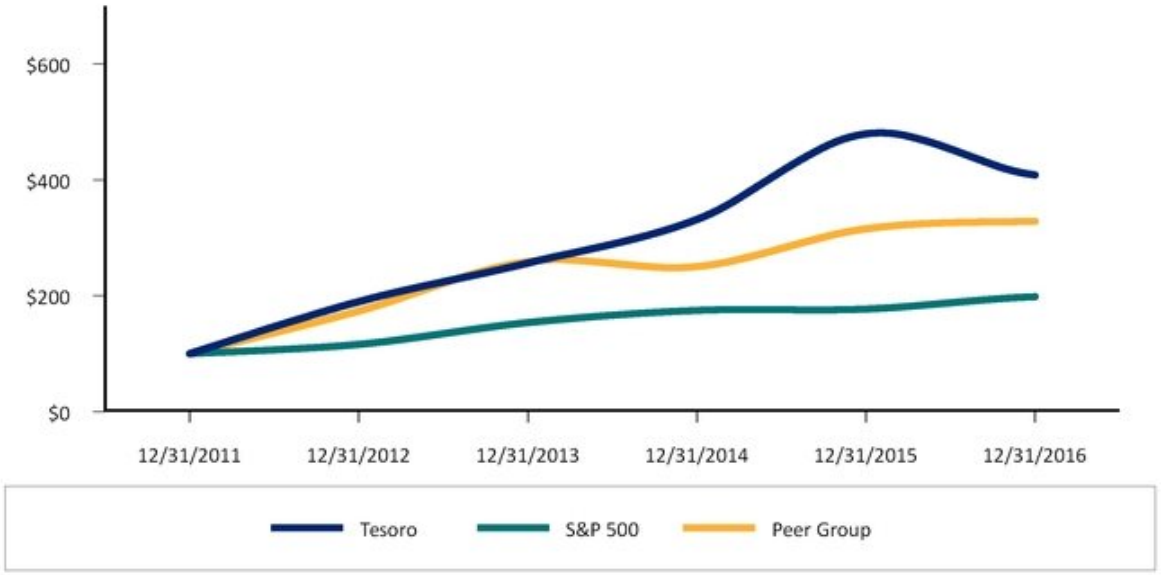
The performance graph below compares the cumulative total return of our common stock to (a) the cumulative total return of the S&P 500 Composite Index and (b) a composite peer group ("Peer Group") comprised of HollyFrontier Corporation, Marathon Petroleum, Phillips 66 and Valero Energy Corporation. The graph below is for the five year period commencing December 31, 2011 and ending December 31, 2016 .

We selected the Peer Group to include four domestic refining companies we believe follow a similar business model to ours, including refining, transporting, storing and marketing transportation fuels and related products. The Peer Group is representative of companies that we internally benchmark against.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN
AMONG THE COMPANY, THE S&P COMPOSITE 500 INDEX AND COMPOSITE PEER GROUPS (a)

	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Tesoro	$ 100.00	$ 189.79	$ 256.32	$ 331.66	$ 479.25	**$ 408.45**
S&P 500	100.00	116.00	153.57	174.60	177.01	**198.18**
Peer Group	100.00	173.58	258.76	250.29	315.43	**328.51**

(a) Assumes that the value of the investments in common stock and each index was $100 on December 31, 2011 , and that all dividends were reinvested. Investment is weighted on the basis of market capitalization.



Note: The stock price performance shown on the graph is not necessarily indicative of future performance.

STOCK PRICES AND DIVIDENDS PER COMMON SHARE

Our common stock is listed under the symbol "TSO" on the New York Stock Exchange.

HIGH AND LOW SALES PRICES AND DIVIDENDS DECLARED AND PAID ON OUR COMMON STOCK

Quarter Ended	Sales Prices per Common Share High	Sales Prices per Common Share Low	Dividends per Common Share
December 31, 2016	**$ 93.06**	**$ 78.32**	**$ 0.55**
September 30, 2016	84.89	69.49	0.55
June 30, 2016	87.85	70.78	0.50
March 31, 2016	109.24	67.80	0.50
December 31, 2015	119.67	95.37	0.50
September 30, 2015	110.74	83.75	0.50
June 30, 2015	93.14	81.77	0.425
March 31, 2015	94.83	64.16	0.425

DIVIDEND DECLARATION

Our Board of Directors (the "Board") declared a quarterly cash dividend on common stock of $0.55 per share on February 3, 2017 . The dividend is payable on March 15, 2017 to holders of record at the close of business on February 28, 2017 . There were approximately 916 holders of record of our 116,986,291 outstanding shares of common stock on February 15, 2017 . For information regarding restrictions on future dividend payments and stock purchases, see Item 7 and Note 16 to our consolidated financial statements in Item 8.

PURCHASES OF EQUITY SECURITIES

We are authorized by our Board to purchase shares of our common stock in open market transactions at our discretion. The Board's authorization has no time limit and may be suspended or discontinued at any time. Purchases of our common stock can also be made to offset the dilutive effect of stock-based compensation awards and to meet our obligations under employee benefit and compensation plans, including the exercise of stock options and vesting of restricted stock and to fulfill other stock compensation requirements. Our Board authorized a $1.0 billion share repurchase program on July 30, 2014. On October 28, 2015, our Board approved a new $1.0 billion share repurchase program to become effective upon the full completion of the previous $1.0 billion share repurchase authorized. On November 16, 2016 the Board approved an additional $1.0 billion of share repurchases. We purchased approximately 3.2 million and 6.9 million shares of our common stock in the years ended December 31, 2016 and 2015 for approximately $250 million and $644 million , respectively. We have $2.1 billion remaining under our authorized programs as of December 31, 2016 .

PURCHASES BY TESORO OF ITS COMMON STOCK

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
October 2016	94,074	$ 81.53	94,074	$ 1,106
November 2016	221	$ 86.56	—	$ 2,106
December 2016	—	$ —	—	$ 2,106
Total	**94,295**		**94,074**	

(a) Includes 221 shares acquired from employees during the fourth quarter of 2016 to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to them.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected consolidated financial data of Tesoro as of and for each year in the five-year period ended December 31, 2016 . The selected consolidated financial information presented below has been derived from our historical financial statements. The following table should be read in conjunction with Item 7 and our consolidated financial statements in Item 8.

	Years Ended December 31,				
	2016	2015	2014	2013	2012
	(in millions except per share amounts)				
Statement of Consolidated Operations Data					
Revenues	**$ 24,582**	$ 28,711	$ 40,633	$ 37,601	$ 29,809
Net Earnings from Continuing Operations	**850**	1,694	917	434	903
Net Earnings from Continuing Operations Attributable to Tesoro Corporation	**724**	1,544	872	392	876
Net Earnings from Continuing Operations per Share:					
Basic	**6.11**	12.53	6.79	2.90	6.28
Diluted	**6.04**	12.39	6.67	2.85	6.20
Dividends per Share	**2.10**	1.85	1.10	0.90	0.27

	As of December 31,				
	2016	2015	2014	2013	2012
	(In millions)				
Consolidated Balance Sheet Data					
Total Current Assets	**$ 7,414**	$ 4,307	$ 5,074	$ 5,262	$ 4,522
Total Assets	**20,398**	16,332	16,491	13,252	10,538
Total Debt, Net of Unamortized Issuance Costs	**6,933**	4,073	4,167	2,756	1,538
Total Liabilities	**12,271**	8,592	9,515	7,767	5,801
Tesoro Corporation Stockholders' Equity	**5,465**	5,213	4,454	4,302	4,251
Total Equity	**8,127**	7,740	6,976	5,485	4,737

ITEM 7. MANAGEMENT ' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information concerning our results of operations and financial condition should be read in conjunction with Items 1 and 2 and our consolidated financial statements in Item 8.

Management's Discussion and Analysis is our analysis of our financial performance, financial condition and significant trends that may affect future performance. All statements in this section, other than statements of historical fact, are forward-looking statements that are inherently uncertain. See "Important Information Regarding Forward-Looking Statements" for a discussion of the factors that could cause actual results to differ materially from those projected in these statements.

BUSINESS STRATEGY AND OVERVIEW

In recent years, we have implemented strategies to transform the composition of our portfolio of refining, logistics and marketing assets. In 2010, the majority of our operating income was generated through our Refining segment with only a small portion attributable to our previous retail segment and we did not have commercial logistics operations. As of 2016, Tesoro Logistics, LP ("TLLP") has grown significantly and our Marketing segment continues to expand at a steady rate as a percentage of contribution to our consolidated operating income. We are committed to further integrating our business model, improving our value chain optimization and continuing to diversify our portfolio amongst our segments and be a leader among our independent refining peers. To help us achieve this strategy, organic growth and growth by acquisition are key contributors. See our Capital Expenditures discussion within the Capital Resources and Liquidity section for more on our organic growth strategy.

On November 16, 2016, Tesoro entered into an Agreement and Plan of Merger with Western Refining, Inc. ("Western Refining") and other Tesoro wholly-owned subsidiaries (the "Merger"). Western Refining has

- three refineries in Texas, New Mexico and Minnesota with a total refining capacity of approximately 254 Mbpd, which would expand the combined company's operational capabilities and improve our access to advantaged crude oil and extended product regions;
- three premium and value retail and convenience store brands to better serve a broader customer base and regional preferences; and
- an extensive and complementary logistics network with access to advantaged crude oil basins, including the Permian.

The completion of the Merger is expected in the first half of 2017, subject to certain customary mutual conditions and regulatory approval. We believe the Merger aligns with the strategic objectives for our refining, marketing and logistics businesses, which are discussed below. Per the registration statement on Form S-4, which was declared effective February 16, 2017, the transaction was valued at approximately $4.1 billion consisting of stock and cash consideration. See Note 2 in Part II, Item 8 for more details about the Merger.

STRATEGY AND GOALS

As the leading integrated refining, marketing and logistics company in our strategic foot print, we are driven to create value by driving significant business improvements to provide for sustainable earnings growth, utilizing a disciplined approach to capital allocation to create significant long-term shareholder value and consistently executing on our goals in the delivery of results. Our diversified and integrated portfolio of assets and operations provides us with strong growth opportunities across the refining, marketing and logistics value chain. The following discussion outlines how we create value in each of our business segments.

REFINING. In our Refining segment, our strategy focuses on our ability to access regionally advantaged crude oil, optimize our system-wide value chain to drive strong gross refining margin capture, drive operational excellence enabling asset availability in excess of 97% and deliver other annual improvement objectives discussed in the Market Conditions and Performance Objectives section below. To meet our strategic objectives, we invest in high return capital projects designed to enhance our feedstock flexibility, improve our yields and lower our costs. See the Capital Expenditures section for discussion of major capital projects in development or in process.

TLLP. Through our ownership of TLLP and TLLP's continued growth, we expect our logistics assets and in-region placement to minimize our transportation costs and maximize our overall performance by focusing on a stable, fee-based business, optimizing its existing asset base, pursuing organic expansion opportunities and growing through strategic acquisitions. Additionally, our ownership in TLLP creates value to our shareholders through the lower cost of capital available to TLLP as a limited partnership and our receipt of TLLP's quarterly distributions. As the distributions per unit increase, our proportion of the total distributions grow at an accelerated rate due to our incentive distribution rights. For example, we received $245 million in distributions from TLLP during 2016 compared to $148 million and $87 million in 2015 and 2014 , respectively. We believe TLLP is well positioned

to achieve its primary business objectives and execute business strategies based on its long-term fee-based contracts, relationship with us, strategically positioned assets and financial flexibility provided by its balanced capital structure, revolving credit facility capacity, dropdown credit facility, ability to access equity capital markets through its continuous issuance program and financial support from us.

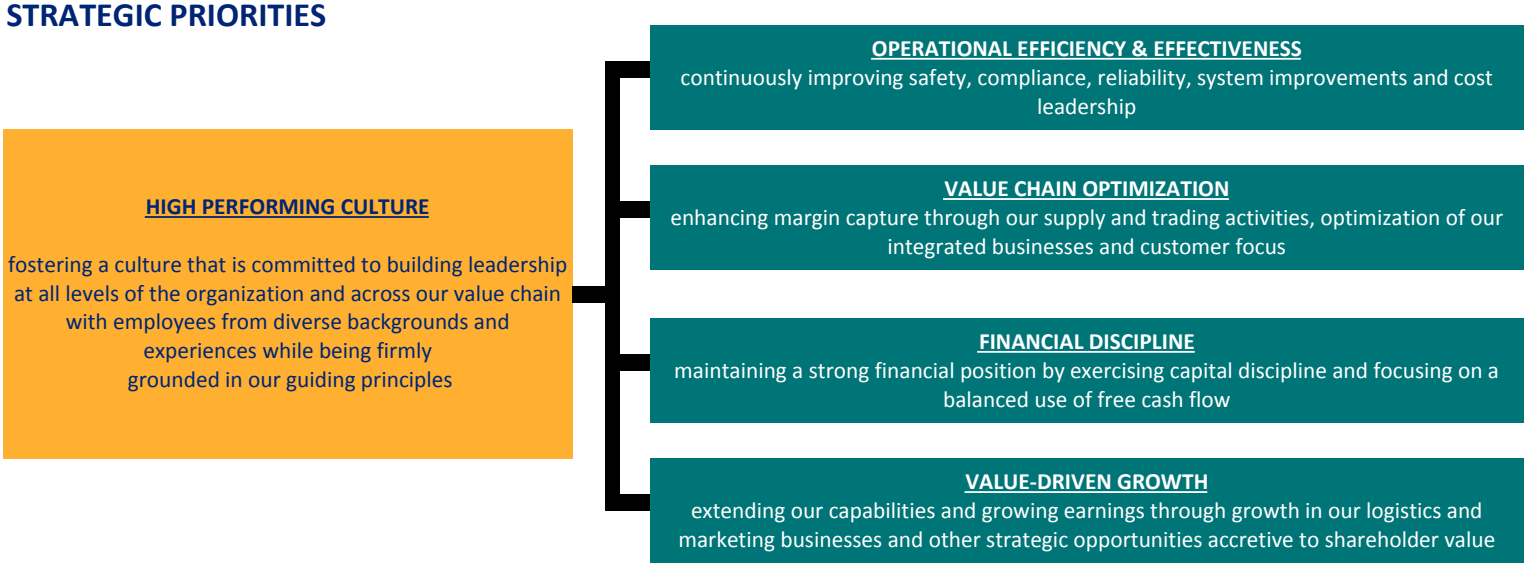
MARKETING. Our marketing assets provide a secure and ratable offtake of high value gasoline and diesel production from our refineries. We are driving growth and improvements in our Marketing segment by focusing on higher value, branded distribution channels, adding new retail sites to our network, and implementing store improvements, to enhance our convenience store position.

Underpinning our strategy and goals for all of our businesses is a high performing culture where every employee leads according to our guiding principles and has the opportunity to make a difference. These guiding principles are as follows:

- CORE VALUES – We act individually and collectively with the highest level of integrity and we are steadfast in our commitment to safety, health and the environment.
- EXCEPTIONAL PEOPLE – We employ the best people and develop our capabilities and leadership to realize our objectives.
- SHARED PURPOSE – Everyone clearly understands and owns our vision, strategy, how they fit and what they are expected to contribute.
- POWERFUL COLLABORATION – We leverage the power of collaboration and our individual and collective expertise to create value and competitive advantage.
- SUPERIOR EXECUTION – We pursue and deliver our objectives with energy, passion and a sense of urgency to deliver industry-leading results.

By following our guiding principles, we aim to achieve strategic priorities that are focused on the delivery of operational efficiency and effectiveness, value chain optimization, financial discipline, and value-driven growth. In addition, we take a principles-based approach to conducting our business, seeking to create shared value for key stakeholders including employees, communities, business partners, government and the environment.

STRATEGIC PRIORITIES



The following table outlines how significant accomplishments during 2016 align with our strategic priorities:

SIGNIFICANT ACCOMPLISHMENTS DURING 2016

	Operational Efficiency & Effectiveness	Value Chain Optimization	Financial Discipline	Value Driven Growth	High Performing Culture
Tesoro announced on November 17, 2016 it entered into a definitive agreement to acquire Western Refining. The transaction will result in a highly integrated and geographically diversified refining, marketing and logistics company. In conjunction with the acquisition, Tesoro: - completed an offering of $1.6 billion aggregate principal amount senior notes due 2023 and 2026 with the proceeds to be used to refinance certain Western Refining debt; and - amended its revolving credit agreement to provide an incremental $1.0 billion revolving facility. - filed a registration statement on Form S-4, which was declared effective February 16, 2017, to issue up to approximately 47.8 million shares to complete the Merger.		●	●	●	●
TLLP announced it had entered into a purchase and sale agreement on November 21, 2016 to buy crude oil, natural gas and produced water gathering pipelines and two processing facilities in the Bakken Region of North Dakota for $700 million that closed on January 1, 2017.		●	●	●	
Tesoro completed the following acquisitions: - Virent, Inc., an innovative renewable fuels and chemicals company that supports Tesoro's renewable fuels strategy of developing high-quality, lower carbon, renewable feedstocks and blendstocks that can either be co-processed in existing refineries or blended seamlessly with traditional fuels; - Dakota Prairie Refining, LLC, including its refinery ("Dickinson Refinery") with crude oil capacity of 20 Mbpd and produces ultra-low sulfur diesel, naphtha and atmospheric residuals; - c rude oil pipeline and gathering system as well as transportation, storage and rail loading facilities in the Williston Basin; and - refined product terminals, truck racks, storage and rail loading facilities in Alaska along with wholesale fuel marketing contracts.		●	●	●	●
Anacortes refinery achieved one year of operations without an OSHA recordable injury and received the Elite Silver Award from AFPM as part of their Distinguished Safety Awards process.	●				●
TLLP's Colton Clean Products fleet reached 10 years and 8 million miles without an on-road preventable accident.	●				●
TLLP completed its acquisition of: - the Alaska Storage and Terminalling Assets from Tesoro; and - the Northern California Terminalling and Storage Assets from Tesoro.		●	●	●	
Tesoro entered into a new senior revolving credit agreement which provides a total capacity of $2.0 billion which is free from borrowing base redeterminations, becomes unsecured if investment grade credit rating is achieved, and matures in September 2020.			●		
During 2016, TLLP: - amended its credit agreement and entering into a new dropdown credit facility providing additional resources for organic expansion opportunities and strategic acquisitions; - completed a $700 million registered senior notes offering with the proceeds used to repay amounts then borrowed on its credit facilities; and - completed an offering of $750 million aggregate principal amount of senior notes with the proceeds used to repay amounts outstanding due to the dropdown acquisitions.			●		

MARKET CONDITIONS AND PERFORMANCE OBJECTIVES

Our year-over-year operating performance and results are impacted significantly by prevailing market conditions and our ability to drive value creation across our businesses through high utilization, operational effectiveness and other annual improvements to our base business model. The following sections outline the general market conditions impacting our business throughout 2016 and our delivery on previously established performance objectives designed to maximize utilization, operate effectively and improve our core operations through other annual improvements. These sections should be read in conjunction with the Results of Operations discussion in the following pages of this Management's Discussion and Analysis.

MARKET CONDITIONS

2015 SUMMARY. During most of 2015, we experienced above average margin environments in our regions due to various events and factors impacting supply and demand. We saw crude oil price volatility continue in the fourth quarter of 2015 due to multiple factors including weak global demand, continued supply growth outside the U.S. and political factors within the U.S., namely the lifting of the crude export ban. All of these events resulted in narrowing of U.S. domestic crude differentials compared to similar world markets. Weaker seasonal product demand in the fourth quarter resulted in lower margins than previous quarters, but continued growth in West Coast gasoline demand and local supply disruptions brought about higher than normal margins in our West Coast regions for the fourth quarter. Gasoline margins were better than typically seen in the fourth quarter on growth in U.S. demand, while distillate margins were lower due to global oversupply and slowing growth in both domestic and emerging economies.

2016 DOMESTIC. Domestic markets have continued to experience volatility, with the price of Brent crude oil increasing over 50% in 2016 and nearly 12% in the fourth quarter. Supply growth in the Middle East and Russia in conjunction with declines in US crude production resulted in narrow domestic crude differentials relative to other global regions in a post export ban environment. Supply outages, changing logistical infrastructure, political aftereffects as well as improving domestic macroeconomic conditions have influenced all portions of our business.

In the markets in which we operate, product margins continue to reflect both global and regional fundamentals. Strong regional gasoline production was offset by demand growth which kept West Coast gasoline cracks near seasonal norms. In the 4th quarter, weaker seasonal demand resulted in lower gasoline cracks than the 3rd quarter, but increased exports to Mexico and Latin America provided support with West Coast margins averaging slightly below the five-year fourth quarter average. During the first three quarters of the year, slower global economic growth with the associated slower global diesel demand growth resulted in a surplus of global inventory which weighed heavily on diesel product cracks. However, West Coast distillate margins improved in the last quarter of 2016 due to seasonal turnaround maintenance which resulted in lower production and inventory declines. While U.S. product stocks ended the year at the top of the five year historical range, West Coast inventories of both gasoline and distillate were below the five year average reflecting a stronger fundamental environment compared to the other domestic regions. We continue to monitor the impact of changes on prices and fundamentals on our business.

2016 GLOBAL. The global energy markets have also experienced volatility due to uncertainty for growth in the developing regions of the world, the OPEC/non-OPEC crude production agreement, and fluctuations in the financial markets. The market for crude oil, natural gas and refined products is affected by changes in economic conditions and the associated supply and demand balance changes. Product values and crude oil prices are set by the market and are outside our control. We expect global market conditions to drive continued volatility in our markets.

PERFORMANCE OBJECTIVES

UTILIZATION AND OPERATIONAL EFFECTIVENESS. In December 2015, we laid out plans to deliver $500 to $600 million of improvements to operating income in 2016 resulting from improved utilization and operational effectiveness as compared to our 2015 operating performance. In 2015, we experienced lower than normal utilization and operational effectiveness primarily due to the work stoppage and an extended turnaround at our Utah refinery, both of which negatively impacted our operating results during those times. As a result, we set forth these improvement objectives to provide a way to compare our operating results in 2016 to 2015, exclusive of market impacts and the annual improvements to operating income discussed below. Our expectations for 2016 were a Tesoro Index (as defined in our Glossary of Terms) of $12 to $14 per throughput barrel in our Refining segment, fuel margins of 11 to 14 cents per gallon in our Marketing segment and crude oil differentials reflecting transportation costs which impact our Refining segment results. For the full year 2016, the Tesoro Index was at the low end of the range and Marketing fuel margins were in line with expectations. Crude oil differentials were significantly narrower than expectations and resulted in lower year-over-year capture rates and refining profitability. For the full year 2016, we delivered an estimated $485 million of year-over-year improvements compared to 2015 from higher utilization and operational efficiencies versus our original commitment of $500 to $600 million, which was revised to $400 to $500 million in the second quarter of 2016. Given the results in 2016 and the expectations about the Tesoro Index and marketing fuel margins remain the same as experienced in 2016 along with the crude oil differentials existing in the market at the end of 2016, no separate improvement goal for utilization and operational effectiveness is being established for 2017.

OTHER ANNUAL IMPROVEMENTS. In December 2015, we also committed to delivering $400 to $500 million of annual improvements to operating income in 2016, consisting of $200 to $250 million in Refining, $175 to $200 million in TLLP and $25 to $50 million in Marketing. For the full year 2016, we estimate that we delivered approximately $420 million of annual improvements to operating income, including Refining segment improvements of approximately $245 million, TLLP segment improvements of approximately $130 million and Marketing segment improvements of approximately $45 million. Estimated TLLP operating income improvements were below the range primarily due to the weak commodity price environment, which impacted crude oil and natural gas volumes and organic growth. Our 2016 achievements include the following in our Refining segment:

- Renegotiated a legacy product supply contract at our Los Angeles refinery, which will allow for greater yield flexibility and increased alternatives for sale and distribution of specialty products;
- Installed a new preflash tower at our Los Angeles refinery, which allows for greater yield flexibility and energy savings;
- Sourced new types of crude oils resulting in crude optimizations;
- Shared new crude oil cargos between the Los Angeles refinery and our Martinez refinery;
- Improved crude blending capabilities at the Carson crude terminal that resulted in higher throughput volumes;
- Improved pipeline connectivity between the Los Angeles refinery sites;
- Integrated naphtha and gasoline blendstocks on the West Coast;
- Re-distributed in-bound crude oil to our Kenai refinery during maintenance and turnaround activities at our Anacortes refinery to optimize our west coast system;
- Transported intermediates from our Dickinson refinery to our Anacortes and Salt Lake City refineries for additional upgrading;
- Operated our Salt Lake City refinery's fluid catalytic cracker during the third quarter turnaround by running intermediates from our Dickinson refinery and waxy crude oil; and
- Completed the second phase of the Salt Lake City Refinery Expansion project.

Additionally, in our TLLP segment, operating income was positively impacted by the strategic acquisition of assets from Tesoro during 2016, optimization of existing terminalling and transportation assets and the completion of the second phase of gathering systems connecting additional wells located in the North Dakota Williston Basin/Bakken Shale area (the "High Plains System"). Further, our Marketing segment experienced continued growth in its retail station network with the addition of 95 sites during the year.

As announced in November 2016, we plan to deliver $475 to $575 million of annual improvements to operating income during 2017 in addition to the improvements delivered in 2016.

RESULTS OF OPERATIONS

A discussion and analysis of the factors contributing to our results of operations is presented below. The accompanying consolidated financial statements in Item 8, together with the following information, are intended to provide investors with a reasonable basis for assessing our historical operations, but should not serve as the only criteria for predicting our future performance.

ITEMS IMPACTING COMPARABILITY

The TLLP financial and operational data presented include the historical results of all assets acquired from Tesoro prior to the acquisition dates. The acquisitions from Tesoro were transfers between entities under common control. Accordingly, the financial information of TLLP contained herein has been retrospectively adjusted to include the historical results of the assets acquired from Tesoro prior to the effective date of each acquisition for all periods presented and do not include revenue for transactions with Tesoro with the exception of regulatory tariffs on its pipeline assets. The TLLP financial data is derived from the combined financial results of the TLLP predecessor (the "TLLP Predecessor"). We refer to the TLLP Predecessor and, prior to each acquisition date, the acquisitions from Tesoro collectively, as "TLLP's Predecessors."

NON-GAAP MEASURES

Our management uses certain "non-GAAP" performance measures to analyze operating segment performance and non-GAAP financial measures to evaluate past performance and prospects for the future to supplement our GAAP financial information presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These financial non-GAAP measures are important factors in assessing our operating results and profitability and include:

- EBITDA-U.S. GAAP-based net earnings before interest, income taxes, and depreciation and amortization expenses
- Debt to capitalization ratio excluding TLLP-the ratio achieved by dividing the net result of our consolidated debt less all debt owed by TLLP (both net of unamortized issuance costs) by the sum of our consolidated debt less TLLP's total debt (both net of unamortized issuance costs) and our total equity less noncontrolling interest associated with the public ownership of TLLP

We present these measures because we believe they may help investors, analysts, lenders and ratings agencies analyze our results of operations and liquidity in conjunction with our U.S. GAAP results, including but not limited to:

- our operating performance as compared to other publicly traded companies in the refining, logistics and marketing industries, without regard to historical cost basis or financing methods;
- our ability to incur and service debt and fund capital expenditures; and
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

Management also uses these measures to assess internal performance, and we believe they may provide meaningful supplemental information to the users of our financial statements. Non-GAAP measures have important limitations as analytical tools, because they exclude some, but not all, items that affect net earnings and operating income. These measures should not be considered substitutes for their most directly comparable U.S. GAAP financial measures.

HIGHLIGHTS (in millions)



RECONCILIATION OF NET EARNINGS TO EBITDA (in millions)



2016 COMPARED TO 2015

OVERVIEW. Our net earnings in 2016 of $860 million decreased from net earnings of $1.7 billion in 2015 primarily due to the weaker margin environment within our Refining segment. Similarly, EBITDA of $2.4 billion in 2016 declined $1.2 billion , or 33% , from $3.6 billion in 2015 as a result of the weaker margin environment.

GROSS MARGINS. Our gross refining margin decreased $1.2 billion during 2016 compared to 2015 primarily driven by a weaker margin environment across all the regions in which we operate. The $4.70 decrease in our gross refining margin per barrel included the benefits of higher throughput in the year due to continued demand growth and the positive impact of the net lower of cost or market inventory adjustment of $359 million reversing in 2016 compared to an additional charge of $317 million in 2015 . With a continued volatile price environment, the impact of our lower of cost of market adjustment can vary and may increase in the future. TLLP revenues, net of operating expenses, increased $92 million due to higher storage fees as well as terminalling and pipeline transportation throughput volumes driven by assets acquired in the year and continued organic expansion. Our gross marketing margin decreased $68 million primarily due to lower fuel margins in 2016 partially offset by increased fuel sales in the year.

OPERATING AND OTHER EXPENSES. Operating expenses remained relatively flat at $2.5 billion in 2016 compared to 2015 . Depreciation and amortization expenses increased $95 million to $851 million in 2016 compared to 2015 primarily due to depreciation and amortization associated with the Great Northern Midstream acquisition along with new assets and turnarounds placed into service during the year.

INTEREST AND FINANCING COSTS, NET. Interest and financing costs increased approximately $57 million to $274 million during 2016 from $217 million in 2015 . The increase was attributable to the write-off of deferred financing costs related to revolver amendments, bridge facility fees in anticipation of the Western Refining acquisition and new debt issuances in the year, primarily the $250 million aggregate principal amount of TLLP's 6.125% Senior Notes due in 2021 and the $450 million aggregate principal amount of TLLP's 6.375% Senior Notes due in 2024 issued in May 2016 .

OTHER INCOME. Other income during 2016 included gains of $15 million related to pipeline tariff refunds received in California, $13 million proceeds related to an insurance settlement on contaminated crude oil shipment we received in 2013 and $9 million gain related to an adjustment permitted in the agreement from the 2013 acquisition of the ARCO ® brand. In 2015 , other income included a gain for an insurance settlement of $11 million related to the Washington Refinery Fire.

INCOME TAX EXPENSE. Our income tax expense from continuing operations totaled $427 million in 2016 versus $936 million in 2015 . The decreased income tax expense is attributable to the decrease in earnings before income taxes. The combined federal and state effective income tax rate was 33.4% and 35.6% during 2016 and 2015 , respectively. Compared to 2015 , the income from non-taxable noncontrolling interests attributable to TLLP was a higher percentage of earnings before income taxes. The 2016 rate also benefited from a $16 million decrease in expense related to the early adoption of Accounting Standards Updated ("ASU") 2016-09, "Improvements to Employee Share-Based Payment Accounting." See Note 1 to our consolidated financial statements in Item 8 for additional information on ASU 2016-09.

EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX. Earnings from discontinued operations related to the Hawaii Business, net of tax, were $10 million in 2016 , compared to a $4 million loss in 2015 . The earnings in 2016 primarily related to proceeds from the calendar year 2015 earn-out owed to the Company. The loss in 2015 was related to a change in estimate for the regulatory improvements we are required to make.

2015 COMPARED TO 2014

OVERVIEW. Our net earnings in 2015 were $1.7 billion compared with $888 million in 2014 due primarily to the stronger margin environment in our Refining segment and lower operating expenses. Similarly, EBITDA of $3.6 billion in 2015 increased $1.4 billion , or 61% , from $2.2 billion in 2014 driven by the margin environment.

GROSS MARGINS. Our gross refining margin increased $691 million during 2015 compared to 2014 primarily driven by a stronger margin environment across the California and Pacific Northwest regions. The increase in our gross refining margin was driven by an increase of $2.99 in our gross margin per barrel partially offset by the impact of the work stoppage and three refinery turnarounds on our refinery utilization during 2015 as well as the net lower of cost or market inventory adjustments of $317 million for 2015 compared to $42 million for 2014 . With a continued volatile price environment, the impact of our lower of cost of market adjustments can vary and may increase in the future. TLLP revenues, net of operating expenses, increased $365 million due to higher throughput volumes driven by a full year of operating from the Rockies Natural Gas Business (defined in Item 8, Note 2), and additional operations from other acquired assets as well as continued expansion of its crude oil gathering assets. Our Marketing gross margin increased $296 million primarily driven by favorable fuel margins and strong demand.

OTHER COSTS AND EXPENSES. Operating expenses were largely in line at $2.5 billion in 2015 compared to 2014 primarily due to declining natural gas costs and the conversion of company-operated retail sites to MSOs that reduced costs associated with the management of station operations partially offset by increased expenses from a full year of operations from the Rockies Natural Gas Business. Depreciation and amortization expense increased $194 million to $756 million in 2015 compared to 2014 primarily due to depreciation and amortization associated with the Rockies Natural Gas Business and new assets placed into service. Loss on asset disposals and impairments for 2015 include various projects that were discontinued due to their lack of economic viability given the current market environment.

INTEREST AND FINANCING COSTS, NET. Interest and financing costs decreased approximately $18 million to $217 million during 2015 from $235 million during 2014 . The decrease consisted primarily of financing transactions that occurred in 2014 that did not have a comparable transaction in 2015 . These transactions include a $39 million charge for premiums paid, unamortized debt issuance costs and discounts related to the redemption of the 9.750% Senior Notes due 2019 and TLLP 5.875% Senior Notes due 2020 in 2014 as well as bridge fees in connection with TLLP's Rockies Natural Gas Business acquisition. These decreases were partially offset by a full year of incremental interest on TLLP's 5.500% Senior Notes due 2019 and TLLP's 6.250% Senior Notes due 2022.

OTHER INCOME. Other income during 2015 included an insurance settlement gain of $11 million related to the Washington Refinery Fire and in 2014 included a refund and settlement from a crude pipeline network rate case settlement of $59 million.

INCOME TAX EXPENSE. Our income tax expense from continuing operations totaled $936 million in 2015 versus $547 million in 2014 with the increase attributable to the increase in earnings before income tax. The combined federal and state effective income tax rate was 35.6% and 37.4% during 2015 and 2014 , respectively. Compared to 2014 , the income from non-taxable noncontrolling interests attributable to TLLP was a higher percentage of earnings before income taxes.

LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX. Losses from discontinued operations related to the Hawaii Business, net of tax, were $4 million in 2015 , compared to $29 million in 2014 . The loss in 2014 primarily related to $42 million in charges related to regulatory improvements we are obligated to make at the Hawaii refinery to resolve the Clean Air Act matters discussed in Note 4 to our consolidated financial statements in Item 8. The loss in 2015 is related to a change in estimate for the regulatory improvements we are required to make.

REFINING SEGMENT

HIGHLIGHTS (in millions)



We currently own and operate seven petroleum refineries located in the western United States and sell transportation fuels to a wide variety of customers. Our refineries produce the majority of the transportation fuels that we sell. Our seven refineries have a combined crude oil capacity of 895 Mbpd. We purchase crude oil and other feedstocks from domestic and foreign sources, including the Middle East, South America, western Africa, Canada, and other locations either in the spot market or through term agreements with renewal provisions. Our Marketing segment, including its branded retail network, provides a committed outlet for the majority of the gasoline produced by our refineries; however, we also sell gasoline and gasoline blendstocks, jet fuel, diesel fuel, heavy fuel oils and residual products in bulk and opportunistically export refined products to certain foreign markets.

REFINING UTILIZATION (a)



(a) Tesoro had a total refining capacity of 895 Mbpd in 2016 following the acquisition of the Dickinson refinery in June, in line with our acquisition oriented growth strategy. In December 2015, we updated our capacity to 875 Mbpd after the completion of several key capital projects. For purposes of the utilization calculation above, a total refining capacity of 850 Mbpd was used for the years ended December 31, 2015 and 2014.

MARKET OVERVIEW . Results from our Refining segment are highly volatile and subject to many factors that are beyond our control. Revenue is not a good proxy for financial performance as the key driver of revenue is the underlying price per barrel of crude oil. Gross refining margin, refinery throughputs, crack spreads and crude oil differentials are better metrics to measure the performance of the Refining segment.

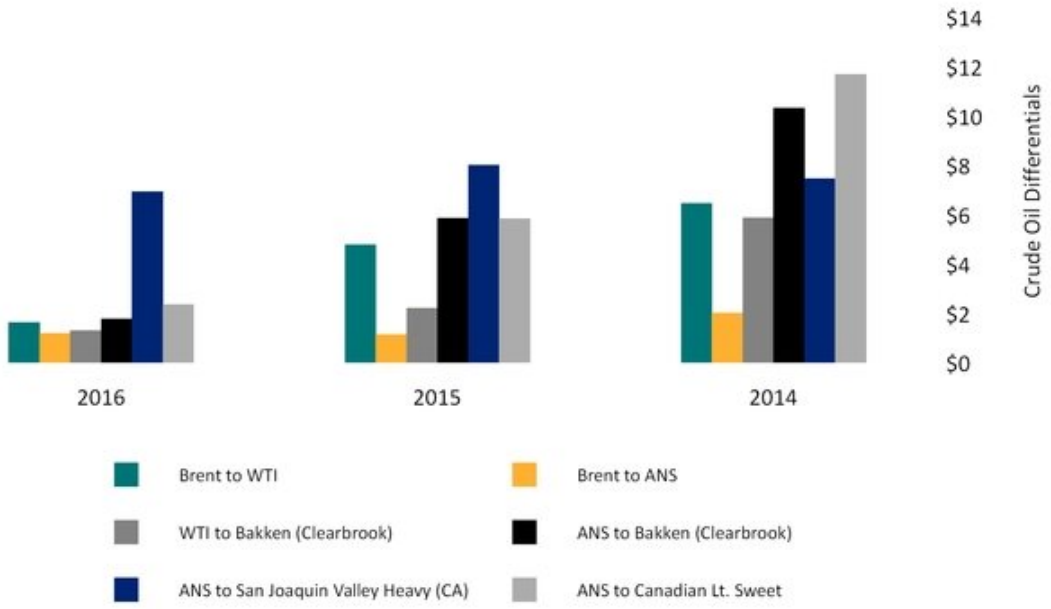
The gross refining margin is the difference between the prices of all manufactured refined products sold and the cost of crude oil and other feedstocks used to produce refined products, including the cost of transportation and distribution paid to TLLP and third parties at contractual rates. The market for crude oil and products is affected by changes in economic conditions and supply and demand balance. Product values and crude oil prices are set by the market and are outside of our control. When evaluating the markets in which we operate, we utilize the U.S. Energy Information Administration and other industry sources, to gather supply, demand, utilization, import and export information to forecast and monitor market conditions for our operating

regions. We focus on PADD V, or the West Coast of the U.S. where the majority of our operations are located. PADD V is defined by the Petroleum Administration for Defense Districts ("PADD") as the states of Alaska, Arizona, California, Hawaii, Nevada, Oregon and Washington.

As a performance benchmark and a comparison with other industry participants, we utilize the West Coast and Mid-Continent crack spreads. The crack spread is a measure of the difference between market prices for crude oil and refined products and is a commonly used proxy within the industry to estimate or identify trends in gross refining margins. Crack spreads can fluctuate significantly over time as a result of market conditions and supply and demand balances. The West Coast 321 crack spread is calculated using 3 barrels of Alaska North Slope crude oil ("ANS") producing 2 barrels of Los Angeles CARB gasoline and 1 barrel of Los Angeles CARB diesel. The Mid-Continent 321 crack spread is calculated using 3 barrels of West Texas Intermediate crude oil ("WTI") producing 2 barrels of Group 3 gasoline and 1 barrel of Group 3 diesel.

Our actual gross refining margins differ from these crack spreads based on the actual slate of crude oil we run at our refineries and the products we produce. The global commodity markets for crude oil and refined products are subject to significant volatility resulting in rapidly changing prices and margin environments. Our refineries process a variety of crude oils that are sourced from around the world. The slate of crude oil we process can vary over time as a result of changes in market prices and shipping rates. Additionally, our refining gross margin is impacted by the changing crude oil price differentials, which is the difference between the benchmark crude oils, WTI and Brent crude oil ("Brent"), and the actual crude oil we run at our refineries. We may experience financial risk associated with price volatility of crude oil and refined products and we may utilize financial hedge instruments to help mitigate such risks where possible.

KEY INFORMATION USED TO MONITOR OUR BUSINESS - CRUDE OIL DIFFERENTIALS (in $/barrel)



Source: PLATTS

WEST COAST. Average U.S. West Coast crack spreads were down approximately 35.9% in 2016 compared to 2015 but were up approximately 55.9% in 2015 compared to 2014 . The decreased crack spreads in 2016 resulted from increased supply year over year, partially offset by continued growth in demand. 2015 crack spreads were up versus 2014 due to several extended unplanned refinery outages in the West Coast (PADD V) region, including our own as discussed below, which reduced West Coast refinery utilization in the year.

MID-CONTINENT. Average Mid-Continent crack spreads were down approximately 10.9% in 2016 compared to 2015 but were up approximately 10.2% in 2015 versus 2014 . Margins and differentials both decreased in 2016 over 2015 resulting in lower gross refining margin. The region had experienced strong growth driven by crude oil drilling in recent years, but 2016 experienced lower crude oil prices and significantly reduced drilling activities which lowered crude oil supply, which led to decreasing differentials, and lowered product demand, which reduced margins. The WTI to Bakken differential decreased approximately $0.91 per barrel, increasing the price of Bakken, which resulted in a lower gross margin in 2016 compared to 2015 . Bakken crude oil represented about 57% of the crude oil consumed by our Mid-Continent system in 2016 .

OPERATIONAL DATA AND RESULTS. Management uses various operating metrics to evaluate performance and efficiency and to compare profitability to other companies in the industry. These measures include:

- Gross refining margin per barrel is calculated by dividing gross refining margin (revenues less costs of feedstocks, purchased refined products, transportation and distribution) by total refining throughput; and
- Manufacturing costs before depreciation and amortization expense ("Manufacturing Costs") per barrel is calculated by dividing Manufacturing Costs by total refining throughput.

Investors and analysts use these financial measures to help analyze and compare companies in the industry on the basis of operating performance. These financial measures should not be considered alternatives to segment operating income, revenues, costs of sales and operating expenses or any other measure of financial performance presented in accordance with U.S. GAAP.

REFINING THROUGHPUT (Mbpd)



REFINING SEGMENT OPERATING DATA AND RESULTS (dollars in millions, except per barrel amounts)

	Years Ended December 31,	
	2016	**2015**
Yield (Mbpd)		
Gasoline and gasoline blendstocks	**451**	409
Diesel fuel	**189**	169
Jet fuel	**118**	119
Other	**122**	139
Total Yield	**880**	836
Refined Product Sales (Mbpd) (a)		
Gasoline and gasoline blendstocks	**523**	510
Diesel fuel	**210**	204
Jet fuel	**149**	152
Other	**102**	92
Total Refined Product Sales	**984**	958
Revenues		
Refined products (b)	**$ 21,213**	$ 25,443
Crude oil resales and other	**1,043**	946
Total Revenues	**22,256**	26,389
Refining Cost of Sales		
Cost of sales (excluding LCM) (c)	**19,469**	21,728
LCM	**(359)**	317
Total Cost of Sales	**19,110**	22,045
Gross refining margin	**3,146**	4,344
Expenses		
Operating expenses		
Manufacturing costs	**1,591**	1,594
Other operating expenses	**429**	329
SG&A	**2**	14
D&A	**588**	504
Other	**1**	32
Segment Operating Income	**$ 535**	$ 1,871
Gross Refining Margin per throughput barrel	**$ 10.42**	$ 15.12
Manufacturing Costs per throughput barrel	**$ 5.27**	$ 5.55

2016 COMPARED TO 2015

OVERVIEW. Operating income for our Refining segment decreased $1.3 billion , or 71% , to $535 million in 2016 compared to 2015 due to a weaker margin environment. Average U.S. West Coast and Mid-Continent crack spreads were down approximately $5.53 per barrel in 2016 at an average $16.18 per barrel compared to an average $21.71 per barrel in 2015 . Total refinery utilization of 93% in 2016 was largely in line with the 93% experienced in 2015 .

REFINING THROUGHPUT. Total refining throughput increased 38 Mbpd, or 5% , to 825 Mbpd in 2016 compared to 787 Mbpd in 2015 . The increase is primarily attributable to the California region where work stoppages and large planned turnarounds in 2015 negatively impacted throughput, the Anacortes refinery where a turnaround in mid- 2015 decreased throughput and the Dickinson refinery, which was acquired in June 2016 .

GROSS REFINING MARGIN. Our gross refining margin per barrel decreased $4.70 per barrel, or 31% , to $10.42 per barrel in 2016 compared to 2015 given a weaker margin environment across all regions, particularly California and Mid-Continent, partially offset by the positive impact of the lower of cost or market adjustment in 2016 .

Total gross refining margin decreased $1.2 billion , or 28% , to $3.1 billion in 2016 compared to 2015 . Gross margins in the California, Pacific Northwest and Mid-Continent regions decreased by $824 million , $165 million and $209 million , respectively. Declining crack spreads and crude oil differentials in the regions within which we operate largely contributed to the decrease in gross refining margin in the year. Partially offsetting the regional decreases was continued demand growth for our refined products and a $359 million benefit from lower of cost or market adjustments reversing in 2016 related to our inventory compared to an additional $317 million charge in 2015 . Our continued focus on realizing business improvements and synergies also contributed to our results across all regions.

REFINING SEGMENT OPERATING DATA AND RESULTS (dollars in millions, except per barrel amounts)

	Years Ended December 31,	
	2015	2014
Yield (Mbpd)		
Gasoline and gasoline blendstocks	409	429
Diesel fuel	169	191
Jet fuel	119	127
Other	139	132
Total Yield	836	879
Refined Product Sales (Mbpd) (a)		
Gasoline and gasoline blendstocks	510	507
Diesel fuel	204	206
Jet fuel	152	149
Other	92	87
Total Refined Product Sales	958	949
Revenues		
Refined products (b)	$ 25,443	$ 37,365
Crude oil resales and other	946	1,456
Total Revenues	26,389	38,821
Refining Cost of Sales		
Cost of sales (excluding LCM) (c)	21,728	35,126
LCM	317	42
Total Cost of Sales	22,045	35,168
Gross refining margin	4,344	3,653
Expenses		
Operating expenses		
Manufacturing costs	1,594	1,693
Other operating expenses	329	324
SG&A	14	19
D&A	504	421
Other	32	3
Segment Operating Income	$ 1,871	$ 1,193
Gross Refining Margin per throughput barrel	$ 15.12	$ 12.13
Manufacturing Costs per throughput barrel	$ 5.55	$ 5.62

2015 COMPARED TO 2014

OVERVIEW. Operating income for our Refining segment increased $678 million , or 57% , to $1.9 billion in 2015 compared to 2014 due to a stronger margin environment. Average U.S. West Coast crack spreads margins were approximately $25 per barrel, over $9 per barrel higher, in 2015 compared to 2014. Total refinery utilization was 93% in 2015 compared to 97% in 2014 primarily as a result of the work stoppage and an increase in our stated overall refining capacity to 875 Mbpd compared to 850 Mbpd in 2014 .

REFINING THROUGHPUT. Total refining throughput decreased 38 Mbpd, or 5% , to 787 Mbpd in 2015 as compared to 825 Mbpd in 2014 . The decrease is primarily due the work stoppage and large planned turnarounds at our Los Angeles and Martinez refineries and project activity at our Salt Lake City refinery. Our California region was most significantly impacted by the work stoppage at our Martinez refinery resulting in it being idled and reduced throughput in the Carson portion of our Los Angeles refinery.

GROSS REFINING MARGINS. Our gross refining margin increased $2.99 per barrel, or 25% , to $15.12 per barrel in 2015 compared to 2014 given a stronger margin environment across the California and Pacific Northwest regions, which was offset by the impact of work stoppages and three refinery turnarounds during 2015 .

Total gross refining margin increased $691 million , or 19% , to $4.3 billion in 2015 compared to 2014 . Gross margins in the California and Pacific Northwest regions increased by $920 million and $97 million , respectively, while margins in the Mid-Continent decreased by $326 million . The gross margin increases in the California and the Pacific Northwest regions were due to favorable market conditions caused by strong clean product demand growth and supported by lower consumer prices as a result of falling crude oil price. The West Coast (PADD V) region also experienced several unplanned refinery outages, which impacted overall regional supply. Margins decreased in the Mid-Continent region primarily as a result of lower crude oil differentials. Our continued focus on realizing business improvements and synergies also contributed to our results across all regions. Partially offsetting the regional increases was a $317 million impact from lower of cost or market adjustments related to our inventory in 2015 compared to $42 million in 2014 .

(a) Sources of total refined product sales include refined products manufactured at our refineries and refined products purchased from third parties. Total refined product sales include sales of manufactured and purchased refined products. Refined product sales include all sales through our Marketing segment as well as in bulk markets and exports through our Refining segment.
(b) Refined product sales include intersegment sales to our Marketing segment of $13.7 billion , $16.3 billion and $22.2 billion in 2016 , 2015 and 2014 , respectively.
(c) Refining segment costs for services provided by our TLLP segment were $715 million , $615 million and $497 million for the years ended December 31, 2016 , 2015 and 2014 , respectively. These amounts are eliminated upon consolidation.

REFINING SEGMENT OPERATING RESULTS BY REGION (in millions, except per barrel amounts)

	Years Ended December 31,								
	2016	2015	2014	2016	2015	2014	2016	2015	2014
	California (Martinez and Los Angeles)			*Pacific Northwest (Washington and Alaska)*			*Mid-Continent (North Dakota and Utah)*		
Revenues									
Refined products	**$ 14,231**	$ 17,317	$ 24,733	**$ 4,030**	$ 4,767	$ 7,175	**$ 2,952**	$ 3,359	$ 5,457
Crude oil resales and other	**312**	344	267	**226**	350	851	**505**	252	338
Total Revenues	**14,543**	17,661	25,000	**4,256**	5,117	8,026	**3,457**	3,611	5,795
Refining Cost of Sales									
Cost of sales (excluding LCM)	**12,671**	14,522	22,958	**3,825**	4,361	7,435	**2,973**	2,845	4,733
LCM	**(236)**	207	30	**(84)**	76	8	**(39)**	34	4
Total Cost of Sales	**12,435**	14,729	22,988	**3,741**	4,437	7,443	**2,934**	2,879	4,737
Gross refining margin (a)	**2,108**	2,932	2,012	**515**	680	583	**523**	732	1,058
Expenses									
Manufacturing costs	**1,119**	1,144	1,228	**258**	256	273	**214**	194	192
Other operating expenses (a)	**210**	206	225	**65**	64	44	**154**	59	55
SG&A	**1**	13	17	**1**	—	2	**—**	1	—
D&A	**375**	336	258	**96**	86	85	**117**	82	78
Other	**—**	10	1	**—**	6	1	**1**	16	1
Operating Income	**$ 403**	$ 1,223	$ 283	**$ 95**	$ 268	$ 178	**$ 37**	$ 380	$ 732
Refining throughput (Mbpd)	**507**	493	523	**181**	170	171	**137**	124	131
Gross refining margin per throughput barrel	**$ 11.36**	$ 16.29	$ 10.54	**$ 7.77**	$ 10.96	$ 9.34	**$ 10.43**	$ 16.17	$ 22.13
Manufacturing costs per throughput barrel	**$ 6.02**	$ 6.37	$ 6.43	**$ 3.90**	$ 4.14	$ 4.37	**$ 4.29**	$ 4.26	$ 4.00

(a) Included in the Mid-Continent region's other operating expenses is $43 million for the year ended December 31, 2016 , related to our acquisition of Great Northern Midstream LLC. Revenues associated with those costs are recognized in gross refining margin.

TLLP SEGMENT

HIGHLIGHTS (in millions)



TLLP is a publicly traded limited partnership that was formed to own, operate, develop and acquire logistics assets. A significant portion of its assets are integral to the success of Tesoro's refining and marketing operations and generate revenue by charging fees for gathering crude oil, natural gas, and water, for terminalling, transporting and storing crude oil and refined products and for processing and fractionating NGLs.

OPERATIONAL DATA AND RESULTS. Management uses average revenue per barrel and average revenue per MMBtu to evaluate performance and compare profitability to other companies in the industry. We calculate average revenue per barrel as revenue divided by total throughput and total processing volumes, respectively, while average revenue per MMBtu is calculated as revenue divided by total volume. Investors and analysts use these financial measures to help analyze and compare companies in the industry on the basis of operating performance. These financial measures should not be considered as an alternative to segment operating income, revenues and operating expenses or any other measure of financial performance presented in accordance with U.S. GAAP.

MARKET OVERVIEW. During the past year, spot prices of the commodities that TLLP handles, including crude oil, natural gas, and refined products, declined, while natural gas liquids increased. The lower price levels along with increased volatility in the commodity price environment created challenges for crude oil and natural gas producers who modified their drilling and production plans. The U.S. oil and gas drilling rig count continued to see declines in the first half of 2016 but reversed course in the second half of the year leaving year-over-year count relatively unchanged. Looking forward, price appreciation, improved producer economics, advanced drilling techniques and better well management along with a backlog of uncompleted wells available for completion could positively impact overall U.S. production volumes.

Lower retail prices and favorable economic conditions throughout 2016 supported increased demand for refined products from TLLP's downstream refining and marketing customers. Changes in the U.S. political landscape, namely around the lifting of the 40 year old crude oil export ban in December 2015, had a minimal impact on TLLP's business and TLLP believes this will continue to be the case in the short term. TLLP continues to monitor the impact of these changes in market prices and fundamentals as it relates to TLLP's business. Currently, TLLP believes its diversified portfolio, which is underpinned by long-term contracts, many of which are supported by minimum volume commitments, adequately supports its goals and objectives outlined above.

The results of operations for TLLP's natural gas gathering and processing operations are shown in Mbpd, per barrel, MMBtu and per MMBtu amounts.

TLLP SEGMENT OPERATING DATA

	Years Ended December 31,		
	2016	**2015**	**2014**
Gathering			
Gas gathering volume (thousands of MMBtu/d) (a) (b)	**879**	1,077	1,046
Average gas gathering revenue per MMBtu (a)	**$ 0.51**	$ 0.43	$ 0.41
Crude oil gathering pipeline throughput (Mbpd)	**212**	188	123
Average crude oil gathering pipeline revenue per barrel	**$ 1.72**	$ 1.79	$ 1.46
Crude oil trucking volume (Mbpd)	**30**	38	49
Average crude oil trucking revenue per barrel	**$ 3.23**	$ 3.25	$ 3.23
Processing			
NGLs processing throughput (Mbpd) (b)	**7.3**	7.6	6.5
Average keep-whole fee per barrel of NGLs	**$ 36.53**	$ 34.46	$ 35.51
Fee-based processing throughput (thousands of MMBtu/day) (b)	**639**	743	693
Average fee-based processing revenue per MMBtu	**$ 0.45**	$ 0.39	$ 0.30
Terminalling and Transportation			
Terminalling throughput (Mbpd)	**984**	955	952
Average terminalling revenue per barrel	**$ 1.33**	$ 1.08	$ 0.96
Pipeline transportation throughput (Mbpd)	**868**	825	822
Average pipeline transportation revenue per barrel	**$ 0.39**	$ 0.39	$ 0.36

(a) Prior to deconsolidation of Rendezvous Gas Services, L.L.C. ("RGS") as of January 1, 2016, fees paid by TLLP to RGS were eliminated upon consolidation and third-party transactions, including revenue and throughput volumes, were included in TLLP's results of operations. Third party volumes associated with RGS, included in gas gathering volume for the years ended December 31, 2015 and 2014 , were 141 thousand MMBtu/d and 148 thousand MMBtu/d, respectively, and reduced TLLP's average gas gathering revenue per MMBtu by approximately $0.05 for both periods.

(b) TLLP commenced natural gas gathering and processing operations with the acquisition of the Rockies Natural Gas Business in December 2014. Per day calculations only reflect the period of 2014 that TLLP owned the Rockies Natural Gas Business.

TLLP SEGMENT OPERATING RESULTS (in millions)

	Years Ended December 31,	
	2016 (a)	2015 (a)
Segment Operating Income		
Revenues		
Gathering		
Gas gathering	**$ 163**	$ 170
Crude oil gathering pipeline	**133**	123
Crude oil trucking	**36**	46
Other	**7**	—
Processing		
NGLs processing	**98**	96
Fee-based processing	**106**	107
Other processing	**72**	75
Terminalling and transportation		
Terminalling	**480**	377
Pipeline transportation	**125**	118
Total Revenues (c)	**1,220**	1,112
Expenses		
Operating expenses (d)	**444**	428
SG&A (e)	**95**	103
D&A	**190**	187
Other	**4**	1
Segment Operating Income	**$ 487**	$ 393

2016 COMPARED TO 2015

OVERVIEW. Operating income for our TLLP segment increased $94 million to $487 million due to higher revenues, partially offset by an increase in operating expenses.

REVENUES AND THROUGHPUT. Terminalling and pipeline transportation throughput increased as a result of terminalling assets from the Alaska Storage and Terminalling Assets acquisition, stronger customer demand and organic growth projects adding new capabilities to TLLP's system. Gas gathering volume decreased largely due to the deconsolidation of RGS in 2016 while crude oil pipeline throughput increased due to increased activity and the completion of expansion projects. Natural gas fee-based processing was down in the year due to limited drilling activity and lower resulting production in the areas we service. Revenues for 2016 increased $108 million , or 9.7% , to $1.2 billion primarily driven by the full year impact of the LA Storage and Handling Assets purchased from Tesoro in November 2015 and the Alaska Storage and Terminalling Assets purchased in 2016.

OPERATING AND OTHER EXPENSES. Operating expenses increased $16 million in 2016 compared to 2015 primarily resulting from the inclusion of gross operating expenses related to TLLP's transactions with RGS in 2016 that were previously eliminated upon consolidation as well as additional expenses related to acquisitions during 2016 partially offset by a reduction in the environmental remediation costs recognized in 2016 compared to 2015 related to the 2013 release of crude oil in a rural field northeast of Tioga, North Dakota.

TLLP SEGMENT OPERATING RESULTS (in millions)

	Years Ended December 31,	
	2015 (a)	2014 (a)
Segment Operating Income		
Revenues		
Gathering (b)		
Gas gathering	$ 170	$ 11
Crude oil gathering pipeline	123	66
Crude oil trucking	46	58
Processing (b)		
NGLs processing	96	7
Fee-based processing	107	6
Other processing	75	10
Terminalling and transportation		
Terminalling	377	333
Pipeline transportation	118	109
Total Revenues (c)	1,112	600
Expenses		
Operating expenses (d)	428	281
SG&A (e)	103	74
D&A	187	85
Other	1	(4)
Segment Operating Income	$ 393	$ 164

2015 COMPARED TO 2014

OVERVIEW. Operating income for our TLLP segment increased $229 million to $393 million due to higher revenues, offset by an increase in operating expenses resulting from increased labor and operating costs associated with the acquired operations. The Rockies Natural Gas Business, which was acquired in December 2014, contributed significantly towards the increase in TLLP's operating income during 2015 .

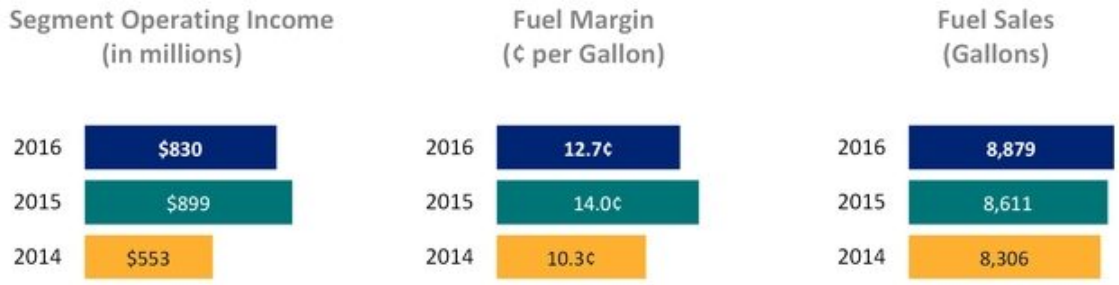
REVENUES AND THROUGHPUT. Gathering throughput volume increased as a result of the assets acquired in the Rockies Natural Gas Business acquisition and the continuing expansion of the High Plains System. TLLP commenced natural gas gathering and processing operations with the acquisition of the Rockies Natural Gas Business in December 2014. The increase in volumes for crude oil gathering pipeline throughput was almost entirely due to third-party volumes. NGLs processing throughput and fee-based processing throughput volumes also increased as a result of a full year of operations of the assets acquired in the Rockies Natural Gas Business acquisition. These higher throughput volumes resulted in an increase to revenues of $512 million during 2015 to $1.1 billion compared to $600 million in 2014 .

OPERATING AND OTHER EXPENSES. Operating expenses increased $147 million in 2015 compared to 2014 primarily related to operations acquired in the Rockies Natural Gas Business acquisition in late 2014. Included in 2015 operating expenses is an incremental accrual of $24 million related to the 2013 release of crude oil in a rural field northeast of Tioga, North Dakota compared to $18 million recognized in 2014 . General and administrative expenses increased by $29 million in 2015 due to higher allocations of overhead costs associated with increased costs to support the growth of the business.

(a) Includes historical results of TLLP's Predecessors for the years ended December 31, 2016 , 2015 and 2014 . See additional information regarding TLLP's Predecessors under "Items Impacting Comparability."
(b) TLLP commenced natural gas gathering and processing operations with the acquisition of the Rockies Natural Gas Business in December 2014.
(c) TLLP segment revenues from services provided to our Refining segment were $715 million , $615 million and $497 million for the years ended December 31, 2016 , 2015 and 2014 , respectively. These amounts are eliminated upon consolidation.
(d) TLLP segment operating expenses include amounts billed by Tesoro for services provided to TLLP under various operational contracts. Amounts billed by Tesoro totaled $166 million , $135 million and $111 million for the years ended December 31, 2016 , 2015 and 2014 , respectively. Operating expenses also include imbalance gains and reimbursements of $24 million , $42 million and $43 million in the years ended December 31, 2016 , 2015 and 2014 , respectively. These amounts are eliminated upon consolidation. TLLP segment third-party operating expenses related to the transportation of crude oil and refined products are reclassified to cost of sales in our statements of consolidated operations upon consolidation.
(e) TLLP segment general and administrative expenses include amounts charged by Tesoro for general and administrative services provided to TLLP under various operational and administrative contracts. These amounts totaled $69 million , $72 million and $39 million for the years ended December 31, 2016 , 2015 and 2014 , respectively. These amounts are eliminated upon consolidation. TLLP segment third-party general and administrative expenses are reclassified to cost of sales in our statements of consolidated operations upon consolidation.

MARKETING SEGMENT

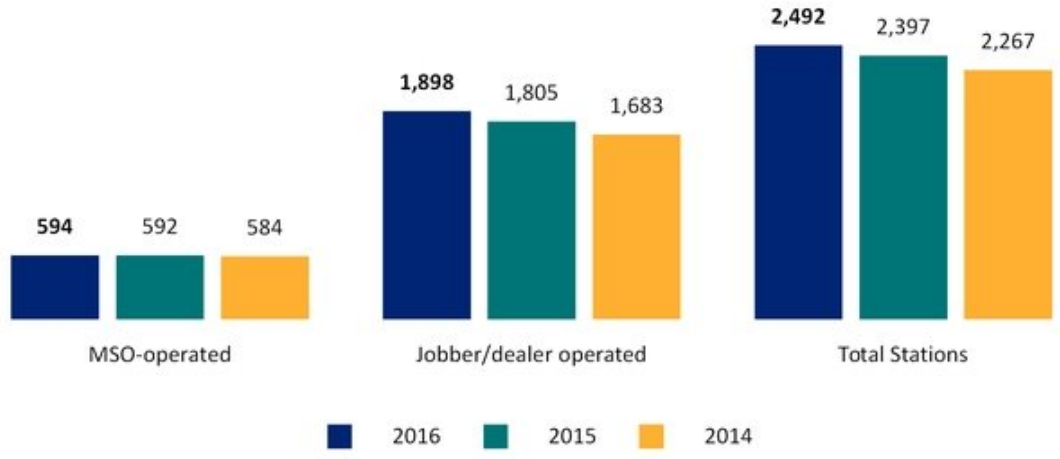
HIGHLIGHTS



We sell gasoline and diesel fuel in the western U.S. through branded and unbranded channels. Our branded operations are made up of Jobber/Dealers. Our unbranded business includes volumes sold through agreements with third-party distributors/operators. Our branded and unbranded channels provide profitable and committed outlets for the majority of the gasoline produced by our refineries. Our Marketing segment included a network of retail stations under the ARCO ®, Shell ®, Exxon ®, Mobil ®, USA Gasoline ™, Rebel ™, Thrifty ™ and Tesoro ® brands. Our unique brand portfolio allows us to regionally select premium and value brands consistent with consumer preferences. In addition to added profitability, our Marketing business enables our refineries to run optimally, which lowers overall operating costs per barrel.

OPERATIONAL DATA AND RESULTS. Management uses fuel margin per gallon to compare fuel results to other companies in the industry. There are a variety of ways to calculate fuel margin per gallon; different companies may calculate it in different ways. We calculate fuel margin per gallon by dividing fuel gross margin by fuel sales volumes. Investors and analysts may use fuel margin per gallon to help analyze and compare companies in the industry on the basis of operating performance. This financial measure should not be considered an alternative to revenues, segment operating income or any other measure of financial performance presented in accordance with U.S. GAAP. Fuel margin and fuel margin per gallon include the effect of intersegment purchases from the Refining segment.

NUMBER OF BRANDED STATIONS



MARKETING SEGMENT OPERATING DATA AND RESULTS (dollars in millions, except cents per gallon)

	Years Ended December 31,		
	2016	2015	2014
Marketing Revenues			
Fuel	**$ 15,405**	$ 18,081	$ 23,701
Other non-fuel (a) (b)	**85**	63	240
Total Revenues	**15,490**	18,144	23,941
Marketing Cost of Sales			
Fuel	**14,275**	16,873	22,842
Other non-fuel	**17**	5	129
Total Cost of Sales	**14,292**	16,878	22,971
Marketing Gross Margins			
Fuel (c)	**1,130**	1,208	859
Other non-fuel (a) (b)	**68**	58	111
Total Gross Margins	**1,198**	1,266	970
Expenses			
Operating expenses	**298**	300	352
SG&A	**17**	15	17
D&A	**49**	46	42
Other	**4**	6	6
Segment Operating Income (c)	**$ 830**	$ 899	$ 553
Fuel Sales (millions of gallons)	**8,879**	8,611	8,306
Fuel Margin (¢ /gallon)	**12.7¢**	14.0¢	10.3¢

2016 COMPARED TO 2015

OVERVIEW. Operating income decreased $69 million , or 8% , to $830 million in 2016 compared to $899 million in 2015 primarily due to lower gasoline margins in 2016 in all of the regions we operate in, particularly in the West Coast (PADD V) region. Higher gasoline prices in 2015 were experienced in the West Coast (PADD V) region during the second and third quarters as a result of several unplanned refinery outages, largely returning to normal by the fourth quarter.

GROSS MARGIN. Gross margin decreased $68 million to $1.2 billion during 2016 compared to $1.3 billion in 2015 . The decrease is primarily due to lower gasoline margins in 2016 , offset in part by a 3% year over year increase in fuel sales driven by increased demand and growth in our retail site network.

OPERATING AND OTHER EXPENSES. Operating and other expenses were relatively flat year over year with $368 million in 2016 compared to $367 million in 2015 .

2015 COMPARED TO 2014

OVERVIEW. Operating income increased $346 million , or 63% , to $899 million in 2015 compared to $553 million in 2014 , primarily as a result of increased fuel sales volumes driven by strong demand and growth in our retail site network and reduced operating expenses.

GROSS MARGIN. Gross margin increased $296 million to $1.3 billion during 2015 compared to $970 million in 2014 . We experienced higher fuel margin driven by favorable market conditions and strong demand. Fuel sales volumes increased 4% during 2015 and 2014 from strong demand attributed to lower fuel prices and continued economic improvement in the markets in which we operate.

OPERATING AND OTHER EXPENSES. The decrease of $52 million in operating expenses was primarily driven by the conversion of our retail stations to the MSO model that reduced costs associated with management of station operations.

(a) In December 2014, we converted our company-operated retail stations to MSO retail stations. The impact of this change was not material to our Marketing segment results.

(b) Primarily includes royalty and franchise income for the years ended December 31, 2016 and 2015 and primarily merchandise revenue for the year ended December 31, 2014 .

(c) Starting in 2015, we changed our segment reporting methodology to better reflect market trends. This primarily included discounting the price that Marketing pays for refined product to Refining by the value of renewable identification numbers ("RINs"). This change was effective January 1, 2015 and we have not adjusted financial information presented for our Refining and Marketing segments for the year ended December 31, 2014 . Had we made this change effective January 1, 2014, operating income in our Refining segment would have reduced by $125 million with a corresponding increase to operating income in our Marketing segment for the year ended December 31, 2014 .

CAPITAL RESOURCES AND LIQUIDITY

OVERVIEW

We operate in an environment where our capital resources and liquidity are impacted by changes in the price of crude oil and refined products, availability of trade credit, market uncertainty and a variety of additional factors beyond our control. These factors include the level of consumer demand for transportation fuels, weather conditions, fluctuations in seasonal demand, governmental regulations, geo-political conditions and overall market and global economic conditions. See "Important Information Regarding Forward-Looking Statements" for further information related to risks and other factors. Future capital expenditures, as well as borrowings under our credit agreements and other sources of capital, may be affected by these conditions. Debt is described in greater detail in Note 12 to our consolidated financial statements in Item 8.

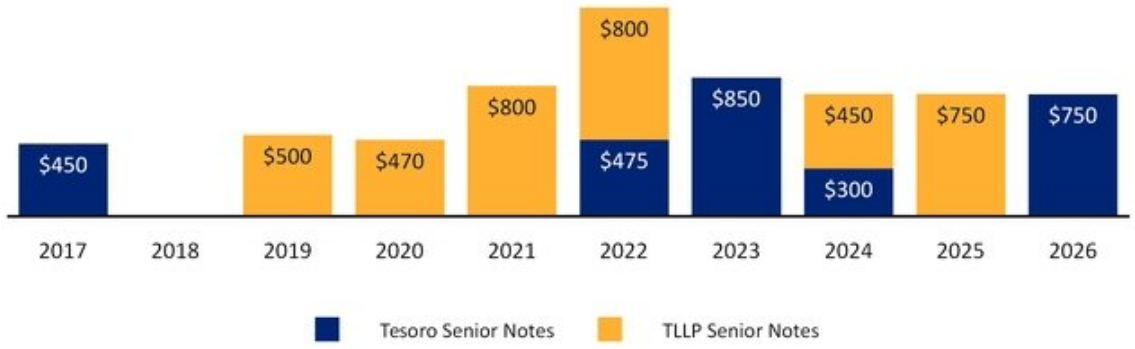
CAPITALIZATION

CAPITAL STRUCTURE (in millions)

	As of December 31,	
Debt, including current maturities:	**2016**	**2015**
Tesoro Corporation Revolving Credit Facility	**$ —**	$ —
4.250% Senior Notes due 2017	**450**	450
5.375% Senior Notes due 2022	**475**	475
4.750% Senior Notes due 2023	**850**	—
5.125% Senior Notes due 2024	**300**	300
5.125% Senior Notes due 2026	**750**	—
Term Loan Facility (a)	**64**	—
Capital lease obligations and other	**44**	39
Tesoro Debt	**2,933**	1,264
TLLP Revolving Credit Facility	**330**	305
TLLP Dropdown Credit Facility	**—**	—
TLLP Unsecured Term Loan Facility	**—**	250
TLLP 5.500% Senior Notes due 2019	**500**	500
TLLP 5.875% Senior Notes due 2020	**470**	470
TLLP 6.125% Senior Notes due 2021	**800**	550
TLLP 6.250% Senior Notes due 2022	**800**	800
TLLP 6.375% Senior Notes due 2024	**450**	—
TLLP 5.250% Senior Notes due 2025	**750**	—
Capital lease obligations and other	**9**	8
TLLP Debt	**4,109**	2,883
Total Debt	**7,042**	4,147
Unamortized Issuance Costs (b)	**(109)**	(74)
Debt, Net of Unamortized Issuance Costs	**6,933**	4,073
Total Equity	**8,127**	7,740
Total Capitalization	**$ 15,060**	$ 11,813

(a) In connection with our acquisition of the Dickinson Refinery, we assumed $66 million of term loan debt.
(b) The unamortized issuance costs for TLLP were $55 million and $39 million at December 31, 2016 and 2015 , respectively, including unamortized premiums of $4 million for both periods.

SENIOR NOTES BY MATURITY (in millions)



Our debt, net of unamortized issuance costs, to capitalization ratio was 46% and 34% at December 31, 2016 and 2015 , respectively. Our debt, net of unamortized issuance costs, to capitalization ratio, excluding TLLP, was 35% and 19% at December 31, 2016 and 2015 , respectively, which excludes TLLP total debt, net of unamortized issuance costs and TLLP capital leases of $4.1 billion and $2.8 billion at December 31, 2016 and 2015 , respectively, and excludes noncontrolling interest of $2.7 billion and $2.5 billion at December 31, 2016 and 2015 , respectively. TLLP's debt is non-recourse to Tesoro, except for Tesoro Logistics GP, LLC.

2016 DEBT TRANSACTIONS

During 2016 , both Tesoro and TLLP were active in the debt markets, in part due to acquisition related activities. In anticipation of the Western Refining merger, Tesoro completed a $1.6 billion senior notes offering in December 2016 and entered into a financing commitment letter in November 2016 committing banks to provide up to $2.2 billion in the form of a bridge credit facility. In addition, the Company amended its revolving credit facility to take advantage of improved terms and to better position itself for funding the Western Refining transaction with an incremental $1.0 billion capacity, at which time the commitment letter was reduced to $1.2 billion and ultimately terminated. In connection with acquisitions from Tesoro, TLLP completed a $750 million offering in December 2016 and completed another offering of $700 million in May 2016. In addition to a senior notes exchange in February 2016, TLLP entered in a new $1.0 billion Dropdown Credit Facility and amended its revolving credit facility in January 2016.

See Note 12 in Item 8 for a more detailed discussion regarding the company's debt transactions in the year.

CREDIT FACILITIES OVERVIEW

Our primary sources of liquidity are cash flows from operations with additional sources available under borrowing capacity from our revolving lines of credit. We ended 2016 with $3.3 billion of cash and cash equivalents, no borrowings outstanding under the Tesoro Corporation revolving credit facility (the "Revolving Credit Facility") or the TLLP Dropdown Credit Facility and $330 million of borrowings outstanding under the TLLP Revolving Credit Facility. We believe available capital resources will be adequate to meet our capital expenditure, working capital and debt service requirements.

AVAILABLE CAPACITY UNDER REVOLVING CREDIT FACILITIES (in millions)

	Total Capacity	Amount Borrowed as of December 31, 2016	Outstanding Letters of Credit	Available Capacity	Expiration
Tesoro Corporation Revolving Credit Facility (a)	$ 2,000	$ —	$ 4	$ 1,996	September 30, 2020
TLLP Revolving Credit Facility	600	330	—	270	January 29, 2021
TLLP Dropdown Credit Facility	1,000	—	—	1,000	January 29, 2021
Letter of Credit Facilities (b)	975	—	22	953	
Total Credit Facilities	**$ 4,575**	**$ 330**	**$ 26**	**$ 4,219**	

(a) The $2.0 billion total capacity does not include the additional $1.0 billion related to the incremental revolving facility, as discussed further in Note 12 in Item 8.
(b) Letters of credit outstanding under these agreements incur fees ranging from 0.45% to 0.90% and are secured by the crude oil inventories for which they are issued. Capacity under these letter of credit agreements is available on an uncommitted basis and can be terminated by either party at any time.

REVOLVING CREDIT FACILITIES EXPENSES AND FEES

Credit Facility	30 day Eurodollar (LIBOR) Rate	Eurodollar Margin	Base Rate	Base Rate Margin	Commitment Fee (unused portion)
Tesoro Corporation Revolving Credit Facility ($2.0 billion)	0.77%	1.75%	3.75%	0.75%	0.300%
TLLP Revolving Credit Facility ($600 million) (a)	0.77%	2.00%	3.75%	1.00%	0.375%
TLLP Dropdown Credit Facility ($1.0 billion)	0.77%	2.01%	3.75%	1.01%	0.375%

(a) The weighted average interest rate for borrowings under the secured TLLP Revolving Credit Facility was 2.76% at December 31, 2016 .

COVENANTS. Our Revolving Credit Facility, as amended, senior notes, TLLP Revolving Credit Facility, TLLP Dropdown Credit Facility and TLLP senior notes include certain negative, affirmative and financial covenants, a number of which will either no longer apply or become less restrictive if an investment grade rating from either Moody's Investors Service or S&P Global Ratings is achieved, that may limit or restrict the ability of Tesoro and its subsidiaries to:

- pay dividends and make other distributions with respect to our capital stock and purchase, redeem or retire our capital stock;
- enter into certain hedging agreements;
- incur additional indebtedness;
- sell assets unless the proceeds from those sales are used to repay debt or are reinvested in our business;
- incur liens on assets to secure certain debt;
- engage in certain business activities;
- make certain payments and distributions from our subsidiaries;
- engage in certain investments, mergers or consolidations and transfers of assets; and
- enter into non-arm's length transactions with affiliates.

We do not believe that the limitations will restrict our ability to pay dividends (distributions for TLLP) or repurchase stock under our current programs. We also have financial covenants that require Tesoro or TLLP to maintain certain interest coverage and leverage ratios. There were no changes to the TLLP Revolving Credit Facility covenants during the year ended December 31, 2016 . We were in compliance with our debt covenants as of and for the year ended December 31, 2016 . See Note 12 to our consolidated financial statements in Item 8 for additional information on our debt obligations.

TLLP REVOLVING CREDIT FACILITY AMENDMENT. On January 29, 2016 , TLLP amended its existing secured TLLP Revolving Credit Facility. As a result of the amendment, TLLP decreased the aggregate available facility limit from $900 million to $600 million and improved terms related to pricing and financial covenants.

TLLP DROPDOWN CREDIT FACILITY. On January 29, 2016 , TLLP syndicated a new $1.0 billion secured TLLP Dropdown Credit Facility. The primary use of proceeds under this facility will be to fund TLLP asset acquisitions. This facility provides TLLP a flexible capital structure with a segregated source of financing for future asset acquisitions including transactions with Tesoro. The terms, covenants and restrictions under this facility are substantially the same with its amended secured TLLP Revolving Credit Facility.

The secured TLLP Revolving Credit Facility and the secured TLLP Dropdown Credit Facility ratably share collateral comprised primarily of TLLP property, plant and equipment and both facilities mature January 29, 2021 . In addition, upon an upgrade of TLLP's corporate family rating to investment grade, certain covenants and restrictions under each facility will automatically be eliminated or improved. See further discussion in Note 12 to our consolidated financial statements in Item 8.

SHARE REPURCHASES

We are authorized by our Board of Directors (the "Board") to purchase shares of our common stock in open market transactions at our discretion. The Board's authorization has no time limit and may be suspended or discontinued at any time. Purchases of our common stock can be made to offset the dilutive effect of stock-based compensation awards and to meet our obligations under employee benefit and compensation plans, including the exercise of stock options and vesting of restricted stock and to fulfill other stock compensation requirements. We purchased approximately 3.2 million shares of our common stock for the year ended December 31, 2016 at an average price of $78.56 per share and 6.9 million shares of our common stock for the year ended December 31, 2015 at an average price of $93.60 per share for approximately $250 million and $644 million for the years ended December 31, 2016 and 2015 , respectively. In October 2015, our Board approved a new $1.0 billion share repurchase program to become effective upon the full completion of the current $1.0 billion share repurchase authorized in July 2014. In connection with the Merger with Western Refining, our Board approved a new $1.0 billion share repurchase program. We have over $2.1 billion remaining under our authorized programs.

CASH DIVIDENDS

On February 3, 2017 , our Board declared a cash dividend of $0.550 per share, payable on March 15, 2017 to shareholders of record on February 28, 2017 .

CASH DIVIDENDS PAID

	2016				2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Annual cash dividends paid	**$249 million**				$228 million				$141 million			
Quarterly per share amount declared	**$ 0.550**	**$ 0.550**	**$ 0.500**	**$ 0.500**	$ 0.500	$ 0.500	$ 0.425	$ 0.425	$ 0.300	$ 0.300	$ 0.250	$ 0.250

CASH FLOW SUMMARY

Working capital (excluding cash) decreased $270 million in 2016 primarily related to the 4.250% senior notes due 2017 and the timing of our payments for crude oil and refined product purchases partially offset by a higher inventory balance due to higher crude oil prices and the timing of receivables. Working capital (excluding cash) increased $191 million in 2015 compared to 2014 primarily related to the timing of our payments for crude oil and refined product purchases, which was offset by timing of receivables, and the net decrease in inventories, which included a $359 million net lower of cost or market inventory adjustment due to the lower price environment we experienced during 2015 .

COMPONENTS OF OUR CASH FLOWS (in millions)

	Years Ended December 31,		
	2016	2015	2014
Cash Flows From (Used in):			
Operating activities	**$ 1,304**	$ 2,131	$ 1,364
Investing activities	**(1,317)**	(1,129)	(3,172)
Financing activities	**2,366**	(1,060)	1,570
Increase (Decrease) in Cash and Cash Equivalents	**$ 2,353**	$ (58)	$ (238)

2016 COMPARED TO 2015

OPERATING ACTIVITIES. Net cash from operating activities decrease d $827 million , or 39% , to $1.3 billion in 2016 compared to $2.1 billion in 2015 . The decrease in net cash from operating activities was primarily due to $830 million in lower net earnings in 2016 versus 2015 coupled with a $676 million change in the lower cost of market adjustment offset by change in working capital in the period.

INVESTING ACTIVITIES. Net cash used in investing activities increased $188 million , or 17% , to $1.3 billion in 2016 compared to $1.1 billion in 2015 primarily due to funds used for acquisitions in the year partially offset by reduced capital expenditures in 2016 . See "Capital Expenditures" in this Item.

FINANCING ACTIVITIES. Net cash from financing activities during 2016 totaled $2.4 billion compared to net cash used of $1.1 billion in 2015 . The $3.4 billion year on year change was primarily due to $3.1 billion of proceeds from debt offerings in 2016 , $265 million more proceeds from issuances of TLLP common units and $394 million less purchases of common stock in the year partially offset by no borrowings under the TLLP term loan credit agreement in 2016 versus $250 million in 2015 . The 2016 debt offerings primarily consisted of the $1.6 billion of senior notes issuances in late 2016 in anticipation of the Western Refining transaction, the $700 million of senior notes issuances by TLLP in May 2016 and the $750 million of senior notes issued in December 2016 by TLLP. Dividend payments and payments to noncontrolling interests increased $55 million during 2016 compared to 2015 .

2015 COMPARED TO 2014

OPERATING ACTIVITIES. Net cash from operating activities increased $767 million , or 56% , to $2.1 billion in 2015 compared to $1.4 billion in 2014 . The increase in net cash from operating activities was primarily attributable to $802 million in higher net earnings in 2015 offset by an $86 million increase in turnaround and branding charges during 2015 .

INVESTING ACTIVITIES. Net cash used in investing activities decreased $2.0 billion , or 64% to $1.1 billion in 2015 compared to $3.2 billion in 2014 primarily due to cash paid of $2.5 billion for TLLP's acquisition of the Rockies Natural Gas Business with no comparable acquisition in 2015 . Partially offsetting this decrease was an increase in cash capital expenditures of $345 million primarily in our Refining segment. See "Capital Expenditures" in this Item.

FINANCING ACTIVITIES. Net cash used in financing activities during 2015 totaled $1.1 billion compared to net cash from financing activities of $1.6 billion in 2014 . The $2.6 billion change was primarily due to TLLP's financing activities during 2014 including senior note issuances of $1.3 billion, net proceeds of approximately $949 million from the issuance of TLLP common units, and borrowings on the TLLP Revolving Credit Facility to fund its 2014 acquisitions. Additionally, we completed the issuance of $300 million of 5.125% senior notes used to repay the 9.750% Senior Notes due 2019. Dividend payments and payments to noncontrolling interests increased $173 million and purchases of common stock under our share repurchase programs increased $144 million during 2015 versus 2014 .

CAPITAL EXPENDITURES

Our capital spending reflects the Company's emphasis on long term strategic priorities including continued focus on safety, reliability and value-driven growth. Growth capital expenditures include purchases or construction of new assets and expansion of existing facilities or services that increase throughput capacity or operational capabilities of our assets. Maintenance capital expenditures include projects to extend the life or maintain equipment reliability and integrity. Tesoro regulatory capital expenditures include projects to attain or maintain compliance with regulatory standards. We monitor the effectiveness of our investments in capital projects as part of our focus on financial discipline and continuous improvement. In addition, for major capital projects, we routinely review project assumptions and project execution as well as obtain third-party evaluations to assist in improving our project planning and execution. Actual and estimated amounts described below include amounts representing capitalized interest and labor. Tesoro primarily funds capital expenditures with cash generated from operations. TLLP primarily funds its capital expenditures with cash generated from operations, reimbursements for certain growth and maintenance capital expenditures, borrowings under the TLLP Revolving Credit Facility and issuances of additional TLLP debt and equity securities, as needed.

2016 CAPITAL EXPENDITURES (in millions)

	Tesoro (a)	TLLP
Growth	$ 210	$ 209
Maintenance	301	64
Regulatory	164	—
Total 2016 Capital Expenditures	**$ 675**	**$ 273**

(a) Tesoro capital expenditures exclude TLLP.

2017 EXPECTED CAPITAL EXPENDITURES (in millions)

	Tesoro (a)	TLLP
Growth	$ 325	$ 230
Maintenance	455	95
Regulatory	90	—
Total 2017 Expected Capital Expenditures	$ 870	$ 325

(a) Tesoro capital expenditures exclude TLLP.

Cost estimates for projects currently in process or under development are subject to further review, analysis and permitting requirements resulting in revisions to our current spend estimates.

MAJOR CAPITAL PROJECTS IN PROCESS OR UNDER DEVELOPMENT (in millions)

Major Projects	Total Project Expected Capital Expenditures	Actual 2016 Capital Expenditures
Los Angeles Refinery Integration and Compliance Project (a)	$ 510	$ 97
Mixed Xylenes Project (b)	410	24
Enterprise Resource Planning Project (c)	230	97
Vancouver Energy Terminal Project (d)	210	10
Avon Wharf Project (e)	190	58
Mandan Tier 3 Project (f)	190	3
Naphtha Isomerization Project (g)	170	36

(a) The integration and compliance project at the Los Angeles refinery is designed to improve the flexibility of gasoline and diesel yields and reduce carbon dioxide emissions. The proposed project, subject to project scoping, engineering and regulatory approval, includes decommissioning the fluid catalytic cracking unit at our Wilmington, California facility. Of the total expected capital expenditure related to this project, we anticipate a portion may be incurred and paid by TLLP.

(b) The Mixed Xylenes Project is a portion of the Clean Products Upgrade Project at our Anacortes, Washington refinery that will help diversify our product mix through the extraction of existing mixed xylene from gasoline and improve our capability to deliver cleaner local transportation fuels and global feedstocks, primarily for polyester. The Mixed Xylenes Project and its components remain subject to final board and regulatory approval.

(c) The Enterprise Resource Planning Project will simplify business processes by implementing a standardized and scalable platform across the Company to transform our business information and technology systems and to further streamline our operations, reduce costs and provide for future growth. We expect this project to be a complex, multi-year process that will require significant investments in software and technology. We completed the design phase in October 2016 and have transitioned to the build phase of this process.

(d) The Vancouver Energy Terminal project is a partnership with Savage Companies to construct, own and operate a unit train unloading and marine loading terminal at Port of Vancouver, USA with a total capacity of 360 Mbpd allowing for the delivery of cost-advantaged North American crude oil to the U.S. West Coast. The project cost estimate will be updated once the project has completed the permitting process in the state of Washington. The project's construction is estimated to take nine to twelve months, however initial operations are expected to begin within a few months of construction start. Effective September 1, 2016, we became majority owner of Vancouver Energy and as a result are reporting the total project costs above.

(e) The regulatory and compliance project for the Avon Wharf in Martinez, California is required under the California building code for Marine Oil Terminal Engineering and Maintenance Standards ("MOTEMS"). The project is nearly complete and has replaced the marine berth with a MOTEMS compliant structure that will improve clean product movements and has received all regulatory approval and permits.

(f) The Mandan Tier 3 Project is designed to lower the sulfur content in gasoline, which aligns with the new Federal Tier 3 standards. The project will install a gasoline hydrotreater and associated infrastructure with completion expected before the end of 2019. The Mandan Tier 3 Project remains subject to final board approval as well as the review and approval by regulatory agencies.

(g) The Naphtha Isomerization Project is a portion of the Clean Products Upgrade Project at our Anacortes, Washington refinery that will improve our capability to deliver cleaner local transportation fuels. The project is progressing with construction and is designed to lower the sulfur content in gasoline, which aligns with the new Federal Tier 3 standards.

TURNAROUNDS AND BRANDING CHARGES

In addition to our capital spending program, we have expenditures for turnarounds, catalyst and branding charges.

SIGNIFICANT PLANNED TURNAROUNDS BY LOCATION AND BRANDING CHARGES (in millions)

Significant Turnarounds	Los Angeles	Martinez	Anacortes	Kenai	Mandan	Salt Lake City	Turnarounds and catalysts	Branding Charges	Total Expenditures
2016	●	●	●				**$ 334**	**$ 80**	**$ 414**
Planned 2017	●	●		●	●	●	360	100	460

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any transactions, agreements or other contractual arrangements, other than our leasing arrangements described in Note 1 to our consolidated financial statements in Item 8 that would result in off-balance sheet liabilities.

ENVIRONMENTAL

We are a party to various litigation and contingent loss situations, including environmental and income tax matters, arising in the ordinary course of business. Although we cannot predict the ultimate outcomes of these matters with certainty, we have accrued for the estimated liabilities when appropriate. We believe that the outcome of these matters will not have a material impact on our liquidity or financial position, although the resolution of certain of these matters could have a material impact on our interim or annual results of operations. Additionally, if applicable, we accrue receivables for probable third-party recoveries.

ENVIRONMENTAL LAWS AND REGULATIONS. We are subject to extensive federal, state and local environmental laws and regulations. These laws, which change frequently, regulate the discharge of materials into the environment and may require us to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites, install additional controls or make other modifications to certain emission sources, equipment or facilities.

Future expenditures may be required to comply with the Clean Air Act and other federal, state and local requirements for our various sites, including our refineries, tank farms, pipelines and currently and previously owned or operated terminal and retail station properties. The impact of these legislative and regulatory requirements, including any greenhouse gas cap-and-trade program or low carbon fuel standards, could result in increased compliance costs, additional operating restrictions on our business and an increase in the cost of the products we manufacture, which could have a material adverse impact on our liquidity, consolidated financial position, or results of operations.

The Energy Independence and Security Act was enacted into federal law in December 2007 creating a second Renewable Fuels Standard ("RFS2") requiring the total volume of renewable transportation fuels (including ethanol and advanced biofuels) sold or introduced in the U.S. to reach 20.5 billion gallons in 2015 and to increase to 36.0 billion gallons by 2022. These requirements could reduce future demand growth for petroleum products that we manufacture. In the near term, the RFS2 presents ethanol production and logistics challenges for the ethanol, alternative fuel and refining and marketing industries. We are currently meeting the RFS2 requirements through a combination of RINs that were carried over from prior periods, blending renewable fuels obtained from third parties and purchases of RINs in the open market. The spending related to the purchases of RINs for 2016 was not material to our operations and the spending for 2017 is not expected to be material based on our operations and the current regulatory environment. Actual costs related to RINs may differ due to changes in the market price of RINs and the ultimate destinations of our products. Additional expenditures could be required to logistically accommodate the increased use of renewable transportation fuels. While we cannot currently estimate the ultimate impact of this statute and implementing its regulations for future blending mandates, and currently believe that the outcome will not have a material impact on our liquidity or financial position, the ultimate outcome could have a material impact on our results of operations.

In California, Assembly Bill 32 ("AB 32") created a statewide cap on greenhouse gas emissions by requiring that the state return to 1990 emission levels by 2020. In 2016, Senate Bill 32 ("SB 32") set a new emissions reduction target of 40% below 1990 levels by 2030. AB 32 focuses on using market mechanisms, such as a cap-and-trade program and a low carbon fuel standard ("LCFS"), to achieve emissions reduction targets. The LCFS became effective in January 2010 and requires a 10% reduction in the carbon intensity of gasoline and diesel fuel by 2020. In 2011, CARB approved cap-and-trade requirements that became effective in January 2013, and all of AB 32 related regulations are to be fully implemented by 2020. In December 2011, a U.S. District Court ruled that the LCFS violates the U.S. Constitution. CARB appealed the decision and, on September 18, 2013, the U.S. Ninth Circuit Court of Appeals reversed the lower court's decision and remanded the case to the lower court to rule on whether the ethanol provisions of the LCFS are unconstitutional. We cannot predict the ultimate outcome of the lower court's ruling on the LCFS, and the implementation and implications of AB 32 and SB 32 will take many years to realize. On January 1, 2015, transportation fuels were brought into the California cap-and-trade program, making fuel suppliers responsible for carbon emission from their products. The cost for carbon emissions is being passed through to customers. While we believe that the cap and trade requirements will not materially impact our liquidity, financial position, or results of operations, we cannot currently predict the impact of the LCFS and other AB 32 or expected SB 32-related regulations on our liquidity, financial position, or results of operations.

ENVIRONMENTAL LIABILITIES. We are incurring and expect to continue to incur expenses for environmental remediation liabilities at a number of currently and previously owned or operated refining, pipeline, terminal and retail station properties. We have accrued liabilities totaling $227 million and $255 million , including $22 million and $33 million for TLLP, at December 31, 2016 and 2015 , respectively.

On October 17, 2016, the U.S. 5th Circuit Court of Appeals upheld the July 10, 2015 federal court order denying coverage pursuant to an insurance policy for environmental remediation liabilities at our Martinez refinery. In November 2016, the Court of Appeals denied our petitions for a rehearing. The liabilities are included in our accruals as we have not recognized possible insurance recoveries under the policies. See Note 15 to our consolidated financial statements in Item 8 for additional information on our environmental obligations.

OTHER MATTERS

In the ordinary course of business, we become party to lawsuits, administrative proceedings and governmental investigations, including environmental, regulatory and other matters. Large, and sometimes unspecified, damages or penalties may be sought from us in some matters. We have not established accruals for these matters unless a loss is probable and the amount of loss is currently estimable.

WASHINGTON REFINERY FIRE. The naphtha hydrotreater unit at our Washington refinery was involved in a fire in April 2010, which fatally injured seven employees and rendered the unit inoperable. The Washington State Department of Labor & Industries ("L&I") initiated an investigation of the incident. L&I completed its investigation in October 2010, issued a citation and assessed approximately a $2 million fine, which we appealed. We disagree with L&I's characterizations of operations at our Washington refinery and believe, based on available evidence and scientific reviews, that many of the agency's conclusions are mistaken. We filed an appeal of the citation in January 2011. In separate September 2013, November 2013 and February 2015 orders, the Board of Industrial Insurance Appeals ("BIIA") granted partial summary judgment in our favor rejecting 33 of the original 44 allegations in the citation as lacking legal or evidentiary support. The hearing on the remaining 11 allegations concluded in July 2016, and we expect the judge to issue a recommended decision for the BIIA's review in 2017. While we cannot currently estimate the final amount or timing of its resolution of this matter, we have established an accrual based on our best estimate at this time.

ENVIRONMENTAL. We have investigated conditions at certain active wastewater treatment units at our Martinez refinery pursuant to an order received in 2004 from the San Francisco Bay Regional Water Quality Control Board that named us as well as two previous owners of the Martinez refinery. We cannot currently estimate the amount of the ultimate resolution of the order, but we believe it will not have a material adverse impact on our liquidity, financial position, or results of operations.

On October 26, 2016, the Utah Supreme Court rejected the Utah Physicians for a Healthy Environment's and the Utah Chapter of the Sierra Club's ("Petitioners") challenge of an air permit issued by the Utah Department of Environmental Quality ("UDEQ") to our Salt Lake City refinery in September 2012. Petitioners had filed a Request for Agency Action (the "Request") with UDEQ challenging UDEQ's permitting of our refinery conversion project alleging that the permit did not conform to the requirements of the Clean Air Act. After proceedings before an administrative law judge and the Executive Director of UDEQ's subsequent dismissal of Petitioners' Request, Petitioners filed a petition for review with the Utah Court of Appeals in December 2014, and the Court of Appeals certified the case to the Utah Supreme Court. On December 27, 2016 the Utah Supreme Court denied the Petitioners' petition for rehearing.

In response to incidents in February and March 2014 at our Martinez refinery involving sulfuric acid exposure at the Alkylation Unit, the U.S. Environmental Protection Agency is conducting an investigation to evaluate the Martinez refinery's compliance with certain federal environmental acts and the Risk Management Plan requirements under the Clean Air Act. While we cannot currently predict the timing and the resolution of this investigation, we believe the outcome will not have a material impact on our liquidity, financial position, or results of operations.

TAX. We are subject to extensive federal, state and foreign tax laws and regulations. Newly enacted tax laws and regulations, and changes in existing tax laws and regulations, could result in increased expenditures in the future. See Note 13 to our consolidated financial statements in Item 8 for additional information on our tax matters.

LONG-TERM COMMITMENTS

During the ordinary course of business, we enter into contractual commitments for purchases associated with the operation of our refineries along with other debt service and lease arrangements (see Notes 12 and 15 to our consolidated financial statements in Item 8 for additional information). We also have minimum contractual spending requirements for certain capital projects. The contractual commitments detailed below do not include our contractual obligations to TLLP under our various fee-based commercial agreements as these related-party transactions are eliminated in the consolidated financial statements.

SUMMARY OF CONTRACTUAL OBLIGATIONS (in millions)

Contractual Obligation	2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt obligations (a)	$ 823	$ 372	$ 877	$ 811	$ 1,431	$ 4,952	$ 9,266
Capital lease obligations (b)	9	10	9	6	5	12	51
Operating lease obligations (b)	413	323	259	227	224	392	1,838
Crude oil supply obligations (c)	3,225	886	486	395	164	—	5,156
Other purchase obligations (d)	317	241	182	143	125	105	1,113
Capital expenditure obligations (e)	459	—	—	—	—	—	459
Total Contractual Obligations	**$ 5,246**	**$ 1,832**	**$ 1,813**	**$ 1,582**	**$ 1,949**	**$ 5,461**	**$ 17,883**

(a) Includes maturities of principal and interest payments, excluding capital lease obligations. Amounts and timing may be different from our estimated commitments due to potential voluntary debt prepayments and borrowings. Interest payments assume the interest rate in effect as of December 31, 2016 .

(b) Capital lease obligations include amounts classified as interest. Operating lease obligations primarily represent our future minimum noncancellable lease commitments. Operating lease obligations primarily include lease arrangements with initial or remaining noncancellable terms in excess of one year and are not reduced by minimum rentals to be received by us under subleases.

(c) Represents an estimate of our long-term contractual purchase commitments for crude oil, having initial or remaining terms in excess of one year. At December 31, 2016 , these agreements have remaining terms ranging from one month to six years. Prices under these term agreements fluctuate due to market-responsive pricing provisions. To estimate our annual commitments under these contracts, we estimated crude oil prices using exchange-traded crude future prices by crude oil type as of December 31, 2016 , with prices ranging from $56 per barrel to $57 per barrel, and volumes based on the contract's minimum purchase requirements over the term of the contract. We also purchase additional crude oil under short-term renewable contracts and in the spot market, which are not included in the table above.

(d) Represents long-term commitments primarily for the transportation of crude oil, refined products and NGLs as well as to purchase industrial gases, chemical processing services and utilities at our refineries. These purchase obligations are based on the contract's minimum volume requirements.

(e) Minimum contractual spending requirements for certain capital projects.

We also have other noncurrent liabilities pertaining to our defined benefit plans and other postretirement benefits, environmental liabilities and asset retirement obligations. With the exception of amounts classified as current, there is uncertainty as to the timing of future cash flows related to these obligations. As such, we have excluded the future cash flows from the contractual commitments table above. See additional information on pension and other postretirement benefits, environmental liabilities and asset retirement obligations in Notes 14 and 15, respectively, to our consolidated financial statements in Item 8.

In addition, due to the uncertainty of the timing of future cash flows with our unrecognized tax benefits, with the exception of amounts classified as current, we are unable to make reasonably reliable estimates of the period of cash settlement. Accordingly, we have excluded from the table $6 million of unrecognized tax benefits recorded as liabilities in our consolidated balance sheets. Related to these unrecognized tax benefits, and also excluded from the table, is a liability for potential interest and penalties of $2 million at December 31, 2016 . See Note 13 to our consolidated financial statements in Item 8 for further information.

PENSION FUNDING

We provide a qualified defined benefit retirement plan for all eligible employees, with benefits based age and compensation. Our long-term expected return on plan assets is 6.50% as of December 31, 2016 , and the actual return on our funded employee pension plan assets was a $30 million , or 7.1% , gain in 2016 and a $15 million , or 3.8% , loss in 2015 . Based on a 4.12% discount rate and fair values of plan assets as of December 31, 2016 , the assets in our funded employee pension plan were equal to approximately 54% of the projected benefit obligation. For funding purposes, the Moving Ahead for Progress in the 21 st Century Act, as signed into law in July 2012 and later modified by the Bipartisan Budget Act of 2015 ("BBA") stipulates that the discount rate must remain within a specified corridor of a 25-year average corporate bond rate, with such corridor widening from 10% to 30% between 2012 and 2024. On the BBA basis, the adjusted funding target attainment percentage (a funding status measure defined under applicable pension funding regulations) was 101% at January 1, 2016 . Although our funded employee retirement plan fully meets all of the funding requirements under applicable laws and regulations, we contributed $60 million during 2016 to improve the plan's funded status. Future contributions are affected by returns on plan assets, discount rates, employee demographics, regulatory environments and other factors. See Note 14 to our consolidated financial statements in Item 8 for additional information on our benefit plans.

ACCOUNTING STANDARDS

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 1 to our consolidated financial statements in Item 8. We prepare our consolidated financial statements in conformity with U.S. GAAP, which require us to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and accompanying footnotes. Actual results could differ from those estimates. For additional information concerning certain estimates and assumptions, see the respective footnotes to our consolidated financial statements in Item 8. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgments.

IMPAIRMENT OF LONG-LIVED ASSETS. Long-lived assets (which include property, plant, and equipment, intangible assets with defined useful lives, deferred refinery turnaround and catalyst costs) are evaluated for potential impairment when an asset disposition is probable or when there are indicators of impairment (for example, current period operating losses combined with a history of operating losses or a temporary shutdown of a refinery) and, if so, assessing whether the asset net book values are recoverable from estimated future undiscounted cash flows. The actual amount of an impairment loss to be recorded, if any, is equal to the amount by which the asset's net book value exceeds its fair market value. Fair market value is based on the present values of estimated future cash flows in the absence of quoted market prices. Estimates of future cash flows and fair market values of assets require subjective assumptions with regard to several factors, including an assessment of global market conditions, future operating results and forecasts of the remaining useful lives of the assets. Actual results could differ from those estimates. Providing sensitivity analysis if other assumptions were used in performing the impairment evaluations is not practicable due to the significant number of assumptions involved in the estimates.

GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS WITH INDEFINITE LIVES. Goodwill represents the excess of the consideration paid over the fair value of the net assets acquired in a business combination. Goodwill acquired in a business combination is not amortized, but instead tested for impairment at least annually or more frequently should an event occur or circumstances indicate that the carrying amount may be impaired. Such events or circumstances may be a significant change in business climate, economic and industry trends, legal factors, negative operating performance indicators, significant competition, changes in strategy, or disposition of a reporting unit or a portion thereof. Goodwill impairment testing is performed at the reporting unit level on November 1 of each year and when circumstances change that might indicate impairment.

We test goodwill for impairment by performing an optional qualitative assessment process and/or using a two-step quantitative assessment process. If we choose to perform a qualitative assessment process and determine it is more likely than not (that is, a likelihood of more than 50 percent) that the carrying value of the net assets is more than the fair value of the reporting unit, the two-step quantitative assessment process is then performed; otherwise, no further testing is required. We may elect not to perform the qualitative assessment process and, instead, proceed directly to the two-step quantitative assessment process. For reporting units where the two-step quantitative assessment process is performed, the first step involves comparing the carrying value of net assets, including goodwill, to the fair value of the reporting unit. If the fair value exceeds its carrying amount, goodwill is not considered impaired and the second step of the process is unnecessary. If the carrying amount of a reporting unit's goodwill exceeds its fair value, the second step measures the impairment loss, if any.

We elected to perform our annual goodwill impairment analysis using a two-step quantitative assessments process on the goodwill recorded in five reporting units of our TLLP segment and the qualitative assessment process on the remaining goodwill in the reporting units in our other two segments as of November 1, 2016.

As part of our two-step quantitative goodwill impairment process for TLLP's five reporting units, we engaged a third-party appraisal firm to assist in the determination of estimated fair value for each reporting unit. This determination includes estimating the fair value of each reporting unit using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows and discount rates. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping. The determination of the fair value of the reporting units requires us to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, the selection of appropriate peer group companies, control premiums appropriate for acquisitions in the industries in which we compete, the discount rates, terminal growth rates, and forecasts of revenue, operating income, depreciation and amortization and capital expenditures.

Factors utilized in the qualitative assessment include, among other things, macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, company specific operating results and other relevant entity-specific events affecting individual reporting units.

We determined that no impairment charges resulted from our November 1, 2016 goodwill impairment assessment. Furthermore, the fair value of each of the five reporting units tested in step one of the goodwill impairment test were materially in excess of the carrying value, and as such, we were not required to perform step two. There were no impairments of goodwill during the years ended December 31, 2016 , 2015 and 2014 .

We evaluate our indefinite-lived intangible assets for impairment annually in the fourth quarter and at other times when an event occurs or circumstances change such that an impairment may exist. In evaluating our indefinite-lived intangible assets for impairment, we assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. If, after completing the qualitative assessment, we determine it is more likely than not that the fair value of the indefinite-lived intangible asset is greater than its carrying amount, the asset is not impaired. If we conclude it is more likely than not that the fair value of the indefinite-lived intangible assets is less than the carrying value, we would then proceed to a quantitative impairment test, which consists of a comparison of the fair value of the intangible assets to their carrying amounts. There were no impairments of indefinite-lived intangible assets during the years ended December 31, 2016 , 2015 and 2014 .

INCOME TAXES. As part of the process of preparing our consolidated financial statements, we must assess the likelihood that our deferred income tax assets will be recovered through future taxable income. We must establish a valuation allowance to the extent we believe that recovery is not likely. Significant management judgment is required in determining any valuation allowance recorded against deferred income tax assets. We have recorded a valuation allowance of $26 million on certain federal and state net operating loss and tax credit carryforwards as of December 31, 2016 , most of which were obtained with the acquisition of Virent. The valuation allowance is primarily due to certain tax restrictions placed on Virent's loss carryforwards after the change in control. The valuation allowance on other tax credit carryforwards pre-dating the Virent acquisition is based on our estimate of taxable income in each jurisdiction in which we operate and the period over which deferred income tax assets will be recoverable. We may need to establish an additional valuation allowance if actual results differ from these estimates or we make adjustments to these estimates in future periods. We also recognize the financial statement effects of a tax position when it is more likely than not that the position will be sustained upon examination.

PENSION AND OTHER POSTRETIREMENT BENEFITS. Accounting for pensions and other postretirement benefits involves several assumptions and estimates including discount rates, expected rate of return on plan assets, rates of compensation, health care cost trends, inflation, retirement rates and mortality rates. We must assume a rate of return on funded pension plan assets in order to estimate our obligations under our defined benefit plans. Due to the nature of these calculations, we engage an actuarial firm to assist with these estimates and the calculation of certain employee benefit expenses. We record an asset for our plans overfunded status or a liability if the plans are underfunded. The funded status represents the difference between the fair value of our plans' assets and the projected benefit obligations. While we believe the assumptions we used are appropriate, significant differences in actual experience or significant changes in assumptions would affect pension and other postretirement benefits costs and obligations. We determine the discount rate primarily by reference to the effective yields on high quality corporate bonds that have a comparable cash flow pattern to the expected payments to be made under our plans. The expected return on plan assets is based upon the weighted averages of the expected long-term rates of return for the broad categories of investments held in our plans and also uses a three-year average of the market value of plan assets. These assumptions can have a significant effect on the amounts reported in our consolidated financial statements.

ONE-PERCENTAGE-POINT CHANGE IN EXPECTED RATE OF RETURN AND DISCOUNT RATE

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Expected Rate of Return:		
Effect on net periodic pension expense	$ (4)	$ 4
Discount Rate:		
Effect on net periodic pension expense	$ (6)	$ 9
Effect on projected benefit obligation	(77)	110

See Note 14 to our consolidated financial statements in Item 8 for more information regarding costs and assumptions.

ENVIRONMENTAL LIABILITIES. We record environmental liabilities when environmental assessments and/or proposed environmental remedies are probable and can be reasonably estimated. Usually, the timing of our accruals coincides with assessing the liability and then completing a feasibility study or committing to a formal plan of action. When we complete our analysis or when we commit to a plan of action, we accrue a liability based on the minimum range of the expected costs, unless we consider another amount more likely. We base our cost estimates on the extent of remedial actions required by applicable governing agencies, experience gained from similar environmental projects and the amounts to be paid by other responsible parties.

Accruals for our environmental liabilities require judgment due to the uncertainties related to the magnitude of the liability and timing of the remediation effort. Our environmental liability estimates are subject to change due to potential changes in environmental laws, regulations or interpretations, additional information related to the extent and nature of the liability, and potential improvements in remediation technologies. We do not discount our estimated liabilities to present value. An estimate of the sensitivity for changes in those factors is not practicable due to the number of contingencies that must be assessed, the number of underlying assumptions, and the wide range of possible outcomes.

ACQUISITIONS. We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Determining the fair value of these items requires management's judgment, the utilization of independent valuation experts, and involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices, and asset lives, among other items. The judgments made in the determination of the estimated fair value assigned to the assets acquired and the liabilities assumed, as well as the estimated useful life of each asset and the duration of each liability, can materially impact the financial statements in periods after acquisition, such as through depreciation and amortization.

While management believes those expectations and assumptions are reasonable, they are inherently uncertain. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

NEW ACCOUNTING STANDARDS AND DISCLOSURES

New accounting standards and disclosures are discussed in Note 1 to our consolidated financial statements in Item 8.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

RISK MANAGEMENT

We have established a risk committee comprised of senior level leadership from our financial, strategic, governance, administrative and operational functions. The risk committee's responsibilities include performing an annual review to assess and prioritize the Company's risks in coordination with our subject matter experts, assessing the status and effectiveness of risk prevention and mitigation activities, identifying emerging risks and facilitate management's development of risk assessment and management practices. The risk committee is also responsible for assessing and advising management on our system of controls to ensure policies and procedures are properly followed and appropriate accountability is present. Our controls are designed to:

- create and maintain a comprehensive risk management framework;
- provide for authorization by the appropriate levels of management;
- provide for segregation of duties;

- maintain appropriate level of knowledge regarding the execution of and the accounting for derivative instruments; and
- implement key indicators to measure the performance of hedging activities.

The risk committee meets at least monthly to review priority and emerging risks and risk prevention and mitigation activities. In addition, our risk committee chairman presents a quarterly risk update to executive management and an annual update to our Board of Directors concerning the status and effectiveness of our risk prevention and mitigation activities, emerging risks and risk assessment and management practices.

COMMODITY PRICE RISKS

Our primary source of market risk emanates from the difference between the sale prices for our refined products and the purchase prices for crude oil and other feedstocks. Refined product prices are directly influenced by the price of crude oil. Our earnings and cash flows from operations depend on the margin, relative to fixed and variable expenses (including the costs of crude oil and other feedstocks) at which we are able to sell our refined products. The prices of crude oil and refined products fluctuate substantially and depend on many factors including the global supply and demand for crude oil and refined products. This demand is impacted by changes in the global economy, the level of foreign and domestic production of crude oil, natural gas and refined products, geo-political conditions, the availability of imports of crude oil and refined products, the relative strength of the U.S. dollar, the marketing of alternative and competing fuels and the impact of government regulations. Our refined product sale prices are also affected by local factors such as local market conditions and the level of operations of other suppliers in our markets.

In most cases, an increase or decrease in the price of crude oil results in a corresponding increase or decrease in the price of gasoline and other refined products. The timing, direction and the overall change in refined product prices versus crude oil prices could have a significant impact on our profit margins, earnings and cash flows. Assuming all other factors remained constant, a $1 per barrel change in average gross refining margins, based on our average throughput of 825 Mbpd, would change annualized pre-tax operating income by approximately $300 million . This analysis may differ from actual results.

We maintain inventories of crude oil, intermediate products and refined products, the values of which are subject to fluctuations in market prices. The valuation of our inventories can significantly impact amounts reported in our balance sheet where changes therein can then impact amounts recorded in our results of operations. Our inventories of refinery feedstocks and refined products totaled 45 million barrels and 48 million barrels at December 31, 2016 and 2015 , respectively. Since market prices declined to a level below the average cost of our inventories, we recorded a net lower of cost or market inventory adjustment (charge to earnings and reduction in inventory carrying value) of $359 million as of December 31, 2015 . There was no net lower of cost or market inventory adjustment as of December 31, 2016 . Due to the increase in market prices in 2016, as of December 31, 2016 , we fully reversed the lower of cost or market reserve to zero and, as a result, we recognized a gain of $359 million in our results of operations during 2016 .

We use non-trading physical derivative instruments to manage exposure to commodity price risks associated with the purchase or sale of crude oil and finished products and inventories above or below our target levels. We also use these instruments to manage the impact of market volatility and arbitrage opportunities for crude oil where the price of crude oil is higher in the future than the current spot price. For the purchase or sale of crude oil and finished products to be used in our normal operations, we enter into physical commodity forward purchase and sale contracts (“Forward Contracts”), which are not typically classified and reported as derivatives for accounting purposes. The gains or losses associated with these Forward Contracts are recognized as incurred in our financial statements separate from the gains or losses associated with other derivative instruments reported below and in Note 10 to our consolidated financial statements in Item 8.

Also, we entered into financial derivative contracts such as exchange-traded futures, over-the-counter swaps, options and over-the-counter options, most of which had remaining durations of less than one year as of December 31, 2016 , to economically hedge price risk associated with our physical commodity Forward Contracts or to take advantage of other market opportunities. We mark-to-market these derivative instruments each period during the contract term, which can create timing differences for gain or loss recognition in our financial statements. The derivative gains or losses presented below do not reflect the realized losses or gains, respectively, from the settlement of our physical commodity transactions. Both the derivative and the physical commodity Forward Contracts’ gains and losses are reflected in our gross refining margin in the refining segment. We evaluate our performance based on all contract types available to manage our risk, which includes contracts that may or may not be classified and reported as derivatives for accounting purposes.

We believe the governance structure that we have in place is adequate given the size and sophistication of our commodity optimization, inventory management and trading activities. Our governance over commodity activities includes regular monitoring of the performance of our risk management strategies and limits over dollar and volume based transactional authority, commodity position, aggregate spread, stop-loss and value-at-risk. Performance against our strategies and authorized limits is monitored daily via position reports and profit and loss analysis and is reviewed on a regular basis, at least monthly, by our risk committee.

COMPOSITION OF NET GAIN (LOSS) ON OUR COMMODITY DERIVATIVE POSITIONS (in millions)

	Years ended December 31,	
	2016	**2015**
Unrealized gain carried on open derivative positions from prior period	**$ (44)**	$ (177)
Realized gain on settled derivative positions	**26**	412
Unrealized gain (loss) on open net derivative positions	**(49)**	44
Net Gain (Loss)	**$ (67)**	$ 279

Our open derivative positions at December 31, 2016 will expire at various times through 2018. We prepared a sensitivity analysis to estimate our exposure to market risk associated with our derivative instruments. Based on our open net positions at December 31, 2016 , a 1% change in quoted market prices of our derivative instruments, assuming all other factors remain constant, could change the fair value of our derivative instruments and pre-tax operating income by approximately $4 million . This analysis may differ from actual results.

With the exception of a small amount of condensate and pipeline loss allowances, TLLP is not exposed to commodity price risk with respect to any of the crude oil, natural gas, NGLs or refined products that are handled. See Note 3 to our consolidated financial statements in Item 8 for additional information on our Keep-Whole Commodity Agreement.

COUNTERPARTY CREDIT RISK

We have exposure to concentrations of credit risk related to our counterparties' ability to meet their contractual payment obligations, and the potential non-performance by counterparties to deliver contracted commodities or services at the contracted price. Customer concentrations within the refining industry and oil and gas producers may affect our overall exposure to counterparty risk because these customers may be similarly impacted by changes in economic or other conditions. In addition, financial services companies are the counterparties in certain of our price risk management activities, and such financial services companies could be adversely impacted by periods of uncertainty and illiquidity in the credit or capital markets. We have credit management processes in place by which we closely monitor the status of our counterparties by performing ongoing credit evaluations of their financial condition. In certain circumstances, we require prepayments, letters of credit or other credit enhancement.

INTEREST RATE RISK

Our use of fixed or variable-rate debt directly exposes us to interest rate risk. Fixed rate debt, such as our senior notes, exposes us to changes in the fair value of our debt due to changes in market interest rates. Fixed rate debt also exposes us to the risk that we may need to refinance maturing debt with new debt at higher rates or that our current fixed rate debt may be higher than the current market. Variable-rate debt, such as borrowings under our Revolving Credit Facility, exposes us to short-term changes in market rates that impact our interest expense. The fair value of our debt was estimated primarily using quoted market prices. The carrying and fair values of our debt were approximately $7.0 billion and $7.3 billion at December 31, 2016 , respectively, and approximately $4.1 billion for both the carrying and fair values at December 31, 2015 . These carrying and fair values of our debt do not consider the unamortized issuance costs, which are netted against our total debt. Unless interest rates increase significantly in the future, our exposure to interest rate risk should be minimal. With all other variables constant, a 0.25% change in the interest rate associated with the borrowings outstanding would change annual interest expense by less than $1 million under any of our variable-rate debt. We currently do not use interest rate swaps to manage our exposure to interest rate risk; however, we continue to monitor the market and our exposure, and may in the future enter into these transactions to mitigate risk. We believe in the short-term we have acceptable interest rate risk and continue to monitor the risk on our long-term obligations. There were no borrowings outstanding under the Revolving Credit Facility and TLLP Dropdown Credit Facility, and $330 million borrowings outstanding under the TLLP Revolving Credit Facility as of December 31, 2016 .

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Tesoro Corporation

We have audited the accompanying consolidated balance sheets of Tesoro Corporation as of December 31, 2016 and 2015 , and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2016 . These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tesoro Corporation at December 31, 2016 and 2015 , and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Tesoro Corporation's internal control over financial reporting as of December 31, 2016 , based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 21, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
San Antonio, Texas
February 21, 2017

TESORO CORPORATION
STATEMENTS OF CONSOLIDATED OPERATIONS

	Note	Years Ended December 31, 2016	2015	2014
		(in millions except per share amounts)		
Revenues (a)		$ 24,582	$ 28,711	$ 40,633
Cost and Expenses:				
Cost of sales (excluding the lower of cost or market inventory valuation adjustment) (a)		19,658	21,928	35,603
Lower of cost or market inventory valuation adjustment	5	(359)	317	42
Operating expenses		2,541	2,455	2,444
Selling, general and administrative expenses		401	386	346
Depreciation and amortization expense		851	756	562
Loss on asset disposals and impairments		9	42	4
Operating Income		1,481	2,827	1,632
Interest and financing costs, net		(274)	(217)	(235)
Equity in earnings of equity method investments	8	13	7	10
Other income, net		57	13	57
Earnings Before Income Taxes		1,277	2,630	1,464
Income tax expense	13	427	936	547
Net Earnings from Continuing Operations		850	1,694	917
Earnings (loss) from discontinued operations, net of tax	4	10	(4)	(29)
Net Earnings		860	1,690	888
Less: Net earnings from continuing operations attributable to noncontrolling interest		126	150	45
Net Earnings Attributable to Tesoro Corporation		$ 734	$ 1,540	$ 843
Net Earnings (Loss) Attributable to Tesoro Corporation:				
Continuing operations		$ 724	$ 1,544	$ 872
Discontinued operations		10	(4)	(29)
Total		$ 734	$ 1,540	$ 843
Net Earnings (Loss) Per Share - Basic:				
Continuing operations		$ 6.11	$ 12.53	$ 6.79
Discontinued operations		0.08	(0.03)	(0.23)
Total		$ 6.19	$ 12.50	$ 6.56
Weighted average common shares outstanding - Basic	16	118.5	123.2	128.5
Net Earnings (Loss) Per Share - Diluted:				
Continuing operations		$ 6.04	$ 12.39	$ 6.67
Discontinued operations		0.08	(0.03)	(0.23)
Total		$ 6.12	$ 12.36	$ 6.44
Weighted average common shares outstanding - Diluted	16	119.9	124.6	130.8
Dividends per Share		$ 2.10	$ 1.85	$ 1.10
Supplemental Information:				
(a) Includes excise taxes collected by our Marketing segment		$ 577	$ 561	$ 581

The accompanying notes are an integral part of these consolidated financial statements.

TESORO CORPORATION
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	Note	Years Ended December 31, 2016	2015	2014
			(in millions)	
Net Earnings		**$ 860**	$ 1,690	$ 888
Pension and other postretirement benefit liability adjustments	**14**	**(65)**	—	(159)
Income tax benefit on pension and other postretirement benefit liability adjustments		**26**	—	62
Total Comprehensive Income		**821**	1,690	791
Less: Noncontrolling interest in comprehensive income		**126**	150	45
Comprehensive Income Attributable to Tesoro Corporation		**$ 695**	$ 1,540	$ 746

The accompanying notes are an integral part of these consolidated financial statements.

TESORO CORPORATION
CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2016	2015
		(in millions, except share data)	
ASSETS			
Current Assets			
Cash and cash equivalents *(TLLP: **$688** and $16, respectively)*		$ **3,295**	$ 942
Receivables, net of allowance for doubtful accounts	**5**	**1,108**	792
Inventories, net of lower of cost or market valuation	**5**	**2,640**	2,302
Prepayments and other current assets		**371**	271
Total Current Assets		**7,414**	4,307
Property, Plant and Equipment, Net			
Property, plant and equipment, at cost		**13,472**	12,562
Accumulated depreciation and amortization		**(3,496)**	(3,021)
Property, Plant and Equipment, Net *(TLLP: **$3,444** and $3,681, respectively)*	**6**	**9,976**	9,541
Other Noncurrent Assets			
Acquired intangibles, net *(TLLP: **$947** and $976, respectively)*	**7**	**1,277**	1,211
Other, net *(TLLP: **$531** and $222, respectively)*	**9**	**1,731**	1,273
Total Other Noncurrent Assets		**3,008**	2,484
Total Assets		$ **20,398**	$ 16,332
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable		$ **2,032**	$ 1,568
Current maturities of debt	**12**	**465**	6
Other current liabilities	**9**	**1,057**	956
Total Current Liabilities		**3,554**	2,530
Deferred Income Taxes	**13**	**1,428**	1,222
Debt, Net of Unamortized Issuance Costs *(TLLP: **$4,053** and $2,844, respectively)*	**12**	**6,468**	4,067
Other Noncurrent Liabilities	**9**	**821**	773
Total Liabilities		**12,271**	8,592
Commitments and Contingencies	**15**		
Equity			
Tesoro Corporation Stockholder's Equity			
Common stock, par value $0.16 2/3; authorized 200,000,000 shares; 159,474,572 shares issued (158,457,663 in 2015)		**27**	26
Additional paid-in capital		**1,473**	1,391
Retained earnings		**6,437**	5,954
Treasury stock, 42,574,625 common shares (39,064,342 in 2015), at cost		**(2,284)**	(2,009)
Accumulated other comprehensive loss, net of tax		**(188)**	(149)
Total Tesoro Corporation Stockholders' Equity		**5,465**	5,213
Noncontrolling Interest	**16**	**2,662**	2,527
Total Equity		**8,127**	7,740
Total Liabilities and Equity		$ **20,398**	$ 16,332

The accompanying notes are an integral part of these consolidated financial statements.

TESORO CORPORATION
STATEMENTS OF CONSOLIDATED EQUITY

	Tesoro Corporation Stockholders' Equity (In millions)							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Non-controlling Interest	Total Equity
	Shares	Amount			Shares	Amount			
At December 31, 2013	154.7	$ 26	$ 1,186	$ 3,940	(22.9)	$ (798)	$ (52)	$ 1,183	$ 5,485
Net earnings	—	—	—	843	—	—	—	45	888
Purchases of common stock	—	—	—	—	(8.4)	(500)	—	—	(500)
Additional noncontrolling interest from Rockies Natural Gas Business	—	—	—	—	—	—	—	432	432
Net proceeds from issuance of Tesoro Logistics LP Common Units	—	—	(11)	—	—	—	—	960	949
Shares issued for equity-based compensation awards, net of tax	1.9	—	19	—	(0.4)	(22)	—	—	(3)
Excess tax benefits from stock-based compensation arrangements	—	—	20	—	—	—	—	—	20
Amortization of equity settled awards	—	—	36	—	—	—	—	2	38
Dividend payments	—	—	—	(141)	—	—	—	—	(141)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(96)	(96)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(97)	—	(97)
Other	—	—	5	—	—	—	—	(4)	1
At December 31, 2014	156.6	$ 26	$ 1,255	$ 4,642	(31.7)	$ (1,320)	$ (149)	$ 2,522	$ 6,976
Net earnings	—	—	—	1,540	—	—	—	150	1,690
Purchases of common stock	—	—	—	—	(6.9)	(644)	—	—	(644)
Net proceeds from issuance of Tesoro Logistics LP Common Units	—	—	(2)	—	—	—	—	101	99
Transfers to (from) noncontrolling interest, net of tax	—	—	47	—	—	—	—	(70)	(23)
Shares issued for equity-based compensation awards, net of tax	1.8	—	12	—	(0.5)	(45)	—	—	(33)
Excess tax benefits from stock-based compensation arrangements	—	—	37	—	—	—	—	—	37
Amortization of equity settled awards	—	—	42	—	—	—	—	4	46
Dividend payments	—	—	—	(228)	—	—	—	—	(228)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(182)	(182)
Other	—	—	—	—	—	—	—	2	2
At December 31, 2015	158.4	$ 26	$ 1,391	$ 5,954	(39.1)	$ (2,009)	$ (149)	$ 2,527	$ 7,740
Net earnings	—	—	—	734	—	—	—	126	860
Purchases of common stock	—	—	—	—	(3.2)	(250)	—	—	(250)
Shares issued for equity-based compensation awards, net of tax	1.1	1	1	—	(0.3)	(25)	—	—	(23)
Net proceeds from issuance of Tesoro Logistics LP Common Units	—	—	(2)	—	—	—	—	366	364
Amortization of equity settled awards	—	—	43	—	—	—	—	5	48
Transfers to (from) noncontrolling interest, net of tax	—	—	41	—	—	—	—	(69)	(28)
Dividend payments	—	—	—	(249)	—	—	—	—	(249)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(216)	(216)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(39)	—	(39)
Deconsolidation of RGS	—	—	—	—	—	—	—	(84)	(84)
Consolidation of Vancouver Energy	—	—	—	—	—	—	—	8	8
Other	—	—	(1)	(2)	—	—	—	(1)	(4)
At December 31, 2016	**159.5**	**$ 27**	**$ 1,473**	**$ 6,437**	**(42.6)**	**$ (2,284)**	**$ (188)**	**$ 2,662**	**$ 8,127**

The accompanying notes are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

TESORO CORPORATION
STATEMENTS OF CONSOLIDATED CASH FLOWS

	Years Ended December 31,		
	2016	2015	2014
	(In millions)		
Cash Flows From (Used In) Operating Activities			
Net earnings	**$ 860**	$ 1,690	$ 888
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation and amortization expense	**851**	756	562
Lower of cost or market inventory valuation adjustment	**(359)**	317	42
Amortization of debt issuance costs and discounts	**17**	16	15
Debt redemption charges	**9**	1	41
(Gain) loss related to Hawaii Business	**(17)**	6	42
Loss on asset disposals and impairments	**9**	42	4
Stock-based compensation expense	**35**	75	55
Deferred income taxes	**203**	65	246
Excess tax benefits from stock-based compensation arrangements	**—**	(38)	(20)
Turnaround and branding charges	**(388)**	(342)	(256)
Other non-cash operating activity	**16**	12	45
Changes in current assets and current liabilities:			
Receivables	**(259)**	638	10
Inventories	**40**	(179)	107
Prepayments and other	**(91)**	(77)	(47)
Accounts payable and other current liabilities	**427**	(863)	(298)
Changes in noncurrent assets and noncurrent liabilities	**(49)**	12	(72)
Net cash from operating activities	**1,304**	2,131	1,364
Cash Flows From (Used In) Investing Activities			
Capital expenditures	**(894)**	(1,030)	(685)
Acquisitions, net of cash	**(413)**	(97)	(2,496)
Deposits for acquisitions	**(33)**	—	—
Proceeds from asset sales	**25**	—	18
Other investing activities	**(2)**	(2)	(9)
Net cash used in investing activities	**(1,317)**	(1,129)	(3,172)
Cash Flows From (Used In) Financing Activities			
Borrowings under revolving credit agreements	**1,451**	476	646
Repayments on revolving credit agreements	**(1,426)**	(431)	(386)
Borrowings under term loan credit agreement	**—**	250	—
Proceeds from debt offerings	**3,051**	—	1,600
Repayments of debt	**(260)**	(404)	(434)
Dividend payments	**(249)**	(228)	(141)
Proceeds from stock options exercised	**2**	13	19
Net proceeds from issuance of Tesoro Logistics LP common units	**364**	99	949
Distributions to noncontrolling interest	**(216)**	(182)	(96)
Purchases of common stock	**(250)**	(644)	(500)
Taxes paid related to net share settlement of equity awards	**(25)**	(45)	(22)
Payments of debt issuance costs	**(37)**	(2)	(24)
Excess tax benefits from stock-based compensation arrangements	**—**	38	20
Other financing activities	**(39)**	—	(61)
Net cash from (used in) financing activities	**2,366**	(1,060)	1,570
Increase (Decrease) in Cash and Cash Equivalents	**2,353**	(58)	(238)
Cash and Cash Equivalents, Beginning of Year	**942**	1,000	1,238
Cash and Cash Equivalents, End of Year	**$ 3,295**	$ 942	$ 1,000

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION AND NATURE OF BUSINESS

As used in this report, the terms "Tesoro," the "Company," "we," "us" or "our" may refer to Tesoro Corporation, one or more of its consolidated subsidiaries or all of them taken as a whole. The words "we," "us" or "our" generally include Tesoro Logistics LP ("TLLP") and its subsidiaries as consolidated subsidiaries of Tesoro Corporation with certain exceptions where there are transactions or obligations between TLLP and Tesoro Corporation or its other subsidiaries. When used in descriptions of agreements and transactions, "TLLP" or the "Partnership" refers to TLLP and its consolidated subsidiaries.

Tesoro was incorporated in Delaware in 1968. Based in San Antonio, Texas, we are one of the largest independent petroleum refining and marketing companies in the United States. Our subsidiaries, operating through three business segments, primarily transport crude oil and manufacture, transport and sell transportation fuels. Our refining operating segment ("Refining"), which owns and operates seven refineries in the western United States, refines crude oil and other feedstocks into transportation fuels, such as gasoline and gasoline blendstocks, jet fuel and diesel fuel, as well as other products, including heavy fuel oils, liquefied petroleum gas and petroleum coke for sale in bulk markets to a wide variety of customers within our markets. Our refineries have a combined crude oil capacity of approximately 895 Mbpd. Our logistics operating segment, which is comprised of TLLP's assets and operations, includes certain crude oil and natural gas gathering assets, natural gas and NGLs processing assets, and crude oil and refined products terminalling, transportation and storage assets acquired from Tesoro and third parties. The TLLP financial and operational data presented include the historical results of all assets acquired from Tesoro prior to the dates they were acquired by TLLP. The historical results of operations of these assets have been retrospectively adjusted to conform to the current presentation. Our marketing operating segment ("Marketing") sells transportation fuels in 16 states through a network of 2,492 retail stations under the ARCO ®, Shell ®, Exxon ®, Mobil ®, USA Gasoline ™, Rebel ™, Thrifty ™ and Tesoro ® brands. Our unbranded, or wholesale, business includes volumes sold through agreements with third-party dealers.

Our earnings, cash flows from operations and liquidity depend upon many factors, including producing and selling refined products at margins above fixed and variable expenses. The prices of crude oil and refined products fluctuate substantially and our financial results are significantly influenced by the timing of changes in crude oil costs and how quickly refined product prices adjust to reflect these changes. These price fluctuations depend on numerous factors beyond our control, including the global supply and demand for crude oil and refined products, which are subject to factors including changes in the global economy, the level of foreign and domestic production of crude oil and refined products, geo-political conditions, availability of crude oil and refined product imports, the infrastructure to transport crude oil and refined products, weather conditions, earthquakes and other natural disasters, seasonal variations, government regulations, threatened or actual terrorist incidents or acts of war, and local factors, including market conditions and the level of operations of other suppliers in our markets. Margin fluctuations resulting from these factors have a significant impact on our results of operations, cash flows, liquidity and financial position.

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Tesoro and its subsidiaries. All intercompany accounts and transactions have been eliminated. We have evaluated subsequent events through the filing of this Form 10-K. Any material subsequent events that occurred during this time have been properly recognized or disclosed in our financial statements.

Certain reclassifications have been made to prior period presentations to conform to the current year. In the first quarter of 2016 , we revised the process by which we reclassify certain logistics costs, primarily recognized by TLLP, during consolidation from operating expenses and selling, general and administrative expense to costs of sales. This better reflects the distribution costs related to Tesoro's sale of refined products during the ordinary course of business. This change in process did not impact current or prior segment operating results. However, we reclassified $221 million and $28 million from costs of sales and recognized $177 million and $24 million in operating expenses and $44 million and $4 million in selling, general and administrative expenses of the condensed statement of consolidated operations for the years ended December 31, 2015 and 2014 , respectively, to conform to current period presentation.

Our consolidated financial statements include TLLP, a variable interest entity. Tesoro Logistics GP, LLC ("TLGP"), Tesoro's fully consolidated subsidiary, serves as TLLP's general partner. As the general partner of TLLP, we have the sole ability to direct the activities of TLLP that most significantly impact its economic performance. We are also considered to be the primary beneficiary

for accounting purposes and are TLLP's primary customer. Under our long-term transportation agreements with TLLP (discussed further below), transactions with us accounted for 59% , 55% and 83% of TLLP's total revenues for the years ended December 31, 2016 , 2015 and 2014 , respectively. In the event TLLP incurs a loss, our operating results will reflect TLLP's loss, net of intercompany eliminations, to the extent of our ownership interest in TLLP. All intercompany transactions with TLLP are eliminated upon consolidation.

USE OF ESTIMATES

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. We review our estimates on an ongoing basis, based on currently available information. Changes in facts and circumstances may result in revised estimates and actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank deposits and low-risk short-term investments with original maturities of three months or less at the time of purchase. Cash equivalents are stated at cost, which approximates market value. We place our cash deposits and temporary cash investments with high credit quality financial institutions. Our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limit. Approximately $1.8 billion of our cash and cash equivalents are held in money market funds and are valued at the net asset value ("NAV") of the fund as determined by the fund manager, using fixed and floating NAVs as a practical expedient. These money market funds are invested in high quality, short-term securities, including obligations issued or guaranteed by the U.S. government or its agencies, floating and variable rate demand notes of U.S. and foreign corporations and other short-term obligations with minimal volatility in principal. Currently, there are no redemption notice requirements or penalties, however, the funds may impose a fee upon the sale of the investment or may temporarily suspend our ability to sell shares if the liquidity falls below required minimums because of market conditions or other factors.

RECEIVABLES

Our receivables primarily consist of customer accounts receivable. Open credit is extended based on an ongoing evaluation of our customers' financial condition and other factors. In certain circumstances, we may require prepayments, letters of credit, guarantees, or other forms of collateral. Credit risk with respect to trade receivables is mitigated by the large number of customers comprising our customer base and their dispersion across various industries and geographic areas of operations. Our allowance for doubtful accounts is based on numerous factors including current sales amounts, historical charge-offs and specific accounts identified as high risk. After reasonable efforts to collect the amounts have been exhausted, balances are deemed uncollectible and are charged against the allowance for doubtful accounts. Write-offs were immaterial in 2016 , 2015 and 2014 . The Company does not have any off-balance-sheet credit exposure related to its customers.

INVENTORIES

Inventories are stated at the lower of cost or market. We use the last-in, first-out method to determine the cost of petroleum commodities, oxygenates and by-products held by our U.S. subsidiaries. We determine the carrying value of inventories of crude oil held by our foreign subsidiaries using the first-in, first-out cost method. We value merchandise along with materials and supplies at average cost.

PROPERTY, PLANT AND EQUIPMENT

We capitalize the cost of additions, major improvements and modifications to property, plant and equipment ("Property Assets"). The cost of repairs to, and normal maintenance of, Property Assets is expensed as incurred. Major improvements and modifications of Property Assets are those expenditures that extend the useful life, increase the capacity or improve the operating efficiency of the asset, or improve the safety of our operations. The cost of Property Assets constructed includes interest and certain overhead costs allocable to the construction activities. Capitalized interest totaled $31 million , $36 million and $25 million during 2016 , 2015 and 2014 , respectively, and is recorded as a reduction to net interest and financing costs in our statements of consolidated operations.

We compute depreciation of Property Assets using the straight-line method, based on the estimated useful life and salvage value of each asset. The useful lives range from 3 to 28 years for Refining segment assets, 3 to 28 years for TLLP segment assets, 3 to 16 years for Marketing segment assets, and 3 to 25 years for corporate assets. We record Property Assets under capital leases at the lower of the present value of minimum lease payments using our incremental borrowing rate or the fair value of the leased property at the date of lease inception. We depreciate leasehold improvements and Property Assets acquired under capital leases over the lesser of the lease term or the economic life of the asset. Depreciation expense totaled $537 million , $491 million and $363 million for 2016 , 2015 and 2014 , respectively.

ASSET RETIREMENT OBLIGATIONS. We record asset retirement obligations ("AROs") at fair value in the period in which we have a legal obligation to incur costs, whether by government action or contractual arrangement, to retire a tangible asset and can make a reasonable estimate of the fair value of the liability. AROs are calculated based on the present value of the estimated removal and other closure costs using our credit-adjusted risk-free rate given an estimated settlement date for the obligation. We estimate settlement dates by considering our past practice, industry practice, management's intent and estimated economic lives. We cannot currently estimate the fair value for certain potential AROs primarily because we cannot estimate settlement dates (or range of dates) associated with these assets. These AROs include, but are not limited to, the disposal of hazardous materials used in our production processes and the removal or dismantlement of refining and terminal facilities, pipelines and other buildings. We have not historically incurred significant AROs for hazardous materials disposal or other removal costs associated with asset retirements or replacements during scheduled maintenance projects. This precludes development of assumptions about the potential timing of settlement dates based on there being no plans to retire or dispose of the assets, our plans to extend the assets' economic lives through scheduled maintenance and updating for technological advances, our history of rarely retiring similar assets in the past and industry practices for similar assets. As of December 31, 2016 and 2015 , we had $26 million and $30 million recorded for AROs, respectively. No material changes in AROs occurred in 2016 . During 2015 , as a result of our finalization of the purchase price allocation of TLLP's Rockies Natural Gas Business Acquisition, we determined that majority of the AROs initially recognized were not estimable resulting in a $29 million reduction to our liability for AROs .

ACQUIRED INTANGIBLES AND GOODWILL

Acquired intangibles are recorded at fair value as of the date acquired and consist primarily of customer relationships, air emission credits, refinery permits, trade names and plans and a master franchise license for the ampm ® convenience store brand ("ampm ® License"). We amortize acquired intangibles with finite lives on a straight-line basis over estimated useful lives of 1 to 35 years , and we include the amortization of acquired intangibles in depreciation and amortization expense in our statements of consolidated operations. Our indefinite-lived intangible assets consist of the ARCO ® brand and associated registered trademarks for certain of our retail stations as well as perpetual emission credits. See Note 7 for further information on our amortization expense for acquired intangibles.

Goodwill represents the amount the purchase price exceeds the fair value of net assets acquired in a business combination. We do not amortize goodwill or indefinite-lived intangible assets. We are required, however, to review goodwill and indefinite-lived intangible assets for impairment annually, or more frequently if events or changes in business circumstances indicate the book value of the assets may not be recoverable. In such circumstances, we record the impairment in loss on asset disposals and impairments in our statements of consolidated operations. We review the recorded value of goodwill for impairment on November 1 st of each year, or sooner if events or changes in circumstances indicate the carrying amount may exceed fair value using qualitative and/or quantitative assessments at the reporting level. Our review of goodwill is discussed further in Note 7.

IMPAIRMENT OF LONG-LIVED ASSETS

We review Property Assets and other long-lived assets, including acquired intangible assets with finite lives, for impairment whenever events or changes in business circumstances indicate the net book values of the assets may not be recoverable. Impairment is indicated when the undiscounted cash flows estimated to be generated by those assets are less than the assets' net book value. If this occurs, an impairment loss is recognized for the difference between the fair value and net book value. Factors that indicate potential impairment include: a significant decrease in the market value of the asset, operating or cash flow losses associated with the use of the asset and a significant change in the asset's physical condition or use.

INVESTMENTS - EQUITY METHOD AND JOINT VENTURES

For equity investments that are not required to be consolidated under the variable interest model, we evaluate the level of influence we are able to exercise over an entity's operations to determine whether to use the equity method of accounting. Our judgment regarding the level of control over an equity method investment includes considering key factors such as our ownership interest, participation in policy-making and other significant decisions and material intercompany transactions. Amounts recognized for equity method investments are included in other noncurrent assets in our consolidated balance sheets and adjusted for our share of the net earnings or losses of the investee, which are presented separately in our statements of consolidated operations, capital contributions made and cash dividends received. We evaluate our equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may be impaired. An impairment loss is recorded in earnings in the current period to write down the carrying value of the investment to fair value if a decline in the value of an equity method investment is determined to be other than temporary. There were no impairments of our equity method investments during the years ended December 31, 2016 , 2015 and 2014 .

OTHER NONCURRENT ASSETS

We defer turnaround costs and the costs of certain catalysts ("Deferred Charges") used in the refinery processing units that have a benefit period that exceeds one year and amortize these costs on a straight-line basis over the expected periods of benefit, normally ranging from 2 to 10 years . Deferred Charges are amortized over the period of time until the next planned turnaround of the processing unit. Amortization for Deferred Charges, which is included in depreciation and amortization expense in our statements of consolidated operations, amounted to $251 million , $222 million and $182 million in 2016 , 2015 and 2014 , respectively.

ENVIRONMENTAL CREDITS AND ENVIRONMENTAL CREDIT OBLIGATIONS

We are subject to extensive and frequently changing federal, state, regional and local laws, regulations and ordinances relating to the environment, including those governing emissions or discharges to land, air and water, the handling and disposal of solid and hazardous wastes and the remediation of contamination. In order to comply with certain of these regulations and ordinances, we are required to reduce our emissions or blend certain levels of biofuels. Otherwise, we are required to obtain allowances or credits ("environmental credits") to offset the obligations created by our operations. Specific to the renewable identification numbers ("RINs") required to comply with the second renewable fuels standard ("RFS2") implemented by the U.S. Environmental Protection Agency ("EPA") along with allowances and credits needed to comply with the cap-and-trade emission reduction program and low carbon fuel standard implemented by the state of California, we account for environmental credits using an inventory method of accounting. Environmental credits are recorded on our consolidated balance sheet at weighted average cost and expensed as cost of sales as they are used to offset obligations incurred by our operations. In determining the weighted average cost of environmental credits, we record environmental credits purchased from third parties at the price paid and environmental credits allocated to us by regulatory agencies or attached to commodities purchased for use in our operations at a cost of zero unless market data indicates an incremental price was paid for the acquisition of the environmental credit. Costs incurred to obtain allowances or credits necessary to comply with other federal, state or local regulations or ordinances are expensed as incurred. The amounts associated with these other regulations or ordinances are not material to our consolidated financial statements.

We record obligations associated with RFS2 and the California programs as obligations are incurred. Our liabilities for environmental credit obligations is comprised of the weighted average cost of credits we hold but are required to be remitted for satisfaction of the obligation generated by our operations plus amounts recognized at fair value for any deficiency in environmental credits held compared to our obligation. Refer to Note 11 for amounts recognized at fair value for environmental credit obligations.

DERIVATIVE INSTRUMENTS

We use non-trading derivative instruments to manage exposure to commodity price risks associated with the purchase or sale of feedstocks, refined products and energy supplies to or from our refineries, terminals, marketing operations and customers. We also use non-trading derivative instruments to manage price risks associated with inventories above or below our target levels. These derivative instruments typically involve physical commodity forward purchase and sale contracts ("Forward Contracts"), exchange-traded futures ("Futures Contracts"), over-the-counter swaps, including those cleared on an exchange ("Swap Contracts"), options ("Options") and over-the-counter options ("OTC Option Contracts"), most of which had remaining

durations of less than one year as of December 31, 2016 . Our positions are monitored daily by our trading controls group to ensure compliance with our risk management policies.

We mark-to-market our derivative instruments and recognize the changes in their fair values, realized or unrealized, in either revenues or cost of sales in our statements of consolidated operations, depending on the purpose for acquiring and holding the derivatives. All derivatives are recorded and carried at fair value in receivables, other current assets or accounts payable in our consolidated balance sheets. Margin deposits represent cash collateral paid between our counterparties and us to support our commodity contracts. We net our asset and liability positions associated with multiple derivative instruments that are executed with the same counterparty under master netting arrangements.

FINANCIAL INSTRUMENTS

The carrying value of certain of our financial instruments, including cash and cash equivalents, receivables, accounts payable and certain accrued liabilities approximate fair value primarily because of the short-term maturities of these instruments. The borrowings under the Tesoro Corporation revolving credit facility (our "Revolving Credit Facility"), the TLLP Revolving Credit Facility (the "TLLP Revolving Credit Facility"), and TLLP's drop down credit facility agreement (the "TLLP Dropdown Facility"), which include variable interest rates, approximate fair value. We estimate the fair value for our fixed rate debt primarily using prices from recent trade activity.

INCOME TAXES

We record deferred tax assets and liabilities for future income tax consequences that are attributable to differences between the financial statement carrying amounts of assets and liabilities and their income tax bases. We base the measurement of deferred tax assets and liabilities on enacted tax rates that we expect will apply to taxable income in the year we expect to settle or recover those temporary differences. We recognize the effect on deferred tax assets and liabilities of any change in income tax rates in the period that includes the enactment date. We provide a valuation allowance for deferred tax assets if it is more likely than not that those items will either expire before we are able to realize their benefit or their future deductibility is uncertain. We recognize the financial statement effects of a tax position when it is more likely than not that the position will be sustained upon examination.

We use the flow-through method to account for state investment tax credits earned on eligible capital expenditures. Under this method, the investment tax credits are recognized as a reduction to income tax expense in the year they are earned, except to the extent there is a continuing obligation.

PENSION AND OTHER POSTRETIREMENT BENEFITS

We recognize separately the overfunded or underfunded status of our pension and other postretirement plans as an asset or liability. A change in the funded status of our defined benefit retirement plan is recognized in other comprehensive income in the period the change occurs. The funded status represents the difference between the projected benefit obligation and the fair value of the plan assets. The projected benefit obligation is the present value of benefits earned to date by plan participants, including the effect of assumed future salary increases. Plan assets are measured at fair value. We use a December 31 st measurement date for plan assets and obligations for all of our plans.

CONTINGENCIES

ENVIRONMENTAL MATTERS. We are subject to extensive federal, state and local environmental laws and regulations. These laws, which change frequently, regulate the discharge of materials into the environment and may require us to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites, install additional controls or make other modifications to certain emission sources, equipment or facilities.

We capitalize environmental expenditures that extend the life or increase the capacity of facilities as well as expenditures that prevent environmental contamination. We expense costs that relate to an existing condition caused by past operations and that do not contribute to current or future revenue generation. We record liabilities when environmental assessments and/or remedial efforts are probable and can be reasonably estimated. Cost estimates are based on the expected timing and extent of remedial actions required by governing agencies, experience gained from similar sites for which environmental assessments or remediation have been completed and the amount of our anticipated liability considering the proportional liability and financial

abilities of other responsible parties. Usually, the timing of these accruals coincides with the completion of a feasibility or engineering study and or our commitment to a formal plan of action where a range of costs can be reliably estimated and supported. Estimated liabilities are not discounted to present value and environmental expenses are recorded primarily in operating expenses in our statements of consolidated operations.

LEGAL MATTERS. In the ordinary course of business, we become party to lawsuits, administrative proceedings and governmental investigations. These matters may involve large or unspecified damages or penalties that may be sought from us and may require years to resolve. We record a liability related to a loss contingency attributable to such legal matters in accrued liabilities or other noncurrent liabilities on our consolidated balance sheet, depending on the classification as current or noncurrent if we determine the loss to be both probable and estimable. The liability is recorded for an amount that is management's best estimate of the loss, or when a best estimate cannot be made, the minimum loss amount of a range of possible outcomes.

ACQUISITIONS

We use the acquisition method of accounting for the recognition of assets acquired and liabilities assumed with acquisitions at their estimated fair values as of the date of acquisition. Any excess consideration transferred over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. While we use our best estimates and assumptions to measure the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, not to exceed one year from the date of acquisition, any changes in the estimated fair values of the net assets recorded for the acquisitions will result in an adjustment to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our statements of consolidated operations.

REVENUE RECOGNITION

We recognize revenues upon delivery of goods or services to a customer. For goods, this is the point at which title is transferred and when payment has either been received or collection is reasonably assured. Revenues for services are recorded when the services have been provided. We record certain transactions in cost of sales in our statements of consolidated operations on a net basis. These transactions include nonmonetary crude oil and refined product exchange transactions used to optimize our refinery supply, and sale and purchase transactions entered into with the same counterparty that are deemed to be in contemplation with one another. We include transportation and processing fees charged to customers in revenues in our statements of consolidated operations, while the related costs are included in cost of sales.

Federal excise and state motor fuel taxes, which are remitted to governmental agencies through our refining segment and collected from customers in our marketing segment, are included in both revenues and cost of sales in our statements of consolidated operations. These taxes were primarily related to sales of gasoline and diesel fuel from continuing operations and totaled $577 million , $561 million and $581 million in 2016 , 2015 and 2014 , respectively.

STOCK-BASED COMPENSATION

Our stock-based compensation includes stock appreciation rights ("SARs"), performance share awards, market stock units, stock options, restricted common stock, restricted stock units, and phantom stock options. The grant date fair value of performance share awards based on performance conditions, restricted common stock awards and restricted stock units are equal to the market price of our common stock on the date of grant. The fair values of market stock units and stock options are estimated using the Monte Carlo simulation and the Black-Scholes option-pricing model, respectively, on the date of grant. The fair values of our SARs, phantom stock options and certain performance share awards based on market conditions are remeasured at the end of each reporting period. SARs and phantom stock options are recorded in other current liabilities in our statement of financial position. We primarily amortize the fair value of our stock-based awards using the straight-line method over the vesting period. Our stock-based compensation expense includes estimates for forfeitures and volatility based on our historical experience. If actual forfeitures differ from our estimates, we adjust stock-based compensation expense accordingly. Expenses related to stock-based compensation are included in selling, general and administrative expenses in our statements of consolidated operations.

EARNINGS PER SHARE

We compute basic earnings per share by dividing net earnings attributable to Tesoro Corporation stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share include the effects of potentially dilutive shares, principally consisting of common stock options and unvested restricted stock, restricted stock units, market stock units and performance share awards outstanding during the period. Additionally, for the diluted earnings per share computation, net earnings attributable to Tesoro Corporation is reduced, where applicable, for the decrease in earnings from Tesoro's limited partner unit ownership in TLLP that would have resulted assuming the incremental units related to TLLP's equity incentive plans had been issued during the respective periods.

NEW ACCOUNTING STANDARDS AND DISCLOSURES

REVENUE RECOGNITION. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09") and has since amended the standard with ASU 2015-14, "Revenue from Contracts with Customers: Deferral of the Effective Date", ASU 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)", ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing", and ASU 2016-12, "Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients". These standards replace existing revenue recognition rules with a single comprehensive model to use in accounting for revenue arising from contracts with customers. We are required to adopt ASU 2014-09 on January 1, 2018.

We have been and continue to evaluate the impact of the standard's revenue recognition model on our contracts with customers in the refining, marketing and TLLP segments. While we have made substantial progress in our review and documentation of the impact of the standard on our revenue agreements, we continue to assess the impact in certain other areas where industry consensus continues to be formed such as agreements with terms that include non-cash consideration and tiered pricing structures. At this time, we are unable to estimate the full impact of the standard until the industry reaches a consensus on certain industry specific issues, especially in relation to the TLLP segment. However, we do not expect the standard to have a material impact to the amount or timing of revenues recognized for the vast majority of our revenue arrangements in the Refining and Marketing segments.

We are currently in early stages of our implementation plan and are evaluating the impact of the standard on our business processes, accounting systems, controls and financial statement disclosures. We preliminarily expect to transition to the new standard under the modified retrospective transition method, whereby a cumulative effect adjustment is recognized upon adoption and the guidance is applied prospectively.

CONSOLIDATION. In February 2015, the FASB issued ASU 2015-02 "Amendments to the Consolidation Analysis" ("ASU 2015-02"). This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for interim and annual periods beginning after December 15, 2015, and requires either a retrospective or a modified retrospective approach to adoption. We adopted this guidance using the modified retrospective approach as of January 1, 2016 and performed the required reassessments outlined by the guidance. For further information on the results of the reassessments, refer to Note 8, Investments - Equity Method and Joint Ventures.

BUSINESS COMBINATION. In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments" ("ASU 2015-16"). The standard requires an acquirer to recognize the cumulative impact of adjustments to provisional purchase price amounts that are identified during the measurement period in the reporting period, in which the adjustment amounts are determined. The standard also requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provision amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for the interim and annual periods beginning after December 15, 2015, and must be applied prospectively to adjustments that occur after the effective date. Early application is permitted for financial statements that have not been issued. We adopted this guidance as of January 1, 2016 with no impact to our financial statements.

LEASES. In February 2016, the FASB issued ASU 2016-02, "Leases" ("ASU 2016-02"), which amends existing accounting standards for lease accounting and adds additional disclosures about leasing arrangements. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement and presentation of cash flow in the statement of cash flows. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within those annual reporting periods. Early adoption is permitted and modified retrospective application is required. We are still evaluating the impact of ASU 2016-02 on our financial statements.

SHARE-BASED COMPENSATION. In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which simplifies several aspects of the accounting for employee share-based payment transactions including accounting for income taxes, cash flow presentation of tax impacts, forfeitures, and liability versus equity accounting due to statutory tax withholding requirements. ASU 2016-09 is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. As of January 1, 2016, we early adopted ASU 2016-09 on a prospective basis and with respect to the guidance on forfeitures, we have elected to continue to estimate forfeitures on the date of grant to account for the estimated number of awards for which the requisite service period will not be rendered. The adoption of ASU 2016-09 had a $16 million impact for the year ended December 31, 2016 , resulting in a lower effective tax rate and immaterial changes to our cash flow presentation.

CREDIT LOSSES. In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which amends guidance on the impairment of financial instruments. The ASU estimates credit losses based on expected losses, modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within those annual reporting periods. Early adoption is permitted for annual reporting periods beginning after December 15, 2018. While we are still evaluating the impact of ASU 2016-13, we do not expect the adoption of this standard to have a material impact on our financial statements.

STATEMENT OF CASH FLOWS. In August 2016, the FASB issued ASU 2016-15, "Clarification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. ASU 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The amendments in this update should be applied retrospectively to all periods presented, unless deemed impracticable, in which case, prospective application is permitted. We early adopted this standard retrospectively as of December 31, 2016 , which did not have an impact on our financial statements.

DEFINITION OF A BUSINESS. In January 2017, the FASB issued ASU 2017-01, "Clarifying the Definition of a Business" ("ASU 2017-01"), which revises the definition of a business and assists in the evaluation of when a set of transferred assets and activities is a business. ASU 2017-01 is effective for interim and annual reporting periods beginning after December 15, 2017, and should be applied prospectively on or after the effective date. Early adoption is permitted under certain circumstances. At this time, we are evaluating the potential impact of this standard on our financial statements.

NOTE 2 – ACQUISITIONS

2016 ACQUISITIONS

Individually and on an aggregate basis, the following acquisitions were immaterial to our consolidated financial statements.

GREAT NORTHERN MIDSTREAM. On January 8, 2016 , we closed the acquisition of Great Northern Midstream LLC ("Great Northern Midstream"), a crude oil logistics provider which owns and operates a crude oil pipeline and gathering system, along with transportation, storage and rail loading facilities in the Williston Basin of North Dakota. The acquisition includes a crude oil pipeline, a proprietary gathering system in the core of the Bakken, and a facility for rail loading and storage in Fryburg, North Dakota.

FLINT HILLS RESOURCES. On June 20, 2016 , we closed the acquisition of Flint Hills Resources' ("FHR") wholesale marketing and logistics assets in Anchorage and Fairbanks, Alaska. This acquisition includes all FHR's wholesale fuel marketing contracts in Alaska and an Anchorage terminal with storage capacity, a truck rack, and rail loading capability. In addition, the acquisition

includes a Fairbanks airport terminal that includes jet fuel storage and a truck rack, as well as a multi-year terminalling agreement at FHR's North Pole terminal, which will provide efficient rail offload capabilities and provide access to Alaska's interior. The terminalling and storage assets acquired were sold to TLLP during the third quarter of 2016.

DAKOTA PRAIRIE REFINING. On June 28, 2016 , we acquired Dakota Prairie Refining, LLC, which owns a refinery near Dickinson, North Dakota, which we refer to as our Dickinson Refinery, with strategic access to advantaged Bakken crude oil and is located approximately 100 miles west of the Tesoro Mandan refinery. This acquired refinery produces ultra-low sulfur diesel, naphtha and atmospheric residuals. Tesoro plans to continue to market the ultra-low sulfur diesel to local customers and utilize the naphtha and atmospheric residuals in its integrated value chain system.

VIRENT. On September 28, 2016 , we acquired Virent, Inc. ("Virent"), an innovative renewable fuels and chemicals company, to support Virent in bringing its biofuels technology to commercial scale. Virent's BioForming® technology can convert sugars and other biomass derived feedstocks into renewable gasoline blendstocks and aromatics, which are fully compatible with the nation's existing fuel infrastructure and current vehicle warranties. Virent's aromatics product can also be used for renewable chemicals, most notably paraxylene, a key component in polyester.

OTHER TRANSACTIONS

WESTERN REFINING. On November 16, 2016 , Tesoro entered into an Agreement and Plan of Merger with Western Refining, Inc. ("Western Refining") and Tesoro's wholly-owned subsidiaries Tahoe Merger Sub 1, Inc. and Tahoe Merger Sub 2, LLC (the "Merger"). Under the terms of the agreement, Western Refining's shareholders can elect to receive 0.4350 shares of Tesoro for each share of Western Refining stock they own, or $37.30 in cash per share of Western Refining stock. Elections to receive cash will be subject to proration to the extent they exceed approximately 10.8 million shares (or approximately $404 million in the aggregate). Stock elections will not be subject to proration. Completion of the Merger is expected in the first half of 2017, subject to certain customary mutual conditions and regulatory approval. See Note 12 for further information about additional financing the Company obtained in 2016 in anticipation of the Merger. The aggregate proceeds of the debt financing, together with the available cash of the Company, will be sufficient for the Company to pay the aggregate cash consideration, refinance certain indebtedness of Western Refining and its subsidiaries and pay all related fees and expenses payable in connection with the Merger.

NOTE 3 – TESORO LOGISTICS LP

TLLP is a publicly traded limited partnership that was formed to own, operate, develop and acquire logistics assets. Its assets are integral to the success of Tesoro's refining and marketing operations and are used to gather crude oil and natural gas, process natural gas and distribute, transport and store crude oil and refined products. TLLP provides us with various pipeline transportation, trucking, terminal distribution, storage and petroleum-coke handling services under long-term, fee-based commercial agreements. Each of these agreements, with the exception of the storage and transportation services agreement, contain minimum volume commitments. We do not provide financial or equity support through any liquidity arrangements or financial guarantees to TLLP. At December 31, 2016 , assets consisted of:

- crude oil and refined products terminals and storage facilities in the western and midwestern U.S. that are supplied by Tesoro-owned and third-party pipelines, trucks and barges;
- crude oil, feedstock and refined product storage and marine terminals in California that load and unload vessels;
- pipelines, which transport products and crude oil from Tesoro's refineries to nearby facilities in Salt Lake City and Los Angeles and a 50% fee interest in a pipeline that transports jet fuel from Tesoro's Los Angeles refinery to the Los Angeles International Airport;
- a regulated common carrier products pipeline running from Salt Lake City, Utah to Spokane, Washington and a jet fuel pipeline to the Salt Lake City International Airport;
- a rail car unloading facility in Washington that receives crude oil transported on unit trains leased by Tesoro;
- a petroleum coke handling and storage facility in Los Angeles that handles and stores petroleum coke from Tesoro's Los Angeles refinery; and
- a regulated common carrier refined products pipeline system connecting our Kenai refinery terminals to terminals in Anchorage, Alaska.

TLGP, our wholly-owned subsidiary, serves as the general partner of TLLP. We held an approximate 34% interest in TLLP at December 31, 2016 , including a 2% general partner interest and all the incentive distribution rights. This interest at December 31, 2016 includes 34,055,042 common units and 2,100,900 general partner units.

2016 ACQUISITIONS

ALASKA STORAGE AND TERMINALLING ASSETS. Effective July 1, 2016 , TLLP entered into an agreement to purchase certain terminalling and storage assets owned by Tesoro for total consideration of $444 million and was completed in two phases ("Alaska Storage and Terminalling Assets Acquisition"). On July 1, 2016, TLLP completed the acquisition of the first phase consisting of tankage, related equipment and ancillary facilities used for the operations at Tesoro's Kenai refinery. The second phase was completed on September 16, 2016 and consisted of refined product terminals in Anchorage and Fairbanks. Consideration paid for the first phase was $266 million , comprised of approximately $240 million in cash, financed with borrowings under the TLLP Dropdown Credit Facility and TLLP's issuance of equity to Tesoro with a fair value of $26 million . Consideration for the second phase was $178 million , comprised of approximately $160 million in cash, financed with borrowings under the TLLP Dropdown Credit Facility and TLLP issuing equity securities with a fair value of approximately $18 million .

NORTHERN CALIFORNIA TERMINALLING AND STORAGE ASSETS. Effective November 21, 2016 , the Partnership acquired certain terminalling and storage assets owned by Tesoro ("Northern California Terminalling and Storage Assets Acquisition") for total consideration of $400 million comprised of $360 million of cash financed with borrowings on TLLP's Dropdown Credit Facility and $40 million of common and general partner units to Tesoro. The assets purchased consisted of tankage with crude oil, feedstock, and refined product storage capacity at Tesoro's Martinez refinery along with a marine terminal capable of handling feedstock and refined product throughput.

2015 ACQUISITIONS

LA STORAGE AND HANDLING ASSETS. On November 12, 2015 , TLLP purchased crude oil and refined product storage and pipeline assets in Los Angeles, California owned by Tesoro for a total consideration of $500 million (the "LA Storage and Handling Asset Acquisition"). Assets included in the transaction consisted of a crude oil, feedstock, and refined product storage tank facility and a 50% fee interest in a pipeline that transports jet fuel from Tesoro's Los Angeles refinery to the Los Angeles International Airport. The acquisition price of $500 million included cash of approximately $250 million , funded in part from a TLLP unsecured term loan facility and the issuance of common and general partner units to Tesoro, valued at approximately $250 million .

2014 ACQUISITIONS

WEST COAST LOGISTICS ASSETS. During the year ended December 31, 2014, TLLP purchased certain terminalling and pipeline assets owned by Tesoro and two of our subsidiaries for total consideration of $270 million . On July 1, 2014 , TLLP closed on the purchase of the first portion consisting of marketing terminals and a storage facility in exchange for consideration of $241 million , comprised of approximately $214 million in cash financed with borrowings under TLLP's revolving credit facility, and the issuance of equity to us with a fair value of $27 million . On September 30, 2014 , TLLP completed the second portion by acquiring Tesoro Alaska Pipeline Company LLC, which owns a refined products pipeline located in Alaska, for total cash consideration of $29 million , financed with borrowings under TLLP's revolving credit facility.

ROCKIES NATURAL GAS BUSINESS. On December 2, 2014, the TLLP acquired all of the limited liability company interests of QEP Field Services, LLC ("QEPFS") for an aggregate purchase price of approximately $2.5 billion , which includes environmental obligations, existing legal obligations and $230 million QEP Midstream Partners, LP ("QEPM") debt. QEPFS is the direct or indirect owner of assets related to, and entities engaged in, natural gas gathering, transportation and processing in or around the Green River Basin located in Wyoming and Colorado, the Uinta Basin located in eastern Utah, and the portion of the Williston Basin located in North Dakota. During 2015, TLLP recorded measurement period adjustments, which reduced goodwill by $34 million , after obtaining additional information regarding, among other things, asset valuations and liabilities assumed.

On July 22, 2015 , TLLP and QEPM completed the transaction in which TLLP Merger Sub LLC merged with and into QEPM, with QEPM surviving the merger as a wholly-owned subsidiary of TLLP (the "QEPM Merger"). TLLP issued additional TLLP Common Units to QEPM unitholders as a result of the QEPM Merger. There was no impact to the purchase price allocation as a result of the QEPM Merger.

During the years ended December 31, 2015 and 2014, we incurred transaction costs of $2 million and $33 million , respectively, related to the Rockies Natural Gas Business Acquisition directly attributable to the transaction. These costs are included in general and administrative expenses and interest and financing costs, net in our combined consolidated statements of operations.

OTHER TRANSACTIONS

NORTH DAKOTA GATHERING AND PROCESSING ASSETS. On November 21, 2016 , TLLP agreed to acquire crude oil, natural gas and produced water gathering systems and two natural gas processing facilities from Whiting Oil and Gas Corporation, GBK Investments, LLC and WBI Energy Midstream, LLC (the "North Dakota Gathering and Processing Assets") for total consideration of approximately $700 million . The North Dakota Gathering and Processing Assets include crude oil, natural gas and produced water gathering pipelines, natural gas processing and fractionation capacity in the Sanish and Pronghorn fields of the Williston Basin in North Dakota. The acquisition, which was subject to customary closing conditions including regulatory approval, closed January 1, 2017. Given the acquisition date, it was impracticable for TLLP to develop an initial estimate for the fair value of identifiable assets acquired, residual goodwill or pro forma information for disclosure in these financial statements.

ADDITIONAL EQUITY ISSUANCES

UNIT ISSUANCE. TLLP closed a registered public offering of 6.3 million common units representing limited partner interests, including the over-allotment option exercised by the underwriter for the purchase of an additional 825 thousand common units, at a public offering price of $47.13 per unit on June 10, 2016 . The net proceeds of $293 million were used for general partnership purposes, including debt repayment, acquisitions, capital expenditures and additions to working capital.

ATM PROGRAM. On August 24, 2015 , TLLP filed a prospectus supplement to its shelf registration statement filed with the Securities and Exchange Commission ("SEC") on August 6, 2015 , authorizing the continuous issuance of up to an aggregate of $750 million of common units, in amounts, at prices and on terms to be determined by market conditions and other factors at the time of its offerings (such continuous offering program, or at-the-market program, referred to as the "2015 ATM Program"). Prior to then, TLLP issued shares under a June 25, 2014 filed prospectus supplement to its shelf registration statement filed with the SEC in 2012 (the "2014 ATM Program"). During the years ended December 31, 2016 and 2015 , TLLP issued under both the 2015 ATM Program and the 2014 ATM Program an aggregate of 1,492,637 and 1,912,996 common units, respectively, generating proceeds of approximately $72 million and $103 million , respectively, before issuance costs. In 2014, under the 2014 ATM Program, TLLP issued 199,400 common units generating proceeds of approximately $14 million before issuance costs. The net proceeds from issuances under these programs were used for general partnership purposes, which included debt repayment, future acquisitions, capital expenditures and additions to working capital.

COMMERCIAL AGREEMENTS WITH TLLP

TLLP generates revenue by charging fees for gathering crude oil and natural gas, processing natural gas and for distributing, transporting and storing crude oil and refined products. We do not provide financial or equity support through any liquidity arrangements or financial guarantees to TLLP. In connection with the acquisitions between Tesoro and TLLP, we entered into long-term, fee-based storage and throughput and use agreements.

TLLP provides us with various pipeline transportation, trucking, terminal distribution, gas processing, storage and coke-handling services under long-term, fee-based commercial agreements expiring 2017 through 2026 . These include ten -year use and throughput agreements and ten -year transportation agreements. Each of these agreements, with the exception of the storage and transportation services agreement, contain minimum volume commitments. Each agreement has fees that are indexed for inflation and provides us options to renew for two additional five -year term.

OTHER AGREEMENTS WITH TLLP

THIRD AMENDED AND RESTATED OMNIBUS AGREEMENT. We entered into an omnibus agreement with TLLP at the closing of TLLP's initial public offering in April 2011 (the "Initial Offering"). The omnibus agreement, most recently amended on November 21, 2016 (the "Third Amended Omnibus Agreement") in connection with TLLP's purchase of certain terminalling and pipeline assets owned by Tesoro and two of our subsidiaries, contains the following key provisions:

- Non-compete clause between us and TLLP effective under certain circumstances;
- Right of first offer to TLLP for certain of our retained logistics assets, including certain terminals, pipelines, docks, storage facilities and other related assets located in California, Alaska and Washington;
- Payment of an annual fee to us for the provision of various general and administrative services;
- Reimbursement to TLLP for certain maintenance and expansion capital expenditures; and
- Indemnification to TLLP for certain matters, including pre-Initial Offering environmental, title and tax matters.

Additional acquisitions of assets by TLLP from us are governed by the Third Amended Omnibus Agreement, with the exception of the indemnifications for the acquisition of the six marketing and storage terminal facilities (the "Los Angeles Terminal Assets") and the acquisition of the remaining logistics assets (the "Los Angeles Logistics Assets") initially acquired by us as part of the Los Angeles Acquisition in Southern California (the "Los Angeles Logistics Assets Acquisition"), which are covered by the Carson Assets Indemnity Agreement.

CARSON ASSETS INDEMNITY AGREEMENT. We entered into the Carson Assets Indemnity Agreement with TLLP at the closing of the Los Angeles Logistics Assets Acquisition effective December 6, 2013 . The Carson Assets Indemnity Agreement establishes indemnification to TLLP for certain matters including known and unknown environmental liabilities arising out of the use or operation of the Los Angeles Terminal Assets and the Los Angeles Logistics Assets prior to the respective acquisition dates.

SECONDMENT AND LOGISTICS SERVICES AGREEMENT. In connection with TLLP's purchase of certain terminalling and pipeline assets owned by Tesoro and two of our subsidiaries on July 1, 2014, TLLP terminated the operational services agreement entered into at the closing of the Initial Offering and entered into the Secondment and Logistics Services Agreement (the "Secondment Agreement") with Tesoro to govern the provision of seconded employees to or from Tesoro, TLLP, and its subsidiaries, as applicable. The Secondment Agreement, as amended as recently as November 2016, also governs the use of certain facilities of the parties by the various entities. The services to be provided by such seconded employees, along with the fees for such services, will be provided on the service schedules attached to the Secondment Agreement. Specialized services and the use of various facilities, along with the fees for such services, will be provided for in service orders to be executed by parties requesting and receiving the service. All fees to be paid pursuant to the Secondment Agreement are indexed for inflation.

KEEP-WHOLE COMMODITY AGREEMENT. TLLP processes gas for certain producers under "keep-whole" processing agreements. Under a keep-whole agreement, a producer transfers title to the NGLs produced during gas processing, and the processor, in exchange, delivers to the producer natural gas with a BTU content equivalent to the NGLs removed. The operating margin for these contracts is typically determined by the spread between NGLs sales prices and the price paid to purchase the replacement natural gas ("Shrink Gas"). TLLP entered into a five-year agreement with Tesoro, which transfers the commodity risk exposure associated with these keep-whole processing agreements from TLLP to Tesoro (the "Keep-Whole Commodity Agreement"). Under the Keep-Whole Commodity Agreement with Tesoro, Tesoro pays TLLP a fee to process NGLs related to keep-whole agreements and delivers Shrink Gas to the producers on behalf of TLLP. TLLP pays Tesoro a marketing fee in exchange for assuming the commodity risk. As of 2016, pricing under this agreement is subject to a tiered pricing structure with pricing for a base level of NGLs production and pricing for incremental volumes over 315,000 gallons per day. The pricing for both the base and incremental volumes are subject to revision each year.

INCENTIVE DISTRIBUTION RIGHTS. Concurrent with the close of the Northern California Terminalling and Storage Assets Acquisition and the announcement of the North Dakota Gathering and Processing Assets transaction, TLGP has agreed to waive $100 million of general partner incentive distributions with respect to 2017 and 2018, or $12.5 million per quarter, to support the balanced growth of the general and limited partners' interests and maintain strong financial metrics.

ENVIRONMENTAL LIABILITIES

In September 2013 , the Partnership responded to the release of crude oil in a rural field northeast of Tioga, North Dakota (the "Crude Oil Pipeline Release"). The environmental liabilities related to the Crude Oil Pipeline Release include amounts estimated for remediation activities that will be conducted during the next few years to restore the site for agricultural use. We accrued an additional $7 million during the year ended December 31, 2016 to reflect improved scope definition and estimates, which resulted in an increase in the total estimated cost associated with the project. This incident was covered by our pollution liability insurance policy, subject to a $1 million deductible and a $25 million loss limit in place at that time. Pursuant to this policy, there were no insurance recovery receivables related to the Crude Oil Pipeline Release at both December 31, 2016 and 2015. The estimated remediation costs of $73 million exceeded our policy loss limit by $48 million as of December 31, 2016 . We received no insurance proceeds for the year ended December 31, 2016 , and $18 million and $7 million in reimbursement of costs incurred during the years ended December 31, 2015 and 2014 , respectively.

On October 7, 2015, TLLP received an offer to settle a Notice of Violation ("NOV") from the North Dakota Department of Health ("NDDOH"). The NOV was issued on March 21, 2015, and alleges violations of water pollution regulations as a result of a release of crude oil that occurred near Tioga, North Dakota on our gathering and transportation pipeline system in September 2013. TLLP is currently negotiating the settlement of this matter with the NDDOH. The ultimate resolution of the matter will not have a material impact on our liquidity, financial position, or results of operations.

NOTE 4 – DISCONTINUED OPERATIONS

On September 25, 2013 , we completed the sale of all our interest in Tesoro Hawaii, LLC, (the "Hawaii Business"). We received gross proceeds of $539 million , including $75 million from the sale of assets and $464 million from the sale of inventory and other net working capital. Additional contingent consideration includes an earnout arrangement payable over three years for an aggregate amount of up to $40 million based on consolidated gross margins. Any income related to the earnout arrangement will not be recorded until it is considered realizable. During the year ended December 31, 2016 , we received $1 million and $15 million related to the 2014 and 2015 calendar year earnout periods, respectively. These amounts were recorded as a gain on the sale of the Hawaii Business when received. We have also agreed to indemnify the purchaser for up to $15 million of environmental remediation costs related to the Hawaii Business, subject to limitations described in the purchase agreement, and retained responsibility for the resolution of certain Clean Air Act allegations described in Note 15.

The results of operations for this business have been presented as discontinued operations in the statements of consolidated operations for the years ended December 31, 2016 , 2015 and 2014 .

REVENUES AND EARNINGS (LOSS), BEFORE AND AFTER TAX FROM THE DISCONTINUED HAWAII BUSINESS (in millions)

	Years Ended December 31,		
	2016	2015	2014
Earnings (loss) from discontinued operations, before tax (a)	$ 17	$ (6)	$ (46)
Less: income tax expense (benefit)	7	(2)	(17)
Earnings (loss) from discontinued operations, net of tax	$ 10	$ (4)	$ (29)

(a) Includes charges totaling $6 million and $42 million for the years ended December 31, 2015 and 2014 , respectively, related to regulatory improvements we are obligated to make at the at the Hawaii refinery to resolve the Clean Air Act matters discussed in Note 15. There were no additional charges during the year ended December 31, 2016 .

Cash flows related to the Hawaii Business have been combined with the cash flows from continuing operations in the statements of consolidated cash flows for all three years presented. Cash flows from operating activities were $6 million for the year ended December 31, 2016 . Cash flows used in operating activities were $5 million and $3 million for the years ended December 31, 2015 and 2014 , respectively.

NOTE 5 – RECEIVABLES AND INVENTORIES

RECEIVABLES

COMPONENTS OF RECEIVABLES (in millions)

	December 31,	
	2016	2015
Trade receivables	$ 1,092	$ 778
Tax receivables	21	22
Other receivables	2	5
Allowance for doubtful accounts (a)	(7)	(13)
Total Receivables, Net	$ 1,108	$ 792

(a) Allowances for doubtful accounts of $7 million and $13 million at December 31, 2016 and 2015 , respectively, relate to estimated uncollectible amounts on our trade receivables.

INVENTORIES

COMPONENTS OF INVENTORIES (in millions)

	December 31,	
	2016	2015
Domestic crude oil and refined products	$ 2,099	$ 2,142
Foreign subsidiary crude oil	310	325
Materials and supplies	149	140
Oxygenates and by-products	81	54
Merchandise	1	—
Less: Lower of cost or market reserve	—	(359)
Total Inventories, Net	$ 2,640	$ 2,302

The replacement cost of our crude oil and refined product inventories exceeded carrying value by approximately $107 million at December 31, 2016 . We recorded a lower of cost or market reserve of $359 million at December 31, 2015 to cost of sales for our crude oil, refined products, oxygenates and by-product inventories to adjust the carrying value of our inventories to reflect replacement cost. We reverse any lower of cost or market reserve in the subsequent period because the inventories are sold or used and then perform a complete lower of cost or market assessment of ending inventories at the end of each reporting period to determine if a reserve is required.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT (in millions)

	December 31,	
	2016	2015
Refining	$ 8,067	$ 7,189
TLLP	4,059	4,162
Marketing	934	915
Corporate	412	296
Property, Plant and Equipment, at Cost	13,472	12,562
Accumulated depreciation	(3,496)	(3,021)
Property, Plant and Equipment, Net	$ 9,976	$ 9,541

NOTE 7 – ACQUIRED INTANGIBLES AND GOODWILL

ACQUIRED INTANGIBLES

NET BOOK VALUE FOR EACH MAJOR CLASS OF ACQUIRED INTANGIBLE ASSETS, EXCLUDING GOODWILL (in millions)

	December 31, 2016			December 31, 2015		
	Historical Cost	Accumulated Amortization	Net Book Value	Historical Cost	Accumulated Amortization	Net Book Value
Business relationships (a)	**$ 1,071**	**$ 81**	**$ 990**	$ 1,008	$ 32	$ 976
Refining operating permits, emissions credits and other	**331**	**137**	**194**	283	128	155
Trade names	**49**	**17**	**32**	49	15	34
ampm ® license	**31**	**4**	**27**	31	3	28
Marketing supply network	**45**	**29**	**16**	46	28	18
Intellectual property	**18**	**—**	**18**	—	—	—
Total	**$ 1,545**	**$ 268**	**$ 1,277**	$ 1,417	$ 206	$ 1,211

(a) In connection with the Rockies Natural Gas Business acquisition in 2014, TLLP recognized $1.0 billion of business relationships associated with the acquired natural gas processing and gathering operations. The value for the identified business relationships consists of cash flows expected from existing contracts and future arrangements from the existing customer base. The amounts and useful lives associated with these business relationships were finalized within TLLP's measurement period of the purchase price allocation. In addition, during 2016 , we recognized $44 million and $19 million of business relationships associated with the FHR and Great Northern Midstream acquisitions, respectively.

All of our acquired intangible assets are subject to amortization with the exception of certain indefinite-lived intangible assets totaling $62 million and $14 million at December 31, 2016 and 2015 , respectively. These indefinite-lived intangible assets relate to the ARCO ® brand included in the trade names category and perpetual emission credits within the refining operating permits, emissions credits and other category. Amortization expense of acquired intangible assets was $63 million , $43 million and $17 million for the years ended December 31, 2016 , 2015 and 2014 , respectively. As of December 31, 2016, our estimated amortization expense is expected to be $46 million for 2017 and $45 million for each of the next four years thereafter. In accordance with our policies, we performed an impairment assessment on our indefinite-lived intangible assets and no impairments were recognized during the years ended December 31, 2016 , 2015 and 2014 .

GOODWILL

Goodwill in our Refining segment was $47 million and $31 million at December 31, 2016 and 2015 , respectively, reflecting acquisitions in the year. See Note 2 for further details regarding our acquisitions. TLLP's goodwill was $117 million and $130 million at December 31, 2016 and 2015 , respectively, reflecting the deconsolidation of RGS. In our Marketing segment, goodwill was $26 million and $27 million at December 31, 2016 and 2015 , respectively.

For 2016, we elected to perform our annual goodwill impairment using a two-step quantitative assessment process on TLLP's goodwill and the qualitative assessment process on our Refining segment's goodwill and our Marketing segment's goodwill. Factors utilized in the qualitative assessments performed on goodwill in our Refining and Marketing segments include, among other things, macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, company specific operating results and other relevant entity-specific events affecting individual reporting units.

As part of our two-step quantitative goodwill impairment process for TLLP, we engaged a third party appraisal firm to assist in the determination of estimated fair value for each reporting unit. This determination includes estimating the fair value of each TLLP reporting unit using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows and discount rates. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping. The determination of the fair value of the reporting units requires us to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, the selection of appropriate peer group companies, control premiums appropriate for acquisitions in the industries in which we compete, the discount rates, terminal growth rates, and forecasts of revenue, operating income, depreciation and amortization and capital expenditures.

We determined that no impairment charges resulted from our November 1, 2016 goodwill impairment assessments. Furthermore, the fair value of each of TLLP's five reporting units tested in step one of the goodwill impairment test exceeded the carrying value such that we were not required to perform step two. There were no impairments of goodwill during the years ended December 31, 2016 , 2015 and 2014 .

NOTE 8 – INVESTMENTS - EQUITY METHOD AND JOINT VENTURES

For each of the following investments, we have the ability to exercise significant influence over each of these investments through our participation in the management committees, which make all significant decisions. However, since we have equal or proportionate influence over each committee as a joint interest partner and all significant decisions require consent of the other investor(s) without regard to our economic interest, we have determined that these entities should not be consolidated and apply the equity method of accounting with respect to our investments in each entity.

- **WATSON COGENERATION COMPANY ("Watson").** We own a 51% interest in Watson, which produces steam and electricity at a facility located at our Los Angeles refinery. Our transactions with Watson, which do not have intra-entity profits requiring elimination, consist of sales of fuel gas and water, purchases of steam and electricity and charges for general and administrative support.
- **RENDEZVOUS GAS SERVICES, L.L.C. ("RGS").** TLLP has a 78% interest in RGS, which owns and operates the infrastructure that transports gas from certain fields to several re-delivery points in southwestern Wyoming, including natural gas processing facilities that are owned by TLLP or a third party. Prior to 2016, Tesoro and TLLP consolidated RGS, however, upon the reassessment performed in conjunction with the adoption of ASU 2015-02 as of January 1, 2016, we determined RGS represented a variable interest entity to TLLP for which we are not the primary beneficiary. Under the limited liability company agreement, we do not have voting rights commensurate with our economic interest due to veto rights available to our partner in RGS. Certain business decisions, including, but not limited to, decisions with respect to significant expenditures or contractual commitments, annual budgets, material financings, dispositions of assets or amending the members' gas servicing agreements, require unanimous approval of the members.
- **THREE RIVERS GATHERING, LLC ("TRG").** TLLP owns a 50% interest in TRG which operates natural gas gathering assets within the southeastern Uinta Basin and is primarily supported by long-term, fee-based gas gathering agreements with minimum volume commitments.
- **UINTAH BASIN FIELD SERVICES, L.L.C. ("UBFS").** TLLP owns a 38% interest in UBFS which owns and operates the natural gas gathering infrastructure located in the southeastern Uinta Basin and is supported by long-term, fee-based gas gathering agreements that contain firm throughput commitments, which generate fees whether or not the capacity is used, and is operated by TLLP.

EQUITY METHOD INVESTMENTS (in millions)

	Watson	Vancouver Energy	TLLP RGS	TLLP TRG	TLLP UBFS	Total
Balance at December 31, 2014	$ 103	$ 9	$ —	$ 40	$ 18	$ 170
Investments	—	1	—	3 (b)	— (b)	4
Equity in earnings (loss)	1	(1)	—	5	2	7
Distributions received	(12)	—	—	(6)	(4)	(22)
Balance at December 31, 2015 (a)	92	9	—	42	16	159
Effect of deconsolidation (c)	—	—	295	—	—	295
Effect of consolidation (d)	—	(8)	—	—	—	(8)
Equity in earnings (loss)	1	(1)	8	2	3	13
Distributions received	(10)	—	(22)	(4)	(3)	(39)
Balance at December 31, 2016 (a)	**$ 83**	**$ —**	**$ 281**	**$ 40**	**$ 16**	**$ 420**

(a) The carrying amount of our investments in Watson, RGS, TRG and UBFS exceeded the underlying equity in net assets by $65 million , $135 million , $16 million and $7 million , respectively, at December 31, 2016 . The carrying amount of our investments in Watson, TRG and UBFS exceeded the underlying equity in net assets by $68 million , $17 million and $8 million , respectively, at December 31, 2015 . The carrying amounts of our investments that exceed the underlying equity in net assets are amortized over the useful life of the underlying fixed assets and included in equity in earnings (loss).
(b) Includes the final fair value adjustment resulting from measurement period changes related to TLLP's Rockies Natural Gas Business in 2015.
(c) The reassessment of the investments performed by TLLP resulted in the deconsolidation of RGS and the reporting of RGS as an equity method investment. TLLP recognized an increase of $295 million to equity method investments as of January 1, 2016 as a result of the deconsolidation.
(d) Effective September 1, 2016 , we became majority owner of our venture with Savage Companies to construct, own and operate a unit train unloading and marine loading terminal at Port of Vancouver, USA (the "Vancouver Energy" terminal). As a result, Vancouver Energy was consolidated.

NOTE 9 – OTHER ASSETS AND LIABILITIES

OTHER NONCURRENT ASSETS

COMPONENTS OF NONCURRENT ASSETS (in millions)

	December 31, 2016	December 31, 2015
Deferred charges, net of amortization	**$ 743**	$ 650
Investments - equity method and joint ventures	**420**	159
Goodwill	**190**	188
Deferred branding costs, net of amortization	**160**	95
Environmental credits	**89**	97
Other assets, net of amortization	**129**	84
Total Other Noncurrent Assets	**$ 1,731**	$ 1,273

OTHER LIABILITIES

COMPONENTS OF OTHER CURRENT LIABILITIES AND OTHER NONCURRENT LIABILITIES (in millions)

	December 31,	
	2016	**2015**
Other Current Liabilities:		
Taxes other than income taxes	**$ 288**	$ 320
Employee costs	**229**	298
RINs liabilities	**126**	40
Environmental credit obligations	**123**	—
Interest	**62**	46
Environmental liabilities	**60**	64
Income taxes payable	**38**	—
Current liabilities related to discontinued operations	**22**	22
Pension and other postretirement benefits	**11**	10
Asset retirement obligations	**6**	5
Legal costs	**2**	5
Other	**90**	146
Total Other Current Liabilities	**$ 1,057**	$ 956
Other Noncurrent Liabilities:		
Pension and other postretirement benefits	**$ 430**	$ 401
Environmental liabilities	**167**	191
Employee costs, excluding pension and other postretirement benefits	**50**	35
Environmental credit obligations	**42**	10
Deferred income	**39**	37
Asset retirement obligations	**20**	25
Liability for unrecognized tax benefits, including interest and penalties	**8**	7
Noncurrent liabilities related to discontinued operations	**1**	19
Other	**64**	48
Total Other Noncurrent Liabilities	**$ 821**	$ 773

NOTE 10 – DERIVATIVE INSTRUMENTS

In the ordinary course of business, our profit margins, earnings and cash flows are impacted by the timing, direction and overall change in pricing for commodities used throughout our operations. We use non-trading derivative instruments to manage our exposure to the following:

- price risks associated with the purchase or sale of feedstocks, refined products and energy supplies related to our refineries, terminals, marketing fuel inventory and customers;
- price risks associated with inventories above or below our target levels;
- future emission credit requirements; and
- exchange rate fluctuations on our purchases of Canadian crude oil.

Our accounting for derivative instruments depends on whether the underlying commodity will be used or sold in the normal course of business. For contracts where the crude oil or refined products are expected to be used or sold in the normal course of business, we apply the normal purchase normal sale exception and follow the accrual method of accounting. All other derivative instruments are recorded at fair value using mark-to-market accounting.

Our derivative instruments can include Forward Contracts, Futures Contracts, over-the-counter swaps, including swap Contracts, Options, and OTC Option Contracts. Forward Contracts are agreements to buy or sell the commodity at a predetermined price at a specified future date. Futures Contracts are standardized agreements, traded on a futures exchange, to buy or sell the commodity at a predetermined price at a specified future date. Options provide the right, but not the obligation to buy or sell the commodity at a specified price in the future. Swap Contracts and OTC Option Contracts require cash settlement for the commodity based on the difference between a contracted fixed or floating price and the market price on the settlement date. Certain of these contracts require cash collateral to be received or paid if our asset or liability position, respectively, exceeds specified thresholds. We believe that we have minimal credit risk with respect to our counterparties.

The following table presents the fair value of our derivative instruments as of December 31, 2016 and 2015 . The fair value amounts below are presented on a gross basis and do not reflect the netting of asset and liability positions permitted under the terms of our master netting arrangements including cash collateral on deposit with, or received from, brokers. We offset the recognized fair value amounts for multiple derivative instruments executed with the same counterparty in our financial statements when a legal right of offset exists. As a result, the asset and liability amounts below will not agree with the amounts presented in our consolidated balance sheets.

DERIVATIVE ASSETS AND LIABILITIES (in millions)

		Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Commodity Futures Contracts	Prepayments and other current assets	**$ 821**	$ 711	**$ 871**	$ 673
Commodity Swap Contracts	Prepayments and other current assets	**11**	15	**13**	14
Commodity Swap Contracts	Receivables	**—**	7	**—**	—
Commodity Swap Contracts	Accounts payable	**—**	—	**2**	—
Commodity Option Contracts	Prepayments and other current assets	**1**	—	**—**	—
Commodity Forward Contracts	Receivables	**6**	2	**—**	—
Commodity Forward Contracts	Accounts payable	**—**	—	**2**	4
Total Gross Mark-to-Market Derivatives		**839**	735	**888**	691
Less: Counterparty Netting and Cash Collateral (a)		**(744)**	(675)	**(832)**	(687)
Total Net Fair Value of Derivatives		**$ 95**	$ 60	**$ 56**	$ 4

(a) Certain of our derivative contracts, under master netting arrangements, include both asset and liability positions. We offset both the fair value amounts and any related cash collateral amounts recognized for multiple derivative instruments executed with the same counterparty when there is a legally enforceable right and an intention to settle net or simultaneously. As of December 31, 2016 and December 31, 2015 , we had provided cash collateral amounts of $88 million and $12 million , respectively, related to our unrealized derivative positions. Cash collateral amounts are netted with mark-to-market derivative assets.

GAIN (LOSSES) ON MARK-TO-MARKET DERIVATIVES (in millions)

	Years Ended December 31,		
	2016	2015	2014
Commodity Contracts	**$ (67)**	$ 279	$ 482
Foreign Currency Forward Contracts (a)	**—**	(6)	(5)
Total Gain (Loss) Mark-to-Market Derivatives	**$ (67)**	$ 273	$ 477

(a) Losses for our foreign currency forward contracts are located in other income, net in our statements of consolidated operations.

INCOME STATEMENT LOCATION OF GAINS (LOSSES) ON MARK-TO-MARKET DERIVATIVES (in millions)

	Years Ended December 31,		
	2016	2015	2014
Revenues	**$ (4)**	$ 67	$ 26
Cost of sales	**(63)**	212	456
Other income, net	**—**	(6)	(5)
Total Gain (Loss) on Mark-to-Market Derivatives	**$ (67)**	$ 273	$ 477

We did not designate any of our derivatives for hedge accounting during the years ended December 31, 2016 , 2015 and 2014 .

OPEN LONG (SHORT) POSITIONS

OUTSTANDING COMMODITY AND OTHER CONTRACTS (units in thousands)

	Contract Volumes by Year of Maturity		
Mark-to-Market Derivative Instrument	2017	2018	Unit of Measure
Crude oil, refined products and blending products:			
Futures - short	(6,457)	—	Barrels
Futures - long	—	15	Barrels
Swap Contracts - long	467	—	Barrels
Forwards - short	(261)	—	Barrels
Environmental credits:			
Futures - long	1,000	—	Tons
Corn:			
Futures - short	(6,310)	—	Bushels

At December 31, 2016 , we had open Forward Currency Contracts to purchase CAD $16 million that matured on January 24, 2017 .

NOTE 11 – FAIR VALUE MEASUREMENTS

RECURRING FAIR VALUE MEASUREMENTS

We classify financial assets and liabilities according to the fair value hierarchy. Financial assets and liabilities classified as level 1 instruments are valued based on quoted prices in active markets for identical assets and liabilities. Level 2 instruments are valued based on quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices, such as liquidity, that are observable for the asset or liability. Our level 2 instruments include derivatives valued using market quotations from independent price reporting agencies, third-party brokers and commodity exchange price curves that are corroborated with market data. Level 3 instruments are valued using significant unobservable inputs that are not supported by sufficient market activity. We do not have any financial assets or liabilities classified as level 3 at December 31, 2016 or December 31, 2015 .

Our financial assets and liabilities measured at fair value on a recurring basis include derivative instruments. Additionally, our financial liabilities include obligations for RINs and cap and trade emission credits for the state of California (together with RINs, our “Environmental Credit Obligations”). See Note 10 for further information on our derivative instruments. Amounts presented below for Environmental Credit Obligations represent the estimated fair value amount at each balance sheet date for which we do not have sufficient RINs and California cap and trade credits to satisfy our obligations to the EPA and the state of California, respectively.

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (in millions)

	December 31, 2016				
	Level 1	Level 2	Level 3	Netting and Collateral (a)	Total
Assets:					
Commodity Futures Contracts	**$ 821**	**$ —**	**$ —**	**$ (733)**	**$ 88**
Commodity Swap Contracts	**—**	**11**	**—**	**(11)**	**—**
Commodity Option Contracts	**1**	**—**	**—**	**—**	**1**
Commodity Forward Contracts	**—**	**6**	**—**	**—**	**6**
Total Assets	**$ 822**	**$ 17**	**$ —**	**$ (744)**	**$ 95**
Liabilities:					
Commodity Futures Contracts	**$ 870**	**$ 1**	**$ —**	**$ (821)**	**$ 50**
Commodity Swap Contracts	**—**	**15**	**—**	**(11)**	**4**
Commodity Forward Contracts	**—**	**2**	**—**	**—**	**2**
Environmental Credit Obligations	**—**	**79**	**—**	**—**	**79**
Total Liabilities	**$ 870**	**$ 97**	**$ —**	**$ (832)**	**$ 135**

	December 31, 2015				
	Level 1	Level 2	Level 3	Netting and Collateral (a)	Total
Assets:					
Commodity Futures Contracts	$ 711	$ —	$ —	$ (660)	$ 51
Commodity Swap Contracts	—	22	—	(15)	7
Commodity Forward Contracts	—	2	—	—	2
Total Assets	$ 711	$ 24	$ —	$ (675)	$ 60
Liabilities:					
Commodity Futures Contracts	$ 673	$ —	$ —	$ (673)	$ —
Commodity Swap Contracts	—	14	—	(14)	—
Commodity Forward Contracts	—	4	—	—	4
Environmental Credit Obligations	—	40	—	—	40
Total Liabilities	$ 673	$ 58	$ —	$ (687)	$ 44

(a) Certain of our derivative contracts, under master netting arrangements, include both asset and liability positions. We offset both the fair value amounts and any related cash collateral amounts recognized for multiple derivative instruments executed with the same counterparty when there is a legally enforceable right and an intention to settle net or simultaneously. As of December 31, 2016 and December 31, 2015 , we had provided cash collateral amounts of $88 million and $12 million , respectively, related to our unrealized derivative positions. Cash collateral amounts are netted with mark-to-market derivative assets.

We believe the carrying value of our other financial instruments, including cash and cash equivalents, receivables, accounts payable and certain accrued liabilities approximate fair value. Our fair value assessment incorporates a variety of considerations, including the short-term duration of the instruments and the expected future insignificance of bad debt expense, which includes an evaluation of counterparty credit risk. The borrowings under the Revolving Credit Facility, the TLLP Revolving Credit Facility, TLLP Unsecured Term Loan Facility and our Term Loan Credit Facility, which include variable interest rates, approximate fair value. The fair value of our fixed rate debt is based on prices from recent trade activity and is categorized in level 2 of the fair value hierarchy. The carrying and fair values of our debt were approximately $7.0 billion and $7.3 billion at December 31, 2016 , respectively, and approximately $4.1 billion for both the carrying and fair values at December 31, 2015 . These carrying and fair values of our debt do not consider the unamortized issuance costs, which are netted against our total debt.

NONRECURRING FAIR VALUE MEASUREMENTS

Except as discussed in Note 2 and Note 3 related to our purchase price allocations associated with the Rockies Natural Gas Business acquisition, the Great Northern Midstream acquisition, the FHR acquisition, the Dickinson Refinery acquisition and the Virent acquisition, no other nonrecurring asset and liability fair value measurements were performed during the years ended December 31, 2016 and 2015 .

NOTE 12 – DEBT

TOTAL DEBT COMPOSITION (in millions)

	December 31,	
	2016	**2015**
Revolving credit facilities:		
Tesoro Corporation Revolving Credit Facility	**$ —**	$ —
TLLP Revolving Credit Facility	**330**	305
TLLP Dropdown Credit Facility	**—**	—
Tesoro debt:		
Term Loan Facility	**64**	—
4.250% Senior Notes due 2017	**450**	450
5.375% Senior Notes due 2022	**475**	475
4.750% Senior Notes due 2023	**850**	—
5.125% Senior Notes due 2024	**300**	300
5.125% Senior Notes due 2026	**750**	—
TLLP debt:		
TLLP Unsecured Term Loan Facility	**—**	250
TLLP 5.500% Senior Notes due 2019	**500**	500
TLLP 5.875% Senior Notes due 2020 (a)	**470**	470
TLLP 6.125% Senior Notes due 2021 (a)	**800**	550
TLLP 6.250% Senior Notes due 2022	**800**	800
TLLP 6.375% Senior Notes due 2024	**450**	—
TLLP 5.250% Senior Notes due 2025	**750**	—
Capital lease obligations and other	**53**	47
Total Debt	**7,042**	4,147
Unamortized issuance costs (a) (b)	**(109)**	(74)
Current maturities, net of unamortized issuance costs	**(465)**	(6)
Debt, Net of Current Maturities and Unamortized Issuance Costs	**$ 6,468**	$ 4,067

(a) Unamortized premiums of $4 million associated with these senior notes are included in unamortized issuance costs at both December 31, 2016 and 2015 .
(b) Unamortized debt issuance costs of $113 million and $78 million are recorded as a reduction to debt on the balance sheet at December 31, 2016 and 2015 , respectively.

The aggregate maturities of our debt, including capital leases, for each of the five years following December 31, 2016 , are as follows: 2017 — $465 million ; 2018 — $17 million ; 2019 — $526 million ; 2020 — $488 million ; and 2021 — $1.2 billion .

REVOLVING CREDIT FACILITIES

AVAILABLE CAPACITY UNDER CREDIT FACILITIES (in millions)

	Total Capacity	Amount Borrowed as of December 31, 2016	Outstanding Letters of Credit	Available Capacity	Expiration
Tesoro Corporation Revolving Credit Facility (a)	$ 2,000	$ —	$ 4	$ 1,996	September 30, 2020
TLLP Revolving Credit Facility	600	330	—	270	January 29, 2021
TLLP Dropdown Credit Facility	1,000	—	—	1,000	January 29, 2021
Letter of Credit Facilities	975	—	22	953	
Total Credit Facilities	**$ 4,575**	**$ 330**	**$ 26**	**$ 4,219**	

(a) The $2.0 billion total capacity does not include the additional $1.0 billion related to the incremental revolving facility, as discussed further below.

EXPENSES AND FEES OF OUR CREDIT FACILITIES

Credit Facility	30 day Eurodollar (LIBOR) Rate	Eurodollar Margin	Base Rate	Base Rate Margin	Commitment Fee (unused portion)
Tesoro Corporation Revolving Credit Facility ($2.0 billion)	0.77%	1.75%	3.75%	0.75%	0.300%
TLLP Revolving Credit Facility ($600 million)	0.77%	2.00%	3.75%	1.00%	0.375%
TLLP Dropdown Credit Facility ($1.0 billion)	0.77%	2.01%	3.75%	1.01%	0.375%

TESORO CORPORATION REVOLVING CREDIT FACILITY. On September 30, 2016 , we entered into a new senior revolving credit agreement (the "Revolving Credit Agreement") with a syndicate of banks and financial institutions that provides for a total available revolving capacity of $2.0 billion . The credit availability is not subject to borrowing base redetermination and is scheduled to mature on September 30, 2020 . Once certain conditions are satisfied, the Revolving Credit Agreement allows Tesoro to request an increase in capacity to $2.3 billion prior to an investment grade credit rating from either Moody's Investors Service or S&P Global Ratings and up to $3.0 billion afterward, subject to receiving increased commitments from lenders. We had unused credit availability of approximately 100% of the borrowing capacity at December 31, 2016 . The Revolving Credit Agreement replaced Tesoro's Sixth Amended and Restated Credit Agreement dated January 4, 2013, which was terminated on September 30, 2016.

Borrowings bear interest at either a base rate (3.75% at December 31, 2016), plus the applicable spread, or a Eurodollar rate (0.77% at December 31, 2016 (1M LIBOR)), plus the applicable spread. The applicable spread at December 31, 2016 was 0.75% in the case of the base rate and 1.75% in the case of the Eurodollar rate but will vary generally based on the credit ratings in effect on Tesoro's senior, unsecured, non-credit enhanced long-term debt. The commitment fee for the unused portion of the facility was 0.30% at December 31, 2016 .

On December 13, 2016, in connection with the Merger with Western Refining, Tesoro entered into an amendment to the Revolving Credit Agreement (the "Amendment Agreement") with the banks which provides for an incremental revolving facility in an aggregate principal amount of $1.0 billion (the "Incremental Revolver") and increases the aggregate commitments from $2.0 billion to $3.0 billion . Subject to certain conditions, the Incremental Revolver may be initially borrowed to fund the potential cash consideration payable in connection with the Company's acquisition of Western Refining, the repayment and redemption of certain outstanding indebtedness of Western Refining and its subsidiaries in connection with the Merger and the payment of fees and expenses associated with the foregoing.

Following the initial borrowing of the Incremental Revolver and subject to certain conditions, the Incremental Revolver will convert into a single tranche with the existing commitments and will be available for working capital and general corporate purposes. Following the conversion of the Incremental Revolver, the Company will have a single tranche of $3.0 billion of commitments under the Amendment Agreement.

The availability of the Incremental Revolver is subject to customary conditions, including the completion of the Merger. The Amendment Agreement also amends certain provisions to, among other things permit the consummation of the Merger, permit the incurrence of additional unsecured indebtedness in an aggregate principal amount not to exceed $2.2 billion , permit the incurrence of certain pre-existing debt of Western Refining and its subsidiaries pursuant to the terms of the Merger Agreement, and exclude Western Refining Logistics, LP and its subsidiaries from any requirement to guarantee or secure the Amendment Agreement. Other than with respect to the amendments, the terms of the Amendment Agreement are substantially the same as the terms of the Revolving Credit Agreement.

The Revolving Credit Agreement includes certain negative, affirmative and financial covenants, a number of which will either no longer apply or become less restrictive if an investment grade rating from either Moody's Investors Service or S&P Global Ratings is achieved, that may limit or restrict the ability of Tesoro and its subsidiaries to:

- pay dividends and make other distributions with respect to our capital stock and purchase, redeem or retire our capital stock;
- enter into certain hedging agreements;
- incur additional indebtedness;
- sell assets unless the proceeds from those sales are used to repay debt or are reinvested in our business;
- incur liens on assets to secure certain debt;
- engage in certain business activities;
- make certain payments and distributions from our subsidiaries;
- engage in certain investments, mergers or consolidations and transfers of assets; and
- enter into non-arm’s length transactions with affiliates.

At present, the Revolving Credit Facility is guaranteed by substantially all of Tesoro’s active domestic subsidiaries, excluding TLGP, TLLP and its subsidiaries, certain foreign subsidiaries and other specified subsidiaries and is secured by substantially all of Tesoro’s active domestic subsidiaries’ crude oil and refined product inventories, cash and receivables, other than those of the excluded subsidiaries. If Tesoro achieves an investment grade credit rating from either Moody's Investors Service or S&P Global Ratings, the guarantees and collateral shall be released and the facility will become unsecured.

The Revolving Credit Facility allows us to obtain letters of credit under separate letter of credit agreements for foreign crude oil purchases. Our uncommitted letter of credit agreements had $22 million outstanding as of December 31, 2016 . Letters of credit outstanding under these agreements incur fees ranging from 0.45% to 0.90% and are secured by the crude oil inventories for which they are issued. Capacity under these letter of credit agreements is available on an uncommitted basis and can be terminated by either party at any time.

TLLP REVOLVING CREDIT FACILITY AND DROPDOWN CREDIT FACILITY. The TLLP Revolving Credit Facility provided for total loan availability of $600 million as of December 31, 2016 , and TLLP may request that the loan availability be increased up to an aggregate of $1.6 billion , subject to receiving increased commitments from the lenders. The TLLP Revolving Credit Facility is non-recourse to Tesoro, except for TLGP, and is guaranteed by all of TLLP’s subsidiaries, with the exception of certain non-wholly owned subsidiaries acquired in the Rockies Natural Gas Business acquisition and secured by substantially all of TLLP’s assets. Borrowings are available under the TLLP Revolving Credit Facility up to the total loan availability of the facility. As of December 31, 2016 , there was $330 million in borrowings outstanding under the TLLP Revolving Credit Facility, which had unused credit availability of approximately 45% of the borrowing capacity. The weighted average interest rate for borrowings under TLLP Revolving Credit Facility was 2.76% at December 31, 2016 .

On January 29, 2016 , TLLP amended its existing secured TLLP Revolving Credit Facility to improve key terms related to pricing and financial covenants and decreased the aggregate available facility limit from $900 million to $600 million . Additionally, on January 29, 2016 , TLLP syndicated a new $1.0 billion secured TLLP Dropdown Credit Facility. The primary use of proceeds under this facility will be to fund asset acquisitions. The terms, covenants and restrictions under this facility are substantially the same as the amended secured TLLP Revolving Credit Facility.

The secured TLLP Revolving Credit Facility and the secured Dropdown Credit Facility ratably share collateral comprised primarily of TLLP property, plant and equipment and both facilities mature on January 29, 2021 . In addition, upon an upgrade of TLLP’s corporate family rating to investment grade, certain covenants and restrictions under each facility will automatically be eliminated or improved.

TESORO DEBT

4.250% SENIOR NOTES DUE 2017 . In September 2012 , we issued $450 million aggregate principal amount of senior notes due in October 2017 (the " 2017 Notes") at 4.250% , which approximates the effective interest rate. The 2017 Notes have a five -year maturity and are subject to optional redemption by Tesoro at any time prior to September 1, 2017 at a make-whole price plus accrued and unpaid interest, and par thereafter, plus accrued and unpaid interest. The 2017 Notes contain terms, events of default and covenants that are customary for notes of this nature and of non-investment grade securities. These notes are unsecured obligations and guaranteed by certain of our domestic subsidiaries, excluding TLGP and TLLP and its subsidiaries.

5.375% SENIOR NOTES DUE 2022 . In September 2012 , the Company issued $475 million aggregate principal amount of senior notes due in 2022 (" 2022 Notes") at 5.375% , which approximates the effective interest rate. The 2022 Notes have a ten-year maturity and are subject to optional redemption by Tesoro at any time prior to October 1, 2017, at a make-whole price plus any accrued and unpaid interest. On or after October 1, 2017, the 2022 Notes may be redeemed at premiums of 2.688% through September 30, 2018; 1.792% through September 30, 2019; 0.896% through September 30, 2020; and at par thereafter, plus accrued and unpaid interest. These notes are unsecured obligations and guaranteed by certain of our domestic subsidiaries, excluding TLGP and TLLP and its subsidiaries, and contain customary terms, events of default and covenants for an issuance of non-investment grade securities.

4.750% SENIOR NOTES DUE 2023 . In connection with the Western Refining acquisition, in December 2016 Tesoro completed its offering of $850 million aggregate principal amount of senior notes due in 2023 (the " 2023 Notes") at 4.750% , which approximates the effective interest rate, pursuant to a private placement transaction conducted under Rule 144A and Regulation S of the Securities Act of 1933, as amended. The 2023 Notes have a seven-year maturity and are subject to optional redemption by Tesoro at any time prior to October 15, 2023 at a redemption price equal to the greater of 100% of the principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payment of principal and interest on the notes to be redeemed discounted to the date of redemption on a semiannual basis at the then-current treasury rate plus 50 basis points. If the notes are redeemed on or after October 15, 2023, the Company will pay a redemption price equal to 100% of the principal amount of the notes redeemed. In the event the Merger with Western Refining does not take place on or prior to November 30, 2017 or if the plan for the Merger is terminated, Tesoro will redeem all of the 2023 Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest. These notes are unsecured obligations and guaranteed by certain of our domestic subsidiaries, excluding TLGP and TLLP and its subsidiaries. Following the completion of the Merger, Western Refining and certain of its subsidiaries will also guarantee these notes.

Tesoro agreed to complete a registered exchange offer to exchange the 2023 Notes for debt securities with substantially identical terms within 180 days of the closing date of the Merger.

5.125% SENIOR NOTES DUE 2024 . In March 2014, we issued $300 million aggregate principal amount of senior notes due in 2024 (the " 2024 Notes") at 5.125% , which approximates the effective interest rate. The 2024 Notes have a ten-year maturity and are subject to optional redemption by Tesoro any time on or after April 1, 2019 at premiums of 2.563% through March 31, 2020; 1.708% through March 31, 2021; 0.854% through March 31, 2022; and at par thereafter. Prior to April 1, 2019, the 2024 Notes may be redeemed at a make-whole price plus accrued and unpaid interest. In addition, at any time prior to April 1, 2017, we may redeem up to 35% of the aggregate principal amount at 105.125% of face value with proceeds from certain equity issuances. These notes are unsecured obligations and guaranteed by certain of our domestic subsidiaries, excluding TLGP and TLLP and its subsidiaries.

5.125% SENIOR NOTES DUE 2026 . In connection with the Western Refining acquisition, in December 2016 Tesoro completed its offering of $750 million aggregate principal amount of senior notes due in 2026 (the " 2026 Notes") at 5.125% , which approximates the effective interest rate, pursuant to a private placement transaction conducted under Rule 144A and Regulation S of the Securities Act of 1933, as amended. The 2026 Notes have a ten-year maturity and are subject to optional redemption by Tesoro at any time prior to September 15, 2026 at a redemption price equal to the greater of 100% of the principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payment of principal and interest on the notes to be redeemed discounted to the date of redemption on a semiannual basis at the then-current treasury rate plus 50 basis points. If the notes are redeemed on or after September 15, 2026, the Company will pay a redemption price equal to 100% of the principal amount of the notes redeemed. In the event the Merger with Western Refining does not take place on or prior to November 30, 2017 or if the plan for the Merger is terminated, Tesoro will redeem all of the 2026 Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest. These notes are unsecured obligations and guaranteed by certain of our domestic subsidiaries, excluding TLGP and TLLP and its subsidiaries. Following the completion of the Merger, Western Refining and certain of its subsidiaries will also guarantee these notes.

Tesoro agreed to complete a registered exchange offer to exchange the 2026 Notes for debt securities with substantially identical terms within 180 days of the closing date of the Merger.

The terms of the 2023 Notes, 2024 Notes and 2026 Notes are generally less restrictive than those contained in our senior notes due in 2017 and 2022 , and exclude some limitations on restricted payments, asset sales and other transactions that are included in those senior notes.

TLLP DEBT

TLLP 5.500% SENIOR NOTES DUE 2019 . I n October 2014 , TLLP completed a private offering of $1.3 billion aggregate principal amount of senior notes pursuant to a private placement transaction conducted under Rule 144A and Regulation S of the Securities Act of 1933, as amended. The senior notes offering consisted of $500 million of senior notes due 2019 (the "TLLP 2019 Notes") at 5.500% , which approximates the effective interest rate, and $800 million of 6.250% senior notes due in 2022 . The proceeds from the TLLP 2019 Notes were used to repay amounts outstanding under the TLLP Revolving Credit Facility related to the West Coast Logistics Asset Acquisition. The remaining net proceeds from the TLLP 2019 Notes were used to fund the Rockies Natural Gas Business acquisition.

The TLLP 2019 Notes have no sinking fund requirements and TLLP may redeem some or all of the notes prior to September 15, 2019, at a make-whole price, and at par thereafter, plus accrued and unpaid interest. The TLLP 2019 Notes are unsecured and guaranteed by all of TLLP's subsidiaries, with the exception of a certain non-wholly owned subsidiary acquired in the Rockies Natural Gas Business acquisition and Tesoro Logistics Finance Corp., the co-issuer, and are non-recourse to Tesoro, except for TLGP. The TLLP 2019 Notes contain customary terms, events of default and covenants for an issuance of non-investment grade securities.

TLLP agreed to complete a registered exchange offer to exchange the TLLP 2019 Notes for debt securities with substantially identical terms within 18 months of the closing date of the senior notes offering. In April 2016, TLLP completed the exchange of all of the TLLP 2019 Notes.

TLLP 5.875% SENIOR NOTES DUE 2020 . At December 31, 2016 , TLLP had $470 million of outstanding senior notes due in 2020 (the "TLLP 2020 Notes") at 5.875% , which approximates the effective interest rate, excluding unamortized premiums of $4 million . These TLLP 2020 Notes were issued in two offerings, the initial offering of $350 million of unregistered notes effective September 2012 and the secondary offering of $250 million of unregistered notes effective December 2013 , which was issued at 102.25% of face value (together, the "Unregistered Notes"). In July 2014 , TLLP completed an offer to exchange these Unregistered Notes for notes registered under the Securities Act of 1933, as amended (the "Exchange Notes"). In accordance with the terms of the Exchange Notes, each holder of the Unregistered Notes was entitled to receive the Exchange Notes, which are identical in all material respects to the Unregistered Notes (including principal amount, interest rate, maturity and redemption rights), except that the Exchange Notes generally are not subject to transfer restrictions.

The TLLP 2020 Notes have no sinking fund requirements and TLLP may redeem some or all of the notes through October 1, 2017 at premiums equal to 2.938% ; 1.469% through October 1, 2018; and at par thereafter, plus accrued and unpaid interest. The TLLP 2020 Notes are unsecured and guaranteed by all of TLLP's subsidiaries, except Tesoro Logistics Finance Corp., the co-issuer, and any non-wholly owned subsidiary acquired in the Rockies Natural Gas Business acquisition, and are non-recourse to Tesoro, except for TLGP, and contain customary terms, events of default and covenants for an issuance of non-investment grade securities.

On August 22, 2014 , TLLP completed a public offering of 2.1 million common units representing limited partner interests, at a price of $67.47 per unit. TLLP used the net proceeds for the redemption of $130 million of the TLLP 2020 Notes at a premium. TLLP recorded charges totaling $10 million as net interest and financing costs in our statement of consolidated operations for premiums paid due to the early redemption and expensing of unamortized debt issuance costs. We reimbursed TLLP through a capital contribution of $8 million related to the early debt redemption premiums.

TLLP 6.125% SENIOR NOTES DUE 2021 . In August 2013 , TLLP completed a private offering which were exchanged for registered notes of $550 million aggregate principal amount of senior notes due in 2021 (the "TLLP 2021 Notes") at 6.125% , which approximates the effective interest rate. The proceeds of this offering were used to repay the amounts outstanding under the TLLP Revolving Credit Facility, which were used to fund a significant portion of TLLP's acquisition of the Los Angeles Terminal Assets, and to pay a portion of the fees and expenses related to the offering of the TLLP 2021 Notes.

The TLLP 2021 Notes have no sinking fund requirements and TLLP may redeem some or all of the notes at premiums equal to 4.594% through October 15, 2017; 3.063% through October 15, 2018; 1.531% from October 15, 2018 through October 15, 2019; and at par thereafter, plus accrued and unpaid interest. The TLLP 2021 Notes are unsecured and guaranteed by all of TLLP's subsidiaries, except Tesoro Logistics Finance Corp., the co-issuer, and any subsidiaries acquired with the Rockies Natural Gas Business acquisition, and are non-recourse to Tesoro, except for TLGP and contain customary terms, events of default and covenants for an issuance of non-investment grade securities.

In May 2016, TLLP completed a registered offering of $250 million aggregate principal amount of senior notes due 2021 ("Supplemental TLLP 2021 Notes") at 6.125% , which approximates the effective interest rate. The Partnership used the proceeds of the offering to repay amounts outstanding under TLLP's Dropdown Credit Facility.

The Supplemental TLLP 2021 Notes were issued under the same indenture governing the existing $550 million of the TLLP 2021 Notes and have the same terms. The Supplemental TLLP 2021 Notes have no sinking fund requirements and may be redeemed at premiums equal to 4.594% through October 15, 2017; 3.063% through October 15, 2018; 1.531% through October 15, 2019; and at par thereafter, plus accrued and unpaid interest. The Supplemental TLLP 2021 Notes are unsecured and guaranteed by all of TLLP's subsidiaries, except Tesoro Logistics Finance Corp., the co-issuer, and are non-recourse to Tesoro, except for TLGP, and contain customary terms, events of default and covenants for an issuance of non-investment grade securities.

TLLP 6.250% SENIOR NOTES DUE 2022 . In connection with TLLP's Senior Notes Offering on October 29, 2014 , TLLP issued $800 million of senior notes due in 2022 (the "TLLP 2022 Notes") at 6.250% , which approximates the effective interest rate. The proceeds from the TLLP 2022 Notes were used to fund a portion of the Rockies Natural Gas Business acquisition.

The TLLP 2022 Notes have no sinking fund requirements and TLLP may redeem some or all of the notes prior to October 15, 2018, at a make-whole price, plus any accrued and unpaid interest. On or after October 15, 2018, the TLLP 2022 Notes may be redeemed at premiums equal to 3.125% through October 15, 2019; 1.563% through October 15, 2020; and at par thereafter, plus accrued and unpaid interest. TLLP will have the right to redeem up to 35% of the aggregate principal amount at 106.250% of face value with proceeds from certain equity issuances through October 15, 2017. The TLLP 2022 Notes are unsecured and guaranteed by all of TLLP's subsidiaries, with the exception of a certain non-wholly owned subsidiary acquired in the Rockies Natural Gas Business acquisition and Tesoro Logistics Finance Corp., the co-issuer, and are non-recourse to Tesoro, except for TLGP, and contain customary terms, events of default and covenants for an issuance of non-investment grade securities.

TLLP agreed to complete a registered exchange offer to exchange the TLLP 2022 Notes for debt securities with substantially identical terms within 18 months of the closing date of the senior notes offering. In April 2016, TLLP completed the exchange of substantially all of the TLLP 2022 Notes.

TLLP 6.375% SENIOR NOTES DUE 2024 . In May 2016, TLLP completed a registered offering of $450 million aggregate principal amount of senior notes due in 2024 (the "TLLP 2024 Notes") at 6.375% , which approximates the effective interest rate. The Partnership used the proceeds of the offering to repay amounts outstanding under the TLLP Revolving Credit Facility and for general partnership purposes.

The TLLP 2024 Notes have no sinking fund requirements and TLLP may redeem some or all of the TLLP 2024 Notes, prior to May 1, 2019, at a make-whole price plus accrued and unpaid interest, if any. On or after May 1, 2019, the TLLP 2024 Notes may be redeemed at premiums equal to 4.781% through May 1, 2020; 3.188% through May 1, 2021; 1.594% through May 1, 2022; and at par thereafter, plus accrued and unpaid interest. The Partnership will have the right to redeem up to 35% of the aggregate principal amount at 106.375% face value with proceeds from certain equity issuances through May 1, 2019. The TLLP 2024 Notes are unsecured and guaranteed by all of TLLP's subsidiaries, except Tesoro Logistics Finance Corp., the co-issuer, and are non-recourse to Tesoro, except for TLGP, and contain customary terms, events of default and covenants for an issuance of non-investment grade securities.

TLLP 5.250% SENIOR NOTES DUE 2025 . In December 2016, TLLP completed a registered offering of $750 million aggregate principal amount of senior notes due in 2025 (the "TLLP 2025 Notes") at 5.250% , which approximates the effective interest rate. The proceeds from this offering were used to repay amounts outstanding under TLLP's Dropdown Credit Facility.

The TLLP 2025 Notes have no sinking fund requirements and TLLP may redeem some or all of the notes prior to January 15, 2021, at a make-whole price, plus any accrued and unpaid interest. On or after January 15, 2021, the TLLP 2025 Notes may be redeemed at premiums equal to 2.625% through January 15, 2022; 1.313% through January 15, 2023; and at par thereafter, plus accrued and unpaid interest. The Partnership will have the right to redeem up to 35% of the aggregate principal amount at 105.250% of face value with proceeds from certain equity issuances through January 15, 2020. The TLLP 2025 Notes are unsecured and guaranteed by all of TLLP's subsidiaries, except Tesoro Logistics Finance Corp., and are non-recourse to Tesoro, except for TLGP, and contain customary terms, events of default and covenants for an issuance of non-investment grade securities.

DEBT REPAYMENTS

2016 DEBT REPAYMENT. In November 2015 , TLLP executed a $250 million unsecured term loan facility (the "TLLP Unsecured Term Loan Facility") to fund a portion of the LA Storage and Handling Asset Acquisition. On February 3, 2016, TLLP repaid the full amount of the TLLP Unsecured Term Loan Facility, including accrued interest, with proceeds drawn from the TLLP Dropdown Credit Facility. All commitments under the TLLP Unsecured Term Loan Facility were terminated effective with the repayment.

2015 DEBT REPAYMENT. During August 2015 , we voluntarily repaid our obligation of $398 million under the Term Loan Facility in its entirety with available cash on hand. The Term Loan Facility originally funded a portion of The Los Angeles Acquisition and was scheduled to mature on May 30, 2016 . Amounts paid on the Term Loan Facility cannot be re-borrowed.

2014 DEBT REPAYMENT. We redeemed all outstanding 9.750% Senior Notes due 2019 during 2014, for approximately $329 million , including accrued interest and premiums. We incurred charges totaling $31 million comprised of premiums paid of $19 million and non-cash charges associated with the expensing of $8 million and $4 million of unamortized debt discount and issuance costs, respectively. Our debt redemption charges for the 2019 Notes are recorded in net interest and financing costs in our statements of consolidated operations.

CAPITAL LEASE OBLIGATIONS

Our capital lease obligations relate primarily to the lease of a marine terminal near our Los Angeles refinery that expires in 2023 , leases of facilities used for trucking operations in North Dakota with initial terms of 15 years, with five -year renewal options, and the lease of 25 retail stations with initial terms of 17 years , with four five -year renewal options. The total cost of assets under capital leases was $60 million and $55 million with accumulated amortization of $33 million and $28 million at December 31, 2016 and 2015 , respectively. We include amortization of the cost of assets under capital leases in depreciation and amortization expense.

FUTURE MINIMUM ANNUAL LEASE PAYMENTS, INCLUDING INTEREST FOR CAPITAL LEASES (in millions)

	December 31, 2016
2017	$ 9
2018	10
2019	9
2020	6
2021	5
Thereafter	12
Total minimum lease payments	51
Less amount representing interest	(8)
Capital Lease Obligations	$ 43

NOTE 13 – INCOME TAXES

COMPONENTS OF INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (in millions)

	Years Ended December 31,		
	2016	2015	2014
Current:			
Federal	**$ 195**	$ 697	$ 244
State	**36**	172	42
Deferred:			
Federal	**167**	76	212
State	**29**	(9)	49
Income Tax Expense	**$ 427**	$ 936	$ 547

We record deferred tax assets and liabilities for future income tax consequences that are attributable to differences between the financial statement carrying amount of assets and liabilities and their income tax bases.

DEFERRED TAX ASSETS AND LIABILITIES (in millions)

	December 31,	
	2016	2015
Deferred tax assets:		
Accrued pension and other postretirement benefits	**$ 152**	$ 141
Accrued employee compensation liabilities	**90**	101
Accrued environmental remediation liabilities	**79**	87
Other accrued liabilities	**34**	50
Stock-based compensation	**34**	47
Net operating losses	**23**	—
Tax credit carryforwards	**8**	8
Asset retirement obligations	**6**	12
Investment in partnerships	**—**	20
Other	**24**	10
Total deferred tax assets	**450**	476
Less: valuation allowance	**(26)**	(7)
Total deferred tax assets, net	**$ 424**	$ 469
Deferred tax liabilities:		
Accelerated depreciation and property related items	**$ 1,357**	$ 1,341
Deferred maintenance costs, including refinery turnarounds	**248**	224
Inventory	**117**	22
Investment in partnerships	**61**	—
Amortization of intangible assets	**59**	64
Other	**10**	40
Total deferred tax liabilities	**1,852**	1,691
Deferred Tax Liabilities, Net	**$ 1,428**	$ 1,222

With the acquisition of Virent, we acquired federal and state Net Operating Losses ("NOLs"), as well as federal and state credit carryforwards. We have recorded a valuation allowance as of December 31, 2016 for most of the federal NOLs, all of the state NOLs, and all of the acquired federal and state credit carryforwards due to certain tax restrictions placed on Virent's carryovers after the change in control. Further, we continue to have a valuation allowance on other state credit carryforwards, which after estimating future taxable income in various jurisdictions, we believe will expire unused. The valuation allowance reduces the benefit of the credit carryforwards to the amount that will more likely than not be realized. The realization of our other deferred tax assets depends on Tesoro's ability to generate future taxable income. Although realization is not assured, we believe it is more likely than not that we will realize those deferred tax assets.

We adopted ASU 2016-09 as of January 1, 2016, which resulted in a $16 million reduction in our income tax provision for the year. See Note 1 for further discussion.

RECONCILIATION OF INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (in millions)

	Years Ended December 31,		
	2016	**2015**	**2014**
Income tax expense at U.S. federal statutory rate	**$ 447**	$ 921	$ 512
Effect of:			
State income taxes, net of federal income tax effect	**45**	105	59
Manufacturing activities deduction	**(5)**	(43)	(21)
Earnings attributable to noncontrolling interest	**(44)**	(53)	(16)
Excess tax benefits from stock-based compensation arrangements	**(16)**	—	—
Other	**—**	6	13
Income Tax Expense	**$ 427**	$ 936	$ 547

INCOME TAX CREDIT AND LOSS CARRYFORWARDS AS OF DECEMBER 31, 2016 (in millions)

	Amount	Expiration
Federal NOLs	$ 58	2027 - 2036
Federal income tax credits	$ 1	2026 - 2033
State NOLs	$ 53	2027 - 2036
State income tax credits	$ 12	2017 - 2028

We are subject to income taxes in the U.S., multiple state jurisdictions, and a few foreign jurisdictions. Our unrecognized tax benefits totaled $182 million and $181 million as of December 31, 2016 and 2015 , respectively, of which $6 million and $5 million each year have been recognized as tax liabilities. Included in unrecognized tax benefits as of both December 31, 2016 and 2015 are $172 million (net of the tax benefit on state issues), which would reduce the effective tax rate if recognized.

It is reasonably possible that unrecognized tax benefits could decrease by as much as $13 million in the next twelve months, related primarily to state apportionment matters, none of which is recognized as a liability. We had accrued $2 million at both December 31, 2016 and 2015 , respectively, for interest and penalties. We did not recognize an increase or reduction in interest and penalties associated with unrecognized tax benefits during the years ended December 31, 2016 , 2015 , or 2014 . For interest and penalties relating to income taxes we recognize accrued interest in net interest and financing costs and penalties in selling, general and administrative expenses in the statements of consolidated operations. The tax years 2009 forward remain open to examination by the Federal and State taxing authorities, except for California, which remains open from the year 2006 .

RECONCILIATION OF UNRECOGNIZED TAX BENEFITS (in millions)

	Years Ended December 31,		
	2016	2015	2014
Balance as of beginning of year	**$ 181**	$ 21	$ 28
Increases related to prior year tax positions	**—**	159	5
Decreases related to prior year tax positions	**—**	—	(2)
Increases related to current year tax positions	**1**	1	1
Decreases related to settlements with taxing authorities	**—**	—	(11)
Balance as of end of year	**$ 182**	$ 181	$ 21

Unrecognized tax benefits increased by $159 million in 2015 for tax positions taken on amended returns filed for 2009- 2010 . The positions taken exclude certain tax credits for blending biofuels into refined products from taxable income. These tax credits were received from the federal government during the years being amended. However, due to the complex and uncertain nature of the issue, we are unable to conclude that it is more likely than not that we will sustain the claims. Therefore, we have neither recognized a tax benefit, nor recorded a receivable for this item.

NOTE 14 – BENEFIT PLANS

BENEFITS SUMMARY

We sponsor four defined benefit pension plans, including one qualified plan and three nonqualified plans, which are described below.

- The funded qualified employee retirement plan (the “Retirement Plan”) provides benefits to all eligible employees. Benefits are determined based on final average compensation and years of service through December 31, 2010, and a cash balance account based formula for service beginning January 1, 2011. Although our funded employee retirement plan fully meets all of the funding requirements under applicable laws and regulations, we contributed $60 million each year during 2016 , 2015 and 2014 .
- The unfunded nonqualified restoration retirement plan provides for the restoration of retirement benefits to certain senior level employees that are not provided under the qualified retirement plan due to limits imposed by the Internal Revenue Code.
- The unfunded nonqualified executive security plan provides certain executive officers and other key personnel with supplemental pension benefits. These benefits are provided by a nonqualified, noncontributory plan and are based on years of service and compensation. We made payments of $15 million , $1 million and $5 million during 2016 , 2015 and 2014 , respectively, for current retiree obligations under the plan.
- The unfunded nonqualified supplemental executive retirement plan provides eligible senior level executives a supplemental pension benefit in excess of those earned under the qualified retirement plan. Effective January 1, 2015, this plan was frozen to new participants.

Tesoro provides health care benefits to retirees who met certain eligibility requirements and were participating in our group health insurance program at retirement. In addition, Tesoro sponsors a 401(k) plan which provides for eligible employees to make contributions, subject to certain limitations, into designated investment funds with a matching contribution by Tesoro.

PENSION AND OTHER POSTRETIREMENT FINANCIAL INFORMATION

CHANGES IN OBLIGATIONS AND FUNDED STATUS (in millions)

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Change in projected benefit obligation:				
Projected benefit obligations at beginning of year	**$ 727**	$ 767	**$ 74**	$ 77
Service cost	**46**	45	**3**	3
Interest cost	**30**	30	**2**	2
Actuarial loss (gain)	**62**	(44)	**—**	(2)
Benefits paid	**(72)**	(71)	**(7)**	(6)
Projected Benefit Obligation at End of Year	**$ 793**	$ 727	**$ 72**	$ 74
Changes in plan assets:				
Fair value of plan assets at beginning of year	**$ 390**	$ 413	**$ —**	$ —
Actual return on plan assets	**30**	(15)	**—**	—
Employer contributions	**76**	63	**7**	6
Benefits paid	**(72)**	(71)	**(7)**	(6)
Fair Value of Plan Assets at End of Year	**424**	390	**—**	—
Funded Status at End of Year	**$ (369)**	$ (337)	**$ (72)**	$ (74)

The accumulated benefit obligation is the present value of benefits earned to date, assuming no future salary growth. The accumulated benefit obligation for our pension benefits at December 31, 2016 and 2015 was $704 million and $629 million , respectively.

LIABILITY AMOUNTS RECOGNIZED IN THE BALANCE SHEET RELATED TO POSTRETIREMENT BENEFITS (in millions)

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Other current liabilities	**$ 2**	$ 2	**$ 9**	$ 8
Other noncurrent liabilities	**367**	335	**63**	66
Total Amount Recognized	**$ 369**	$ 337	**$ 72**	$ 74

COMPONENTS OF PENSION AND OTHER POSTRETIREMENT BENEFIT EXPENSE (INCOME) (in millions)

	Pension Benefits			Other Postretirement Benefits		
	2016	2015	2014	2016	2015	2014
Components of net periodic benefit expense (income):						
Service cost	**$ 46**	$ 45	$ 44	**$ 3**	$ 3	$ 3
Interest cost	**30**	30	29	**2**	2	3
Expected return on plan assets	**(27)**	(27)	(25)	**—**	—	—
Amortization of prior service cost (credit)	**—**	1	1	**(34)**	(34)	(34)
Recognized net actuarial loss	**19**	24	12	**4**	5	6
Recognized curtailment and settlement loss	**5**	—	1	**—**	—	—
Net Periodic Benefit Expense (Income)	**$ 73**	$ 73	$ 62	**$ (25)**	$ (24)	$ (22)

WEIGHTED AVERAGE ASSUMPTIONS

	Pension Benefits			Other Postretirement Benefits		
	2016	2015	2014	2016	2015	2014
Projected benefit obligation:						
Discount rate (a)	**4.12%**	4.40%	4.05%	**3.38%**	3.42%	3.16%
Rate of compensation increase	**4.33%**	4.25%	4.25%	**—**	—	—
Net periodic benefit expense:						
Discount rate (a)	**4.40%**	4.05%	4.96%	**3.42%**	3.16%	3.69%
Rate of compensation increase	**4.33%**	4.25%	4.25%	**—**	—	—
Expected long-term return on plan assets (b)	**6.50%**	6.50%	6.50%	**—**	—	—

(a) We determine the discount rate primarily by reference to the effective yields on high quality corporate bonds that have a comparable cash flow pattern to the expected pension and other postretirement benefit payments to be made.

(b) The expected return on plan assets reflects the weighted-average of the expected long-term rates of return for the broad categories of investments held for the Retirement Plan. The expected long-term rate of return is adjusted when there are fundamental changes in expected returns on the Retirement Plan's investments.

ASSUMED HEALTH CARE COST TREND RATES TO DETERMINE POSTRETIREMENT BENEFIT OBLIGATION

	December 31,	
	2016	2015
Health care cost trend rate assumed for next year	**6.90%**	7.20%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**4.80%**	4.80%
Year that the rate reaches the ultimate trend rate	**2024**	2024

Assumed health care cost trend rates could have a significant effect on the amounts reported for the health care plans. However, at December 31, 2016 , a one-percentage-point change in assumed health care cost trend rates would have less than a million dollar effect on the service and interest cost components and on our postretirement benefit obligation.

OTHER COMPREHENSIVE INCOME (LOSS) (in millions)

	Pension Benefits		Other Postretirement Benefits		Total	
	2016	2015	2016	2015	2016	2015
Net actuarial loss	**$ (323)**	$ (286)	**$ (46)**	$ (51)	**$ (369)**	$ (337)
Prior service credit (cost)	**(2)**	(3)	**62**	96	**60**	93
Total Income (Loss)	**$ (325)**	$ (289)	**$ 16**	$ 45	**$ (309)**	$ (244)

AMOUNTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME (LOSS), BEFORE INCOME TAXES (in millions)

	Pension Benefits			Other Postretirement Benefits		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Net gain (loss) arising during the year:						
Net actuarial loss	**$ (60)**	$ 2	$ (144)	**$ 1**	$ 2	$ 2
Prior service cost	**—**	—	(2)	**—**	—	—
Curtailment and settlement loss	**4**	—	—	**—**	—	—
Curtailment - prior service cost	**1**	—	1	**—**	—	—
Net (gain) loss reclassified into income:						
Net actuarial loss	**19**	24	12	**4**	5	6
Prior service cost (credit)	**—**	1	1	**(34)**	(34)	(35)
Total Gain (Loss) Recognized In Other Comprehensive Income	**$ (36)**	$ 27	$ (132)	**$ (29)**	$ (27)	$ (27)

AMOUNTS INCLUDED IN AOCI, BEFORE INCOME TAXES, EXPECTED TO BE RECOGNIZED AS COMPONENT OF NET PERIODIC BENEFIT EXPENSE (INCOME) (in millions)

	Pension Benefits	Other Postretirement Benefits	Total
Net actuarial (gain) loss	$ 23	$ (34)	$ (11)
Prior service cost	—	3	3
Total Included In Accumulated Other Comprehensive Income (Loss)	**$ 23**	**$ (31)**	**$ (8)**

FUTURE CASH FLOWS. Our employee pension plan funding complies with all applicable laws and regulations. Our funding policy is generally to make no less than the minimum required contribution to the plan, nor more than the maximum deductible contribution for the plan year. We contributed $60 million each year during 2016 and 2015 , and continue to evaluate our funding strategy for 2017 .

ESTIMATED FUTURE BENEFIT PAYMENTS (in millions)

	Pension Benefits	Other Postretirement Benefits
2017	$ 62	$ 9
2018	66	8
2019	97	8
2020	71	8
2021	71	7
2022-2026	355	31

RETIREMENT PLAN ASSETS

INVESTMENT POLICIES AND STRATEGIES. The assets supporting the Retirement Plan are invested using a total return investment approach (including dividends, interest, and realized and unrealized capital appreciation) whereby a mix of equity securities, fixed income securities and other investments are used to preserve asset values, diversify risk and achieve our target investment return. Plan assets are managed in a diversified portfolio comprised of two primary components: an equity portion and a fixed income portion. The expected role of the plan's equity investments is to maximize the long-term real growth of plan assets, while the role of fixed income investments is to generate current income, lower funded status volatility, provide for more stable periodic returns and provide protection against a prolonged decline in the equity markets. Investment strategies and asset allocation decisions are based on careful consideration of risk tolerance, plan liabilities, the plan's funded status and our financial condition. Our target allocation is as follows: 45% long duration fixed income, 30% equity and 25% other investments comprised primarily of assets that provide protection in inflationary periods and investments, which target a return regardless of market conditions. Our actual allocation of retirement plan assets at December 31, 2016 were 44% long duration fixed income, 33% equity and 23% other investments.

FAIR VALUE OF PLAN ASSETS. We classify plan assets into three classifications or levels in the fair value hierarchy. Our level 1 investments include equity, fixed income and other mutual funds, which are based on market quotations from national securities exchanges. Level 2 investments include short-term investment funds and common/collective trust funds, which are valued at the net asset value of the fund as determined by the fund manager along with individual fixed income securities valued on the basis of evaluated prices from independent pricing services. When market prices are not readily available, the determination of fair value may rely on factors such as significant market activity or security specific events, changes in interest rates and credit quality, and developments in foreign markets. We did not hold any level 3 assets in our investments as of December 31, 2016 and 2015 . We do not believe that there are any significant concentrations of risk within our plan assets.

RETIREMENT PLAN'S MAJOR ASSET CATEGORIES MEASURED AT FAIR VALUE (in millions)

	December 31, 2016				December 31, 2015			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds (a)	**$ 332**	**$ —**	**$ —**	**$ 332**	$ 103	$ 49	$ —	$ 152
Common/collective trust funds (b)	**—**	**91**	**—**	**91**	—	76	—	76
Fixed income (c)	**—**	**—**	**—**	**—**	—	155	—	155
Short-term investment funds (d)	**—**	**2**	**—**	**2**	—	7	—	7
Total	**$ 332**	**$ 93**	**$ —**	**$ 425**	$ 103	$ 287	$ —	$ 390

(a) Mutual funds that invest primarily in domestic and international equity and fixed income securities. Fair values are based on market quotations from national securities exchanges. Absolute return and real return mutual funds consist of investments in mutual funds that invest in a broad set of asset classes designed to provide a target return regardless of market conditions or the potential for real returns in excess of U.S. inflation, respectively. The fixed income mutual funds provide diversified exposure to high credit quality, long-term and short-term, U.S. investment grade bonds. All mutual funds and a U.S. equity mutual fund are categorized as level 1 investments.

(b) Common/collective trust funds that invest in primarily equity and fixed income securities. Fair values reflect the net asset value per share, as determined by the investment manager and derived from the quoted prices in active markets of the underlying securities. Common/collective trust funds are classified as level 2 investments.

(c) Fixed income assets represent securities primarily invested in corporate, government-related, mortgage and asset-backed debt obligations with a primary focus on long duration securities. Individual fixed income securities are typically priced on the basis of evaluated prices from independent pricing services.

(d) The short-term investment funds provide for safety of principal and daily liquidity and is valued using the net asset value per share. These assets are classified as level 2 investments.

DEFINED CONTRIBUTION PLANS

THRIFT PLAN. We sponsor an employee thrift 401(k) plan (the "Thrift Plan") that provides for contributions, subject to certain limitations, by eligible employees into designated investment funds with a matching contribution by Tesoro. Employees may elect tax-deferred or Roth treatment in accordance with the provisions of Section 401(k) of the Internal Revenue Code. We match 100% of employee contributions, up to 6% of the employee's eligible compensation (subject to applicable union collective bargaining agreements).

We began a profit-sharing contribution to the Thrift Plan effective January 1, 2013. This discretionary contribution, calculated as a percentage of employee's base pay based on a pre-determined target for the calendar year, can range from 0% to 4% based on actual performance. Contributions will normally be made following the performance year. All employees eligible for the Thrift Plan who are employed on December 31 st of the year the results are achieved are qualified to receive this contribution, even if they are not contributing to the Thrift Plan. Our contributions to the Thrift Plan amounted to $60 million , $57 million and $42 million in 2016 , 2015 and 2014 , respectively, of which $24 million were discretionary contributions accrued under the profit-sharing program for 2015 for payment in February 2016. There were no discretionary contributions accrued under the profit-sharing program for 2016 . Until September 2015, we sponsored a separate 401(k) savings plan for eligible retail store employees who met the plan's eligibility requirements (the "Retail Savings Plan"). Eligible employees automatically received a non-elective employer contribution equal to 3% of eligible earnings, regardless of participation. On September 28, 2015, the remaining assets in the Retail Savings Plan were merged into the Thrift Plan.

EXECUTIVE DEFERRED COMPENSATION PLAN

We also sponsor a non-qualified executive deferred compensation plan, which provides eligible employees the opportunity for additional pre-tax deferrals and company contributions not provided under our Thrift Plan due to compensation and deferral limitations imposed under the Internal Revenue Code.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

OPERATING LEASES, PURCHASE OBLIGATIONS AND OTHER COMMITMENTS

We have various cancellable and noncancellable operating leases related to land, office and retail facilities, ship charters, tanks and equipment and other facilities used in the storage, transportation, and sale of crude oil, feedstocks and refined products. Rental expense for all operating leases, gross of sublease income, including leases with a term of one month or less, was $576 million in 2016 , $569 million in 2015 and $466 million in 2014 .

The majority of our future operating lease payments relate to marine transportation, retail station and tank storage leases. As of December 31, 2016 , we had 14 ships on time charter used to transport crude oil and refined products. These ships have remaining time charters expiring between 2017 and 2021 , with options to renew. We also time charter tugs and product barges over varying terms ending in 2017 through 2018 , most with options to renew and some with rate escalation clauses. Our time charters contain initial terms up to five years. We have operating leases for most of our retail stations with primary remaining terms up to 37 years, most of which contain renewal options and escalation clauses. Our storage tank leases run primarily through 2017 .

Tesoro's contractual purchase commitments consist primarily of crude oil supply contracts for our refineries from several suppliers with noncancellable remaining terms ranging up to five years with renewal provisions. In addition to these purchase commitments, we also have minimum contractual capital spending commitments totaling approximately $459 million in 2017 .

We have certain commitments or obligations for the transportation of crude oil refined products and NGLs as well as to purchase industrial gases, chemical processing services and utilities associated with the operation of our refineries. The minimum commitments extend as many as 10 years. We recognized expense of approximately $620 million , $687 million and $666 million in 2016 , 2015 and 2014 , respectively, under these take-or-pay contracts.

MINIMUM ANNUAL PAYMENTS (in millions)

	Minimum Annual Lease Payments (a)	Minimum Crude Oil Supply Commitments (b)	Minimum Annual Take-or-Pay Payments
2017	$ 413	$ 3,225	$ 317
2018	323	886	241
2019	259	486	182
2020	227	395	143
2021	224	164	125
Thereafter	392	—	105
Total minimum lease payments	$ 1,838	$ 5,156	$ 1,113

(a) Includes operating leases having initial or remaining noncancellable lease terms in excess of one year.
(b) Prices under the term agreements fluctuate due to market-responsive and other contract-specific pricing provisions. To estimate our annual commitments under these contracts, we estimated crude oil prices using exchange-traded crude future prices by crude oil type as of December 31, 2016 , with prices ranging from $56 per barrel to $57 per barrel, and volumes based on the contract's minimum purchase requirements over the term of the contract.

ENVIRONMENTAL LIABILITIES

We are incurring and expect to continue to incur expenses for environmental remediation liabilities at a number of currently and previously owned or operated refining, pipeline, terminal and retail station properties. We have accrued liabilities for these expenses and believe these accruals are adequate based on current information and projections that can be reasonably estimated. Additionally, we have recognized environmental remediation liabilities assumed in past acquisitions from the prior owners that include amounts estimated for site cleanup and monitoring activities arising from operations at refineries, certain terminals and pipelines, and retail stations prior to the dates of our acquisitions. Our environmental accruals are based on estimates including engineering assessments, and it is possible that our projections will change and that additional costs will be recorded as more information becomes available.

CHANGES IN ENVIRONMENTAL LIABILITIES (in millions)

	December 31,	
	2016	2015
Balance at beginning of year (a)	**$ 255**	$ 274
Additions, net	**32**	46
Liabilities assumed in acquisitions	**5**	2
Expenditures	**(65)**	(67)
Balance at end of year (a)	**$ 227**	$ 255

(a) Includes $22 million and $33 million of TLLP environmental liabilities at December 31, 2016 and 2015 , respectively.

Our environmental liabilities include $170 million and $192 million as of December 31, 2016 and 2015 , respectively, related to amounts estimated for site cleanup activities arising from operations at our Martinez refinery and operations of assets acquired in the Los Angeles Acquisition prior to their respective acquisition dates. We are at various stages of remediation with respect to these assumed liabilities, which may require additional amounts to be recognized for remediation as more information becomes available in the future or changes in scope occur. The amounts recognized to date reflect management's best estimate of amounts determined to be estimable based on facts known at this time. Future changes in amounts recognized for these assumed liabilities may have a material impact on our results of operations. Of the $170 million accrued at December 31, 2016 , approximately $36 million is subject to a cost-share agreement for the Martinez refinery where we are responsible for 75% of the expenditures.

Our estimates for site cleanup activities reflect amounts for which we are responsible under applicable cost-sharing arrangements. On July 10, 2015, a federal court issued an order denying coverage pursuant to insurance policies for environmental remediation liabilities at our Martinez refinery and those liabilities are included in our accruals above. The insurer had filed a

declaratory relief action challenging coverage of the primary policy assigned to us when we acquired the refinery. The policies provide for coverage up to $190 million for expenditures in excess of $50 million in self-insurance. We have not recognized possible insurance recoveries under the policies and have appealed the order.

Refer to Note 3 for additional environmental matters relating to TLLP.

LEGAL MATTERS

In the ordinary course of business, we become party to lawsuits, administrative proceedings and governmental investigations, including environmental, regulatory and other matters. Large, and sometimes unspecified, damages or penalties may be sought from us in some matters. We have not established accruals for these matters unless a loss is probable, and the amount of loss is currently estimable. See current legal proceedings in Part I, Item 3.

TAX

We are subject to extensive federal, state and foreign tax laws and regulations. Newly enacted tax laws and regulations, and changes in existing tax laws and regulations, could result in increased expenditures in the future. Congress and the administration continue to explore options for reform of the domestic corporate tax code. Several of these options, if enacted into law, could have a significant impact on our tax liability. We are also subject to audits by federal, state and foreign taxing authorities in the normal course of business. It is possible that tax audits could result in claims against us in excess of recorded liabilities. However, we believe that resolution of any such claim(s) would not have a material impact on our liquidity, financial position, or results of operations. It is reasonably possible that unrecognized tax benefits may decrease by as much as $13 million in the next twelve months, related primarily to state apportionment matters.

NOTE 16 – STOCKHOLDERS ' EQUITY

NONCONTROLLING INTEREST

CHANGES IN NONCONTROLLING INTEREST (in millions)

	December 31,	
	2016	**2015**
Balance at Beginning of Year	**$ 2,527**	$ 2,522
Net earnings	**126**	150
Net proceeds from issuance of Tesoro Logistics LP Common Units	**366**	101
Distributions to noncontrolling interest	**(216)**	(182)
Amortization of TLLP equity settled awards	**5**	4
Deconsolidation of RGS	**(84)**	—
Consolidation of Vancouver Energy	**8**	—
Transfers to (from) noncontrolling interest from (to) Tesoro related to:		
TLLP's sale of common units	**(101)**	(114)
Tesoro's acquisition of TLLP common units (a)	**32**	44
Other	**(1)**	2
Balance at End of Year	**$ 2,662**	$ 2,527

(a) Includes the net impact of $32 million and $44 million for the years ended December 31, 2016 and 2015 , respectively, to noncontrolling interest for ownership changes occurring as a result of TLLP's issuance of equity to the public and the issuance of TLLP common units to Tesoro for the Alaska Storage and Terminalling Assets Acquisition, the Northern California Terminalling and Storage Assets Acquisition and the LA Storage and Handling Asset Acquisition.

SHARE CALCULATIONS (in millions)

	Years Ended December 31,		
	2016	**2015**	**2014**
Weighted average common shares outstanding	**118.5**	123.2	128.5
Common stock equivalents	**1.4**	1.4	2.3
Total Diluted Shares	**119.9**	124.6	130.8

Potentially dilutive common stock equivalents are excluded from the calculation of diluted earnings per share if the effect of including such securities in the calculation would have been anti-dilutive. Anti-dilutive securities were 0.1 million , 0.6 million and 0.1 million for the years ended December 31, 2016 , 2015 , and 2014 , respectively.

SHARE REPURCHASES

We are authorized by the Board of Directors (our "Board") to purchase shares of our common stock in open market transactions at our discretion. The Board's authorization has no time limit and may be suspended or discontinued at any time. Purchases of our common stock can also be made to offset the dilutive effect of stock-based compensation awards and to meet our obligations under employee benefit and compensation plans, including the exercise of stock options and vesting of restricted stock and to fulfill other stock compensation requirements. The current program initially authorized $1.0 billion in share repurchases. In October 2015, the Board authorized an additional $1.0 billion in share repurchases that became effective upon the full completion of the initial program. On November 16, 2016, the Board approved a further $1.0 billion of share repurchases. We purchased approximately 3.2 million and 6.9 million shares of our common stock in each year for approximately $250 million and $644 million during the years ended December 31, 2016 and 2015 , respectively.

PREFERRED STOCK

We have 5.0 million shares of preferred stock authorized with no par value per share. No shares of preferred stock were outstanding as of December 31, 2016 and 2015 .

CASH DIVIDENDS

On February 3, 2017 , our Board declared a cash dividend of $0.550 per share, payable on March 15, 2017 to shareholders of record on February 28, 2017 .

CASH DIVIDENDS PAID

	2016				2015				2014			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Annual cash dividends paid	**$249 million**				$228 million				$141 million			
Quarterly per share amount declared	**$ 0.550**	**$ 0.550**	**$ 0.500**	**$ 0.500**	$ 0.500	$ 0.500	$ 0.425	$ 0.425	$ 0.300	$ 0.300	$ 0.250	$ 0.250

NOTE 17 – STOCK-BASED COMPENSATION

STOCK-BASED COMPENSATION PLANS

We issue stock-based awards as described below to employees under the 2011 Long-Term Incentive Plan ("2011 Plan"). We also have outstanding awards under our 2006 Long-Term Incentive Plan ("2006 Plan"), Amended and Restated Executive Long-Term Incentive Plan and Non-Employee Director Stock Plan. Tesoro had 3,073,672 shares available for future grants under our plans at December 31, 2016 , assuming a 200% payout of performance-based awards. Usually, when stock options are exercised or when restricted common stock is granted, we issue new shares rather than issuing treasury shares. Our plans are described below.

- The 2011 Plan permits the grant of options, SARs, restricted common stock, restricted stock units and incentive bonuses (which may be paid in cash, stock or a combination thereof), any of which may be performance-based. The 2011 Plan became effective in May 2011 and no awards may be granted under the 2011 Plan on or after February 2021. Stock options may be granted at exercise prices not less than the fair market value on the date the options are granted.
- The 2006 Plan permits the grant of options, restricted common stock, deferred stock units, performance stock awards, other stock-based awards and cash-based awards. The 2006 Plan became effective in May 2006. Stock options may be granted at exercise prices not less than the fair market value on the date the options are granted. Options granted become exercisable after one year in 33% annual increments and expire 10 years from the date of grant. No further awards may be granted under this plan.
- The Amended and Restated Executive Long-Term Incentive Plan, which expired in May 2006, allowed grants in a variety of forms, including restricted stock, nonqualified stock options, SARs, performance share and performance unit awards. As of December 31, 2016 and 2015, we no longer have outstanding awards in this plan, although there were awards outstanding during 2015 which were all exercised.
- The 1995 Non-Employee Director Stock Option Plan provided for the grant of nonqualified stock options over the life of the plan to eligible non-employee directors of Tesoro. These automatic, non-discretionary stock options were granted at an exercise price equal to the fair market value per share of Tesoro's common stock at the date of grant. The term of each option is 10 years , and an option becomes exercisable six months after it is granted. The plan expired in February 2010 and no further options may be granted under this plan.

TLGP maintains a unit-based compensation plan for officers and directors of TLGP and its affiliates. The TLLP 2011 Long-Term Incentive Plan, as amended and restated in October 2016, ("TLLP Plan") permits the grant of options, restricted units, phantom units, unit appreciation rights, distribution equivalent rights, unit awards and other unit-based awards. Awards granted during 2016 under the TLLP Plan will be settled with TLLP units. Compensation expense for these awards was not material to our consolidated financial statements for the years ended December 31, 2016 , 2015 , or 2014 .

STOCK-BASED COMPENSATION EXPENSE (BENEFIT) (in millions)

	Years Ended December 31,		
	2016	**2015**	**2014**
Stock appreciation rights	**$ (14)**	$ 25	$ 15
Performance share awards	**10**	11	17
Market stock units	**29**	27	17
Restricted common stock	**5**	4	3
Other	**5**	8	3
Total Stock-Based Compensation Expense	**$ 35**	$ 75	$ 55

We have aggregated expenses for certain award types as they are not considered significant. The income tax effect recognized in the income statement for stock-based compensation was a benefit of $28 million , $28 million and $24 million for the years ended December 31, 2016 , 2015 and 2014 , respectively. Included in the tax benefit of $28 million for the year ended December 31, 2016 was $16 million of tax benefit attributable to excess tax benefits from exercises and vestings that occurred during the year, the effects of which were recorded in the Statement of Consolidated Operations pursuant to ASU 2016-09. The reduction in current taxes payable recognized from tax deductions resulting from exercises and vestings under all of our stock-based compensation arrangements totaled $37 million , $75 million and $46 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

STOCK APPRECIATION RIGHTS

A SAR entitles an employee to receive cash in an amount equal to the excess of the fair market value of one share of common stock on the date of exercise over the grant price of the SAR. Our SARs become exercisable after three years and expire seven years from the date of grant. The fair value of each SAR is estimated at the end of each reporting period using the Black-Scholes option-pricing model. We did not grant SARs to our employees during the years ended December 31, 2016 , 2015 or 2014 . We paid cash of $21 million , $44 million and $31 million to settle SARs exercised during 2016 , 2015 and 2014 , respectively. We had $6 million and $41 million recorded in other current liabilities associated with our SARs awards in our consolidated balance sheets at December 31, 2016 and 2015 , respectively.

SAR ACTIVITY FOR THE YEAR (shares in thousands)

	Number of SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at January 1, 2016	463	$15.72	0.43 years
Exercised	(338)	$16.44	
Forfeited	(37)	$15.72	
Outstanding at December 31, 2016	**88**	**$12.93**	**0.34 years**
Vested or expected to vest at December 31, 2016	**88**	**$12.93**	**0.34 years**
Exercisable at December 31, 2016	**88**	**$12.93**	**0.34 years**

The expected life of SARs granted is based on historical data and represents the period of time that the awards are expected to be outstanding. Expected volatilities are based on the historical volatility of our stock. We use historical data to estimate SAR exercises and employee termination within the valuation model. Expected dividend yield is based on historical dividends paid. The risk-free rate of the award is based on the U.S. Treasury yield curve in effect at the date of valuation.

WEIGHTED-AVERAGE ASSUMPTIONS USED TO VALUE SARS AND EXPENSE RECOGNIZED

	Years Ended December 31,		
	2016	2015	2014
Expected life from date of grant (years)	**7**	7	7
Expected volatility	**40%**	51%	57%
Expected dividend yield	**3%**	2%	2%
Risk-free interest rate	**0.7%**	0.4%	0.2%

PERFORMANCE SHARE AWARDS

PERFORMANCE CONDITIONS. We last granted performance condition performance share awards under the 2011 Plan in February 2014 and have not granted any since. A performance share award represents the right to receive shares of Tesoro common stock at the end of a 3 -year performance period depending on the Company's achievement of pre-established performance measures. The performance share awards can range from 0% to 200% of the number of original shares granted. The value of the award ultimately paid will be based on return on capital employed, which is measured against the performance peer group over the performance period. The fair value of performance share awards tied to performance measures is estimated using the market price of our common stock on the grant date. The estimated fair value of these performance share awards is amortized over a 3 -year vesting period using the straight-line method.

MARKET CONDITIONS. We granted market condition performance share awards under the 2011 Plan in February 2015 and January 2016. A market condition award represents the right to receive shares of Tesoro common stock at the end of a 3 -year performance period depending on the Company's achievement of pre-established market conditions. The market condition awards can range from 0% to 200% of the number of original shares granted. The value of the award ultimately paid will be based on relative total shareholder return, which is measured against the performance peer group, XLE Energy Index and the S&P 500 Index over the performance period. The estimated fair value for performance share awards is estimated using a Monte Carlo simulation model as of the grant date and the related expense is amortized over a 3 -year vesting period using the straight-line method.

Expected volatilities are based on the historical volatility over the most recent three-year period. Expected dividend yield is based on annualized dividends at the date of valuation. The risk-free rate is based on the U.S. Treasury yield curve in effect at the date of valuation.

WEIGHTED AVERAGE ASSUMPTIONS USED TO MEASURE PERFORMANCE SHARE AWARDS

	Years Ended December 31,		
	2016	**2015**	**2014**
Expected volatility	**35%**	35%	43%
Expected dividend yield	**—%**	—%	—%
Risk-free interest rate	**1.0%**	1.0%	0.6%

Total unrecognized compensation cost related to all non-vested performance share awards totaled $11 million as of December 31, 2016 , which is expected to be recognized over a weighted average period of 1.6 years . The estimated weighted average payout percentage for these awards was approximately 111% as of December 31, 2016 . The weighted-average grant-date fair value per share of performance share awards granted during 2016 , 2015 and 2014 was $87.90 , $117.96 and $54.42 , respectively.

SUMMARY OF PERFORMANCE SHARE AWARD ACTIVITY, ASSUMING 100% PAYOUT (shares in thousands)

	Number of Shares	Weighted-Average Grant-Date Fair Value	Intrinsic Value (in millions)
Nonvested at January 1, 2016	431	$71.76	$45
Granted	157	$87.90	
Vested	(188)	$55.20	
Forfeited	(22)	$90.37	
Nonvested at December 31, 2016	**378**	**$83.53**	**$33**

MARKET STOCK UNITS

We granted market stock units under the 2011 Plan in February 2015 and January 2016. These market stock units represent the right to receive a target number of shares that will vest at the end of a 3 -year performance period. The number of shares ultimately issued will be based on Tesoro's stock price changes over the performance period. The market stock units' potential payout can range from 50% to 200% of the targeted award value, unless the average closing stock price at vesting has decreased more than 50% from the average closing stock price at the grant date, then no market stock units will be paid out. The fair value of each market stock unit is estimated on the grant date using a Monte Carlo simulation model. The estimated fair value of these market stock units is amortized over a 3 -year vesting period using the straight-line method. The estimated weighted average payout percentage for these awards was 130% as of December 31, 2016 . Total unrecognized compensation cost related to non-vested market stock units totaled $39 million as of December 31, 2016 , which is expected to be recognized over a weighted average period of 1.6 years . The weighted-average grant-date fair value per share of market stock units granted during 2016 , 2015 and 2014 was $84.84 , $114.57 and $57.60 , respectively.

SUMMARY OF MARKET STOCK UNIT AWARD ACTIVITY, ASSUMING 100% PAYOUT (units in thousands)

	Number of Units	Weighted-Average Grant-Date Fair Value	Intrinsic Value (in millions)
Nonvested at January 1, 2016	1,135	$78.99	$119
Granted	693	$84.84	
Vested	(711)	$65.95	
Forfeited	(47)	$89.79	
Nonvested at December 31, 2016	**1,070**	**$84.78**	**$94**

Expected volatilities are based on the historical volatility of our stock. We use historical data to estimate employee termination within the valuation model. Expected dividend yield is based on annualized dividends at the date of grant. The risk-free rate for periods within the performance period is based on the U.S. Treasury yield curve in effect at the time of grant.

WEIGHTED AVERAGE ASSUMPTIONS USED TO MEASURE MARKET STOCK UNITS GRANTED

	Years Ended December 31,		
	2016	**2015**	**2014**
Expected volatility	**35%**	35%	44%
Expected dividend yield	**2%**	2%	2%
Risk-free interest rate	**1.1%**	1.1%	0.7%

RESTRICTED COMMON STOCK

The fair value of each restricted share on the grant date is equal to the market price of our common stock on that date. The estimated fair value of our restricted common stock is amortized over the vesting period primarily using the straight-line method. These awards primarily vest in annual increments ratably over 3 years . The total fair value of restricted shares vested was $2 million , $4 million and $2 million in 2016 , 2015 and 2014 , respectively. The weighted-average grant-date fair value per share of restricted common stock granted during 2016 , 2015 and 2014 was $85.51 , $90.40 and $61.76 , respectively. Unrecognized compensation cost related to our non-vested restricted common stock totaled $4 million as of December 31, 2016 . This cost is expected to be recognized over a weighted-average period of 1.6 years . The fair value of non-vested restricted common stock, as of December 31, 2016 , totaled $10 million .

SUMMARY OF RESTRICTED COMMON STOCK ACTIVITY (shares in thousands)

	Number of Restricted Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2016	105	$57.58
Granted	50	$85.51
Vested	(44)	$53.71
Forfeited	—	$—
Nonvested at December 31, 2016	**111**	**$71.45**

STOCK OPTIONS

Under the terms of our stock option plans, the exercise price of options granted is equal to the market price of our common stock on the date of grant. The fair value of each option is estimated on the grant date using the Black-Scholes option-pricing model. The estimated fair value of these stock options is amortized over the vesting period using the straight-line method. There were no options granted to our employees during 2016 , 2015 or 2014 .

Our options primarily become exercisable after one year in 33% annual increments and expire 10 years from the date of grant. The total intrinsic value for options exercised during 2016 , 2015 and 2014 was $3 million , $19 million and $25 million , respectively. There were no non-vested stock options as of December 31, 2016 . The reduction in current taxes payable from tax deductions associated with stock options exercised during 2016 totaled $1 million .

SUMMARY OF STOCK OPTION ACTIVITY FOR ALL PLANS (options in thousands)

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2016	344	$26.55	3.0 years	$27
Exercised	(70)	$39.64		
Forfeited or expired	—	$—		
Outstanding at December 31, 2016	**274**	**$23.20**	**2.5 years**	**$18**
Vested or expected to vest at December 31, 2016	**274**	**$23.20**	**2.5 years**	**$18**
Exercisable at December 31, 2016	**274**	**$23.20**	**2.5 years**	**$18**

NOTE 18 – SUPPLEMENTAL CASH FLOW INFORMATION

SUPPLEMENTAL CASH FLOW DISCLOSURES (in millions)

	Years Ended December 31,		
	2016	2015	2014
Supplemental Cash Flow Disclosures:			
Interest paid, net of capitalized interest	**$ 199**	$ 181	$ 129
Income taxes paid, net	**136**	882	309
Supplemental Disclosures of Non-cash Investing Activities:			
Capital expenditures included in accounts payable at end of period	**$ 191**	$ 137	$ 161

NOTE 19 – OPERATING SEGMENTS

The Company's revenues are derived from three operating segments: Refining, TLLP and Marketing. Our Refining segment owns and operates seven petroleum refineries located in California, Washington, Alaska, North Dakota and Utah that manufacture gasoline and gasoline blendstocks, jet fuel, diesel fuel, residual fuel oil and other refined products. We sell these refined products, together with refined products purchased from third parties, to our Marketing segment through terminal facilities and other locations and opportunistically export refined products to foreign markets. TLLP's assets and operations include certain crude oil gathering assets, natural gas gathering and processing assets and crude oil and refined products terminalling and transportation assets acquired from Tesoro and other third parties. Revenues from the TLLP segment are generated by charging fees for gathering crude oil and natural gas, for processing natural gas, and for terminalling, transporting and storing crude oil, and refined products. Tesoro's marketing business supplies gasoline and diesel across 16 states through both branded and unbranded marketing channels. We utilize various operating models in the operation of our retail stations. Since we do not have significant operations in foreign countries, revenue generated and long-lived assets located in foreign countries are not material to our operations.

We evaluate the performance of our segments based primarily on segment operating income. Segment operating income includes those revenues and expenses that are directly attributable to management of the respective segment. TLLP and marketing revenues include intersegment transactions with our Refining segment. Corporate depreciation and corporate general and administrative expenses are excluded from segment operating income.

TLLP acquired certain assets from our Refining segment, and the associated liabilities and results of operations are collectively referred to as the "Predecessors." The accompanying segment information presents certain financial information of the Predecessors at historical cost. The financial statements of the Predecessors have been prepared from the separate records maintained by Tesoro and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Predecessors had been operated as a stand-alone business. The Predecessors did not record revenue for transactions with our Refining segment.

SEGMENT INFORMATION RELATED TO CONTINUING OPERATIONS

	Years Ended December 31,		
	2016	2015	2014
Revenues	(in millions)		
Refining:			
Refined products	**$ 21,213**	$ 25,443	$ 37,365
Crude oil resales and other	**1,043**	946	1,456
TLLP:			
Gathering	**339**	339	135
Processing	**276**	278	23
Terminalling and transportation	**605**	495	442
Marketing:			
Fuel (a)	**15,405**	18,081	23,701
Other non-fuel	**85**	63	240
Intersegment sales	**(14,384)**	(16,934)	(22,729)
Total Revenues	**$ 24,582**	$ 28,711	$ 40,633
Segment Operating Income			
Refining (b)	**$ 535**	$ 1,871	$ 1,193
TLLP (c)	**487**	393	164
Marketing (b)	**830**	899	553
Total Segment Operating Income	**1,852**	3,163	1,910
Corporate and unallocated costs	**(371)**	(336)	(278)
Operating Income	**1,481**	2,827	1,632
Interest and financing costs, net	**(274)**	(217)	(235)
Equity in earnings of equity method investments	**13**	7	10
Other income, net	**57**	13	57
Earnings Before Income Taxes	**$ 1,277**	$ 2,630	$ 1,464
Depreciation and Amortization Expense			
Refining	**$ 588**	$ 504	$ 420
TLLP	**190**	187	85
Marketing	**49**	46	42
Corporate	**24**	19	15
Total Depreciation and Amortization Expense	**$ 851**	$ 756	$ 562
Capital Expenditures			
Refining	**$ 519**	$ 530	$ 423
TLLP	**273**	386	272
Marketing	**34**	34	54
Corporate	**122**	56	30
Total Capital Expenditures	**$ 948**	$ 1,006	$ 779

(a) Federal and state motor fuel taxes on sales by our Marketing segment are included in both revenues and cost of sales in our statements of consolidated operations. These taxes totaled $577 million , $561 million and $581 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

(b) Our Refining segment uses RINs to satisfy its obligations under the Renewable Fuels Standard, in addition to physically blending required biofuels. At the end of 2014, given the price of RINs had become more transparent in the price of biofuels, we determined our intersegment pricing methodology should include the market value of RINs as a reduction to the price our Marketing segment pays to our Refining segment. We made this change effective January 1, 2015. We have not adjusted financial information presented for our Refining and Marketing segments for the year ended December 31, 2014 . Had we made this change effective January 1, 2014, operating income in our Refining segment would have been reduced by $125 million with a corresponding increase to operating income in our Marketing segment for the year ended December 31, 2014 .

(c) We present TLLP's segment operating income net of general and administrative expenses totaling $53 million , $54 million and $39 million representing TLLP's corporate costs that are not allocated to TLLP's operating segments for the years ended December 31, 2016 , 2015 and 2014 , respectively.

IDENTIFIABLE ASSETS RELATED TO CONTINUING OPERATIONS (in millions; intersegment balances have been eliminated)

	December 31,	
	2016	2015
Refining	$ 10,350	$ 8,878
TLLP	5,759	5,046
Marketing	1,295	1,167
Corporate	2,994	1,241
Total Assets	$ 20,398	$ 16,332

NOTE 20 – QUARTERLY FINANCIAL DATA (UNAUDITED)

SUMMARY OF QUARTERLY FINANCIAL DATA (in millions, except per share amounts)

	Quarters				
	First	Second	Third	Fourth	Total Year
2016					
Revenues	$ 5,101	$ 6,285	$ 6,544	$ 6,652	$ 24,582
Cost of sales (excluding the lower of cost or market inventory valuation adjustment)	3,866	5,023	5,236	5,533	19,658
Lower of cost or market inventory valuation adjustment	147	(363)	(20)	(123)	(359)
Operating expenses	611	602	648	680	2,541
Operating income	179	718	360	224	1,481
Net earnings from continuing operations	98	449	202	101	850
Gain (loss) from discontinued operations, net of tax	11	—	(1)	—	10
Net earnings	109	449	201	101	860
Net earnings attributable to Tesoro Corporation	69	418	169	78	734
Net earnings per share (a):					
Basic	$ 0.58	$ 3.50	$ 1.43	$ 0.67	$ 6.19
Diluted	$ 0.57	$ 3.47	$ 1.42	$ 0.66	$ 6.12
2015					
Revenues	$ 6,463	$ 8,232	$ 7,743	$ 6,273	$ 28,711
Cost of sales (excluding the lower of cost or market inventory valuation adjustment)	5,310	6,357	5,433	4,828	21,928
Lower of cost or market inventory valuation adjustment	(42)	—	83	276	317
Operating expenses	574	596	636	649	2,455
Operating income	340	1,009	1,292	186	2,827
Net earnings from continuing operations	188	624	799	83	1,694
Loss from discontinued operations, net of tax	—	(4)	—	—	(4)
Net earnings	188	620	799	83	1,690
Net earnings attributable to Tesoro Corporation	145	582	759	54	1,540
Net earnings per share (a):					
Basic	$ 1.17	$ 4.64	$ 6.19	$ 0.46	$ 12.50
Diluted	$ 1.15	$ 4.59	$ 6.13	$ 0.45	$ 12.36

(a) Includes earnings attributable to Tesoro from continuing and discontinued operations. The sum of four quarters may not equal annual results due to rounding or the quarterly number of shares outstanding.

NOTE 21 – CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Separate condensed consolidating financial information of Tesoro Corporation (the "Parent"), subsidiary guarantors and non-guarantors are presented below. At December 31, 2016 , Tesoro and certain subsidiary guarantors have fully and unconditionally guaranteed our 2017 Notes, 2022 Notes, 2023 Notes, 2024 Notes and 2026 Notes. TLLP, in which we had a 34% ownership interest as of December 31, 2016 , and other subsidiaries have not guaranteed these obligations. As a result of these guarantee arrangements, we are required to present the following condensed consolidating financial information, which should be read in conjunction with the accompanying consolidated financial statements and notes thereto. This information is provided as an alternative to providing separate financial statements for guarantor subsidiaries. Separate financial statements of Tesoro's subsidiary guarantors are not included because the guarantees are full and unconditional and these subsidiary guarantors are 100% owned and are jointly and severally liable for Tesoro's outstanding senior notes. The information is presented using the equity method of accounting for investments in subsidiaries. Certain intercompany and intracompany transactions between subsidiaries are presented gross and eliminated in the consolidating adjustments column. Additionally, the results of operations of the Hawaii Business have been reported as discontinued operations in these condensed consolidating statements of operations and comprehensive income for the years ended December 31, 2016 , 2015 and 2014 .

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantors	Consolidating Adjustments	Consolidated
Revenues	$ —	$ 26,880	$ 3,654	$ (5,952)	$ 24,582
Costs and Expenses					
Cost of sales (excluding the lower of cost or market inventory valuation adjustment)	—	23,048	2,220	(5,610)	19,658
Lower of cost or market inventory valuation adjustment	—	(359)	—	—	(359)
Operating, selling, general and administrative expenses	9	2,573	702	(342)	2,942
Depreciation and amortization expense	—	625	226	—	851
Loss on asset disposals and impairments	—	6	3	—	9
Operating Income (Loss)	(9)	987	503	—	1,481
Equity in earnings of subsidiaries	792	211	—	(1,003)	—
Interest and financing costs, net	(84)	(61)	(129)	—	(274)
Equity in earnings of equity method investments	—	—	13	—	13
Other income, net	3	39	15	—	57
Earnings Before Income Taxes	702	1,176	402	(1,003)	1,277
Income tax expense (benefit) (a)	(22)	353	96	—	427
Net Earnings from Continuing Operations	724	823	306	(1,003)	850
Earnings from discontinued operations, net of tax	10	—	—	—	10
Net Earnings	734	823	306	(1,003)	860
Less: Net earnings from continuing operations attributable to noncontrolling interest	—	—	126	—	126
Net Earnings Attributable to Tesoro Corporation	$ 734	$ 823	$ 180	$ (1,003)	$ 734
Comprehensive Income					
Total Comprehensive Income	$ 695	$ 823	$ 306	$ (1,003)	$ 821
Less: Noncontrolling Interest in Comprehensive Income	—	—	126	—	126
Comprehensive Income Attributable to Tesoro Corporation	$ 695	$ 823	$ 180	$ (1,003)	$ 695

(a) The income tax expense (benefit) reflected in each column does not include any tax effect of the equity in earnings from corporate subsidiaries, but does include the tax effect of the corporate partners' share of partnership income.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantors	Consolidating Adjustments	Consolidated
Revenues	$ —	$ 31,645	$ 3,597	$ (6,531)	$ 28,711
Costs and Expenses					
Cost of sales (excluding the lower of cost or market inventory valuation adjustment)	—	25,753	2,415	(6,240)	21,928
Lower of cost or market inventory valuation adjustment	—	317	—	—	317
Operating, selling, general and administrative expenses	11	2,542	579	(291)	2,841
Depreciation and amortization expense	—	565	191	—	756
Loss on asset disposals and impairments	—	37	5	—	42
Operating Income (Loss)	(11)	2,431	407	—	2,827
Equity in earnings of subsidiaries	1,590	96	—	(1,686)	—
Interest and financing costs, net	(45)	(66)	(106)	—	(217)
Equity in earnings of equity method investments	—	—	7	—	7
Other income (expense), net	3	11	(1)	—	13
Earnings Before Income Taxes	1,537	2,472	307	(1,686)	2,630
Income tax expense (benefit) (a)	(7)	891	52	—	936
Net Earnings from Continuing Operations	1,544	1,581	255	(1,686)	1,694
Loss from discontinued operations, net of tax	(4)	—	—	—	(4)
Net Earnings	1,540	1,581	255	(1,686)	1,690
Less: Net earnings from continuing operations attributable to noncontrolling interest	—	—	150	—	150
Net Earnings Attributable to Tesoro Corporation	$ 1,540	$ 1,581	$ 105	$ (1,686)	$ 1,540
Comprehensive Income					
Total Comprehensive Income	$ 1,540	$ 1,581	$ 255	$ (1,686)	$ 1,690
Less: Noncontrolling Interest in Comprehensive Income	—	—	150	—	150
Comprehensive Income Attributable to Tesoro Corporation	$ 1,540	$ 1,581	$ 105	$ (1,686)	$ 1,540

(a) The income tax expense (benefit) reflected in each column does not include any tax effect of the equity in earnings from corporate subsidiaries, but does include the tax effect of the corporate partners' share of partnership income.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantors	Consolidating Adjustments	Consolidated
Revenues	$ —	$ 45,898	$ 6,153	$ (11,418)	$ 40,633
Costs and Expenses					
Cost of sales (excluding the lower of cost or market inventory valuation adjustment)	—	41,288	5,479	(11,164)	35,603
Lower of cost or market inventory valuation adjustment	—	42	—	—	42
Operating, selling, general and administrative expenses	10	2,632	402	(254)	2,790
Depreciation and amortization expense	—	472	90	—	562
(Gain) loss on asset disposals and impairments	—	8	(4)	—	4
Operating Income (Loss)	(10)	1,456	186	—	1,632
Equity in earnings of subsidiaries	903	2	—	(905)	—
Interest and financing costs, net	(39)	(126)	(70)	—	(235)
Equity in earnings of equity method investments	—	9	1	—	10
Other income, net	2	55	—	—	57
Earnings Before Income Taxes	856	1,396	117	(905)	1,464
Income tax expense (benefit) (a)	(16)	525	38	—	547
Net Earnings from Continuing Operations	872	871	79	(905)	917
Loss from discontinued operations, net of tax	(29)	—	—	—	(29)
Net Earnings	843	871	79	(905)	888
Less: Net earnings from continuing operations attributable to noncontrolling interest	—	—	45	—	45
Net Earnings Attributable to Tesoro Corporation	$ 843	$ 871	$ 34	$ (905)	$ 843
Comprehensive Income					
Total Comprehensive Income	$ 746	$ 871	$ 79	$ (905)	$ 791
Less: Noncontrolling Interest in Comprehensive Income	—	—	45	—	45
Comprehensive Income Attributable to Tesoro Corporation	$ 746	$ 871	$ 34	$ (905)	$ 746

(a) The income tax expense (benefit) reflected in each column does not include any tax effect of the equity in earnings from corporate subsidiaries, but does include the tax effect of the corporate partners' share of partnership income.

CONDENSED CONSOLIDATING BALANCE SHEET AS OF DECEMBER 31, 2016
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current Assets					
Cash and cash equivalents	$ —	$ 2,576	$ 719	$ —	$ 3,295
Receivables, net of allowance for doubtful accounts	10	882	216	—	1,108
Short-term receivables from affiliates	—	171	28	(199)	—
Inventories	—	2,321	319	—	2,640
Prepayments and other current assets	50	298	23	—	371
Total Current Assets	60	6,248	1,305	(199)	7,414
Net Property, Plant and Equipment	—	6,183	3,793	—	9,976
Investment in Subsidiaries	9,201	785	—	(9,986)	—
Long-Term Receivables from Affiliates	3,326	—	—	(3,326)	—
Long-Term Intercompany Note Receivable	—	—	2,386	(2,386)	—
Other Noncurrent Assets:					
Acquired intangibles, net	—	329	948	—	1,277
Other, net	46	1,138	549	(2)	1,731
Total Other Noncurrent Assets	46	1,467	1,497	(2)	3,008
Total Assets	$ 12,633	$ 14,683	$ 8,981	$ (15,899)	$ 20,398
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable	$ 6	$ 1,762	$ 264	$ —	$ 2,032
Short-term payables to affiliates	—	28	171	(199)	—
Current maturities of debt	450	14	1	—	465
Other current liabilities	99	853	106	(1)	1,057
Total Current Liabilities	555	2,657	542	(200)	3,554
Long-Term Payables to Affiliates	—	3,074	252	(3,326)	—
Deferred Income Taxes	1,428	2	—	(2)	1,428
Debt	2,321	94	4,053	—	6,468
Long-Term Intercompany Note Payable	2,386	—	—	(2,386)	—
Other Noncurrent Liabilities	479	289	53	—	821
Equity-Tesoro Corporation	5,464	8,567	1,419	(9,985)	5,465
Equity-Noncontrolling Interest	—	—	2,662	—	2,662
Total Liabilities and Equity	$ 12,633	$ 14,683	$ 8,981	$ (15,899)	$ 20,398

CONDENSED CONSOLIDATING BALANCE SHEET AS OF DECEMBER 31, 2015
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current Assets					
Cash and cash equivalents	$ —	$ 895	$ 47	$ —	$ 942
Receivables, net of allowance for doubtful accounts	—	626	166	—	792
Short-term receivables from affiliates	—	200	3	(203)	—
Inventories	—	1,971	331	—	2,302
Prepayments and other current assets	116	140	16	(1)	271
Total Current Assets	116	3,832	563	(204)	4,307
Net Property, Plant and Equipment	—	5,796	3,745	—	9,541
Investment in Subsidiaries	8,128	609	—	(8,737)	—
Long-Term Receivables from Affiliates	1,522	—	—	(1,522)	—
Long-Term Intercompany Note Receivable	—	—	1,626	(1,626)	—
Other Noncurrent Assets:					
Acquired intangibles, net	—	234	977	—	1,211
Other, net	33	1,018	227	(5)	1,273
Total Other Noncurrent Assets	33	1,252	1,204	(5)	2,484
Total Assets	$ 9,799	$ 11,489	$ 7,138	$ (12,094)	$ 16,332
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable	$ —	$ 1,390	$ 178	$ —	$ 1,568
Short-term payables to affiliates	—	3	200	(203)	—
Current maturities of debt	—	6	—	—	6
Other current liabilities	91	756	110	(1)	956
Total Current Liabilities	91	2,155	488	(204)	2,530
Long-Term Payables to Affiliates	—	1,293	229	(1,522)	—
Deferred Income Taxes	1,227	—	—	(5)	1,222
Debt	1,190	33	2,844	—	4,067
Long-Term Intercompany Note Payable	1,626	—	—	(1,626)	—
Other Noncurrent Liabilities	452	262	59	—	773
Equity-Tesoro Corporation	5,213	7,746	991	(8,737)	5,213
Equity-Noncontrolling Interest	—	—	2,527	—	2,527
Total Liabilities and Equity	$ 9,799	$ 11,489	$ 7,138	$ (12,094)	$ 16,332

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantors	Consolidating Adjustments	Consolidated
Cash Flows From (Used in) Operating Activities					
Net cash from (used in) operating activities	$ (33)	$ 1,006	$ 637	$ (306)	$ 1,304
Cash Flows From (Used in) Investing Activities					
Capital expenditures	—	(616)	(278)	—	(894)
Acquisitions	—	(67)	(346)	—	(413)
Deposits for acquisitions	—	—	(33)	—	(33)
Proceeds from asset sales	17	—	8	—	25
Investment in subsidiaries	(321)	(455)	—	776	—
Intercompany notes, net	(1,453)	—	—	1,453	—
Notes to general partner	—	—	(760)	760	—
Other investing activities	—	—	(2)	—	(2)
Net cash used in investing activities	(1,757)	(1,138)	(1,411)	2,989	(1,317)
Cash Flows From (Used in) Financing Activities					
Borrowings under revolving credit agreements	—	—	1,451	—	1,451
Repayments on revolving credit agreements	—	—	(1,426)	—	(1,426)
Proceeds from debt offerings	1,600	—	1,451	—	3,051
Repayments of debt	—	(9)	(251)	—	(260)
Dividend payments	(249)	—	—	—	(249)
Proceeds from stock options exercised	2	—	—	—	2
Net proceeds from issuance of TLLP common units	—	—	364	—	364
Notes from general partner	760	—	—	(760)	—
Distributions to noncontrolling interest	—	—	(216)	—	(216)
Purchases of common stock	(250)	—	—	—	(250)
Taxes paid related to net share settlement of equity awards	(25)	—	—	—	(25)
Contributions by parent	—	—	776	(776)	—
Net intercompany borrowings (repayments)	—	1,822	(369)	(1,453)	—
Distributions to TLLP unitholders and general partner	—	—	(81)	81	—
Distributions from TLLP and general partner to TSO	—	—	(225)	225	—
Payments of debt issuance costs	(16)	—	(21)	—	(37)
Other financing activities	(32)	—	(7)	—	(39)
Net cash from financing activities	1,790	1,813	1,446	(2,683)	2,366
Increase in Cash and Cash Equivalents	—	1,681	672	—	2,353
Cash and Cash Equivalents, Beginning of Year	—	895	47	—	942
Cash and Cash Equivalents, End of Year	$ —	$ 2,576	$ 719	$ —	$ 3,295

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantors	Consolidating Adjustments	Consolidated
Cash Flows From (Used in) Operating Activities					
Net cash from operating activities	$ 11	$ 2,030	$ 293	$ (203)	$ 2,131
Cash Flows From (Used in) Investing Activities					
Capital expenditures	—	(646)	(384)	—	(1,030)
Acquisitions	—	(91)	(6)	—	(97)
Intercompany notes, net	1,041	—	—	(1,041)	—
Notes to general partner	—	—	(250)	250	—
Other investing activities	—	(2)	—	—	(2)
Net cash from (used in) investing activities	1,041	(739)	(640)	(791)	(1,129)
Cash Flows From (Used in) Financing Activities					
Borrowings under revolving credit agreements	—	—	476	—	476
Repayments on revolving credit agreements	—	—	(431)	—	(431)
Borrowings under term loan credit agreements	—	—	250	—	250
Repayments of debt	(398)	(6)	—	—	(404)
Dividend payments	(228)	—	—	—	(228)
Proceeds from stock options exercised	13	—	—	—	13
Net proceeds from issuance of TLLP common units	—	—	99	—	99
Notes from general partner	250	—	—	(250)	—
Distributions to noncontrolling interest	—	—	(182)	—	(182)
Purchases of common stock	(644)	—	—	—	(644)
Taxes paid related to net share settlement of equity awards	(45)	—	—	—	(45)
Net intercompany borrowings (repayments)	—	(1,371)	330	1,041	—
Distributions to TLLP unitholders and general partner	—	—	(203)	203	—
Payments of debt issuance costs	—	—	(2)	—	(2)
Excess tax benefits from stock-based compensation arrangements	—	38	—	—	38
Net cash from (used in) financing activities	(1,052)	(1,339)	337	994	(1,060)
Decrease in Cash and Cash Equivalents	—	(48)	(10)	—	(58)
Cash and Cash Equivalents, Beginning of Year	—	943	57	—	1,000
Cash and Cash Equivalents, End of Year	$ —	$ 895	$ 47	$ —	$ 942

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantors	Consolidating Adjustments	Consolidated
Cash Flows From (Used in) Operating Activities					
Net cash from (used in) operating activities	$ (11)	$ 1,270	$ 208	$ (103)	$ 1,364
Cash Flows From (Used in) Investing Activities					
Capital expenditures	—	(443)	(242)	—	(685)
Acquisitions	—	(17)	(2,479)	—	(2,496)
Proceeds from asset sales	—	4	14	—	18
Intercompany notes, net	441	—	—	(441)	—
Notes to general partner	—	—	(243)	243	—
Other investing activities	—	(5)	(4)	—	(9)
Net cash from (used in) investing activities	441	(461)	(2,954)	(198)	(3,172)
Cash Flows From (Used in) Financing Activities					
Borrowings under revolving credit agreements	—	—	646	—	646
Repayments on revolving credit agreements	—	—	(386)	—	(386)
Proceeds from debt offerings	300	—	1,300	—	1,600
Repayments of debt	(300)	(3)	(131)	—	(434)
Dividend payments	(141)	—	—	—	(141)
Proceeds from stock options exercised	19	—	—	—	19
Net proceeds from issuance of TLLP common units	—	—	949	—	949
Notes from general partner	243	—	—	(243)	—
Distributions to noncontrolling interest	—	—	(96)	—	(96)
Purchases of common stock	(500)	—	—	—	(500)
Taxes paid related to net share settlement of equity awards	(22)	—	—	—	(22)
Net intercompany borrowings (repayments)	—	(1,044)	603	441	—
Distributions to TLLP unitholders and general partner	—	—	(103)	103	—
Payments of debt issuance costs	(5)	—	(19)	—	(24)
Excess tax benefits from stock-based compensation arrangements	—	20	—	—	20
Other financing activities	(24)	—	(37)	—	(61)
Net cash from (used in) financing activities	(430)	(1,027)	2,726	301	1,570
Decrease in Cash and Cash Equivalents	—	(218)	(20)	—	(238)
Cash and Cash Equivalents, Beginning of Year	—	1,161	77	—	1,238
Cash and Cash Equivalents, End of Year	$ —	$ 943	$ 57	$ —	$ 1,000

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that the information that we are required to disclose in reports we file under the Securities Exchange Act of 1934, as amended ("the Exchange Act"), is accumulated and appropriately communicated to management. There have been no significant changes in our internal controls over financial reporting (as defined by applicable SEC rules) during the quarter ended December 31, 2016 , that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

We carried out an evaluation required by Rule 13a-15(b) of the Exchange Act, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures at the end of the reporting period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Tesoro Corporation and its subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control system is designed 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 in the United States of America. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016 , using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework* (2013 framework) . Based on such assessment, management concluded that, as of December 31, 2016 , the Company's internal control over financial reporting is effective.

The independent registered public accounting firm of Ernst & Young LLP, as auditors of the Company's consolidated financial statements, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting, included herein.

ITEM 9B. OTHER INFORMATION

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Tesoro Corporation

We have audited Tesoro Corporation's internal control over financial reporting as of December 31, 2016 , based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Tesoro Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Tesoro Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016 , based on the COSO criteria **.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Tesoro Corporation as of December 31, 2016 and 2015 , and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2016 and our report dated February 21, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
San Antonio, Texas
February 21, 2017

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our executive officers appears in Item 1 of this Annual Report on Form 10-K.

Our Code of Business Conduct and our Code of Business Conduct and Ethics for Senior Financial Executives are available on our website at www.tsocorp.com .

The other information required under this Item is incorporated by reference to "Corporate Governance—The Board of Directors," "Corporate Governance—Board Leadership and Committees" and "Stock Ownership Information" in our Proxy Statement for our 2017 Annual Meeting of Stockholders, to be filed with the SEC within 120 days of December 31, 2016 (the "2017 Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

Information required under this Item is incorporated by reference to "Director Compensation," "Corporate Governance—Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis" and "Executive Compensation" in our 2017 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

EQUITY COMPENSATION PLAN INFORMATION

EQUITY COMPENSATION TO EMPLOYEES, OFFICERS, DIRECTORS AND OTHER PERSONS UNDER OUR EQUITY COMPENSATION PLANS, AS OF DECEMBER 31, 2016

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights		Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (a)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (b)
Equity compensation plans approved by security holders (c)	3,066,465	$	45.35	3,073,672
Equity compensation plans not approved by security holders (d)	151,513	$	13.09	—
Total	**3,217,978**	**$**	**23.20**	**3,073,672**

(a) Includes only the exercise price for options to purchase common stock. No value is included in this column for restricted stock units, performance share awards or market stock units since they do not have an exercise, or strike, price.

(b) For illustrative purposes, a maximum payout (i.e., a 200% ratio) has been assumed for vesting and payout of outstanding performance share awards and market stock unit grants.

(c) The number of securities to be issued upon exercise under these approved plans includes 122,755 options to purchase common stock, 46,932 restricted stock units, 756,050 performance share awards, and 2,140,728 market stock units. Each performance share award and market stock unit shown in the table represents a right to receive (upon vesting and payout) a specified number of our common shares. Vesting and payout may be conditioned upon achievement of pre-determined performance objectives or only upon continued service with us and our affiliates. For illustrative purposes, the maximum payout (i.e., a 200% ratio) provided by the provisions of the award agreements has been assumed for vesting and payout of performance share awards and market stock unit grants. Payout at target levels (i.e., a 100% ratio) would result in 1,618,076 securities to be issued and 4,524,302 securities remaining available for future issuance under equity compensation plans.

(d) Stock options granted in connection with the inducement awards of the CEO Agreement were not granted under an equity compensation plan.

Additional information required under this Item is incorporated by reference to "Stock Ownership Information" in our 2017 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required under this Item is incorporated by reference to “Corporate Governance—Director Independence” and “Transactions with Related Parties” in our 2017 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required under this Item is incorporated by reference to “Auditor Fees and Services” in our 2017 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. FINANCIAL STATEMENTS

The following consolidated financial statements of Tesoro Corporation and its subsidiaries are included in Part II, Item 8 of this Form 10-K:

	Page
Report of Independent Registered Public Accounting Firm (Ernst & Young LLP)	60
Statements of Consolidated Operations — Years Ended December 31, 2016, 2015 and 2014	61
Statements of Consolidated Comprehensive Income — Years Ended December 31, 2016, 2015 and 2014	62
Consolidated Balance Sheets — December 31, 2016 and 2015	63
Statements of Consolidated Equity — Years Ended December 31, 2016, 2015 and 2014	64
Statements of Consolidated Cash Flows — Years Ended December 31, 2016, 2015 and 2014	65
Notes to Consolidated Financial Statements	66

2. FINANCIAL STATEMENT SCHEDULES

No financial statement schedules are submitted because of the absence of the conditions under which they are required, the required information is insignificant or because the required information is included in the consolidated financial statements.

3. EXHIBITS

		Incorporated by Reference (File No. 1-3473, unless otherwise indicated)		
Exhibit Number	**Description of Exhibit**	**Form**	**Exhibit**	**Filing Date**
2.1	Stock Sale Agreement, dated March 18, 1998, among the Company, BHP Hawaii Inc. and BHP Petroleum Pacific Islands Inc.	S-3 (File No. 333-51789)	2.1	5/4/1998
2.2	Stock Purchase Agreement, dated May 1, 1998, among Shell Refining Holding Company, Shell Anacortes Refining Company and the Company	10-Q	2.1	5/15/1998
2.3	Asset Purchase Agreement, dated July 16, 2001, by and among the Company, BP Corporation North America Inc. and Amoco Oil Company	8-K	2.1	9/21/2001
2.4	Asset Purchase Agreement, dated July 16, 2001, by and among the Company, BP Corporation North America Inc. and Amoco Oil Company	8-K	2.2	9/21/2001
2.5	Asset Purchase Agreement, dated July 16, 2001, by and among the Company, BP Corporation North America Inc. and BP Pipelines (North America) Inc.	10-Q	2.1	11/14/2001
2.6	Asset Purchase Agreement by and between the Company and Shell Oil Products U.S. dated as of January 29, 2007	8-K	2.1	2/1/2007
2.7	Sale and Purchase Agreement for Golden Eagle Refining and Marketing Assets, dated February 4, 2002, by and among Ultramar Inc. and Tesoro Refining and Marketing Company, including First Amendment dated February 20, 2002 and related Purchaser Parent Guaranty dated February 4, 2002	10-K	2.12	2/22/2002
2.8	Second Amendment to Sale and Purchase Agreement for Golden Eagle Refining and Marketing Assets, dated May 3, 2002	8-K	2.1	5/9/2002
2.9	Asset Purchase and Sale Agreement by and between the Company and Shell Oil Products U.S. dated as of January 29, 2007	8-K	2.2	2/1/2007
2.10	Purchase and Sale Agreement and Joint Escrow Instructions by and among the Company and USA Petroleum Corporation, USA Gasoline Corporation, Palisades Gas and Wash, Inc. and USA San Diego LLC dated as of January 26, 2007	8-K	2.3	2/1/2007

Exhibit Number	Description of Exhibit	Incorporated by Reference (File No. 1-3473, unless otherwise indicated) Form	Exhibit	Filing Date
#2.11	Letter Agreement to the Purchase and Sale Agreement and Joint Escrow Instructions dated April 30, 2007 between the Company and USA Petroleum Corporation, Palisades Gas and Wash, Inc. and USA San Diego, LLC	10-Q	2.1	8/7/2007
2.12	Purchase and Sale Agreement by and between Tesoro Refining and Marketing Company and the Sellers dated as of August 8, 2012	8-K	2.1	8/13/2012
2.13	Amendment No. 1 to Purchase and Sale Agreement, dated September 13, 2012, among 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, Energy Global Investments (USA) Inc., and Tesoro Refining & Marketing Company LLC	10-Q	2.1	8/5/2013
2.14	Amendment No. 2 to Purchase and Sale Agreement, dated May 31, 2013, among 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, Energy Global Investments (USA) Inc., and Tesoro Refining & Marketing Company LLC	10-Q	2.2	8/5/2013
2.15	Amendment No. 3 to Purchase and Sale Agreement, dated May 31, 2013, among BP West Coast Products LLC, Atlantic Richfield Company, Arco Midcon LLC, Arco Terminal Services Corporation, Arco Material Supply Company, Products Cogeneration Company, Energy Global Investments (USA) Inc., and Tesoro Refining & Marketing Company LLC	10-Q	2.3	8/5/2013
2.16	Membership Interest Purchase Agreement, dated June 17, 2013, by and among Tesoro Corporation, Tesoro Hawaii, LLC, and Hawaii Pacific Energy, LLC (Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Tesoro Corporation agrees to furnish supplementally a copy of such schedules, or any section thereof, to the SEC upon request.)	10-Q	2.4	8/5/2013
2.17	Agreement and Plan of Merger among Western Refining, Inc., Tesoro Corporation, Tahoe Merger Sub 1, Inc., and Tahoe Merger Sub 2, LLC, dated as of November 16, 2016 (Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Tesoro Corporation agrees to furnish supplementally a copy of such schedules, or any section thereof, to the SEC upon request.)	8-K	2.1	11/18/2016
3.1	Restated Certificate of Incorporation of Tesoro Corporation, dated as of August 10, 2012	S-3ASR (File No. 333-183872)	3.1	9/13/2012
3.2	Amended and Restated Bylaws of Tesoro Corporation effective November 1, 2016	8-K	3.1	10/25/2016
3.3	First Amended and Restated Agreement of Limited Partnership of Tesoro Logistics LP, dated April 26, 2011	8-K	3.1	4/29/2011
3.4	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Tesoro Logistics LP, dated as of December 2, 2014, entered into and effectuated by Tesoro Logistics GP, LLC	8-K	3.1	12/8/2014
3.5	Amendment No. 2 to First Amended and Restated Agreement of Limited Partnership of Tesoro Logistics LP, dated as of November 21, 2016, entered into and effectuated by Tesoro Logistics GP, LLC	8-K	3.1	11/21/2016
4.1	Indenture (including form of note), dated as of September 27, 2012, among Tesoro Corporation, the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 4.250% Senior Notes due 2017 and the 5.375% Senior Notes due 2022	8-K	4.1	10/2/2012
4.2	Supplemental Indenture, dated as of February 27, 2013, among Tesoro Corporation, certain subsidiary guarantors and U.S. Bank National Association, as trustee, relating to the 4.250% Senior Notes due 2017 and 5.375% Senior Notes due 2022	10-Q	4.1	5/3/2013
4.3	Supplemental Indenture, dated as of September 5, 2013, among Tesoro Corporation, certain subsidiary guarantors and U.S. Bank National Association, as trustee, relating to the 4.250% Senior Notes due 2017 and 5.375% Senior Notes due 2022	10-K	4.6	2/24/2014
4.4	Supplemental Indenture, dated as of March 3, 2014, among Tesoro Corporation, certain subsidiary guarantors and U.S. Bank National Association, as trustee, relating to the 4.250% Senior Notes due 2017 and 5.375% Senior Notes due 2022	10-Q	4.1	5/2/2014

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description of Exhibit	Incorporated by Reference (File No. 1-3473, unless otherwise indicated) Form	Exhibit	Filing Date
4.5	Supplemental Indenture, dated as of November 11, 2015, among Tesoro Corporation, certain subsidiary guarantors and U.S. Bank National Association, as trustee, relating to the 4.250% Senior Notes due 2017 and the 5.375% Senior Notes due 2022	10-K	4.8	2/25/2016
4.6	Supplemental Indenture, dated as of January 7, 2016, among Tesoro Corporation, Tesoro Great Plains Holdings Company LLC, as new guarantor, and U.S. Bank National Association, as trustee, relating to the 4.250% Senior Notes due 2017 and the 5.375% Senior Notes due 2022	10-Q	4.1	5/5/2016
4.7	Supplemental Indenture, dated as of April 26, 2016, among Tesoro Corporation, certain subsidiary guarantors, and U.S. Bank National Association, as trustee, relating to the 4.250% Senior Notes due 2017 and the 5.375% Senior Notes due 2022	10-Q	4.3	8/4/2016
*4.8	Supplemental Indenture, dated as of November 4, 2016, among Tesoro Corporation, certain subsidiary guarantors, and U.S. Bank National Association, as trustee, relating to the 4.250% Senior Notes due 2017 and the 5.375% Senior Notes due 2022			
4.9	Release, dated September 10, 2013, of Tesoro Hawaii, LLC and Smiley's Super Service, Inc. from Indentures relating to the 9.750% Senior Notes due 2019, 4.250% Senior Notes due 2017 and 5.375% Senior Notes due 2022	10-K	4.7	2/24/2014
4.10	Indenture (including form of note), dated as of March 18, 2014, among Tesoro Corporation, the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 5.125% Senior Notes due 2024	8-K	4.1	3/18/2014
4.11	Supplemental Indenture, dated as of November 11, 2015, among Tesoro Corporation, certain subsidiary guarantors and U.S. Bank National Association, as trustee, relating to the 5.125% Senior Notes due 2024	10-K	4.11	2/25/2016
4.12	Supplemental Indenture, dated as of January 7, 2016, among Tesoro Corporation, Tesoro Great Plains Holdings Company LLC, as new guarantor, and U.S. Bank National Association, as trustee, relating to the 5.125% Senior Notes due 2024	10-Q	4.2	5/5/2016
4.13	Supplemental Indenture, dated as of April 26, 2016, among Tesoro Corporation, certain subsidiary guarantors, and U.S. Bank National Association, as trustee, relating to the 5.125% Senior Notes due 2024	10-Q	4.4	8/4/2016
*4.14	Supplemental Indenture, dated as of November 4, 2016, among Tesoro Corporation, certain subsidiary guarantors, and U.S. Bank National Association, as trustee, relating to the 5.125% Senior Notes due 2024			
4.15	Release, dated December 6, 2013, of Tesoro SoCal Pipeline Company LLC from Indentures relating to the 9.750% Senior Notes due 2019, 4.250% Senior Notes due 2017 and 5.375% Senior Notes due 2022	10-K	4.8	2/24/2014
4.16	Indenture (including form of Notes), dated as of December 22, 2016, among Tesoro Corporation, the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 4.750% Senior Notes due 2023 and the 5.125% Senior Notes due 2026	8-K	4.1	12/22/2016
4.17	Indenture, dated as of September 14, 2012, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 5.875% Senior Notes due 2020	8-K	4.1	9/17/2012
4.18	First Supplemental Indenture, dated as of January 24, 2013, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 5.875% Senior Notes due 2020	10-K	4.8	2/22/2013
4.19	Second Supplemental Indenture, dated as of December 9, 2013, among Tesoro SoCal Pipeline Company LLC, Tesoro Logistics LP, Tesoro Logistics Finance Corp., and U.S. Bank National Association, as trustee, relating to the 5.875% Senior Notes due 2020	10-K	4.11	2/24/2014
4.20	Third Supplemental Indenture, dated as of December 17, 2013, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 5.875% Senior Notes due 2020	8-K	4.2	12/17/2013
4.21	Fourth Supplemental Indenture, dated as of October 8, 2014, among Tesoro Alaska Pipeline Company LLC, Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. National	10-Q	4.6	10/31/2014

Bank Association, as trustee, relating to the 5.875% Senior Notes due 2020

Exhibit Number	Description of Exhibit	Incorporated by Reference (File No. 1-3473, unless otherwise indicated) Form	Exhibit	Filing Date
4.22	Fifth Supplemental Indenture, dated as of January 8, 2015, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. National Bank Association, as trustee, relating to the 5.875% Senior Notes due 2020	10-K	4.18	2/24/2015
4.23	Sixth Supplemental Indenture, dated as of May 21, 2015, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 5.875% Senior Notes due 2020	10-Q	4.3	8/6/2015
4.24	Indenture, dated as of August 1, 2013, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 6.125% Senior Notes due 2021	8-K	4.1	8/2/2013
4.25	First Supplemental Indenture, dated as of December 9, 2013, among Tesoro SoCal Pipeline Company LLC, Tesoro Logistics LP, Tesoro Logistics Finance Corp., and U.S. Bank National Association, as trustee, relating to the 6.125% Senior Notes due 2021	10-K	4.15	2/24/2014
4.26	Second Supplemental Indenture, dated as of October 8, 2014, among Tesoro Alaska Pipeline Company LLC, Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. National Bank Association, as trustee, relating to the 6.125% Senior Notes due 2021	10-Q	4.5	10/31/2014
4.27	Third Supplemental Indenture, dated as of January 8, 2015, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. National Bank Association, as trustee, relating to the 6.125% Senior Notes due 2021	10-K	4.24	2/24/2015
4.28	Fourth Supplemental Indenture, dated as of May 21, 2015, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 6.125% Senior Notes due 2021	10-Q	4.2	8/6/2015
*4.29	Fifth Supplemental Indenture, dated as of May 12, 2016, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 6.125% Senior Notes due 2021			
4.30	Indenture, dated as of October 29, 2014, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee	10-Q	4.3	10/31/2014
4.31	First Supplemental Indenture, dated as of December 2, 2014, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., QEP Field Services, LLC, the other entities party thereto, and U.S. Bank National Association, as trustee	8-K	4.1	12/8/2014
4.32	Second Supplemental Indenture, dated as of May 21, 2015, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee	10-Q	4.1	8/6/2015
*4.33	Indenture, dated as of May 12, 2016, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 6.375% Senior Notes due 2024			
*4.34	Indenture, dated as of December 2, 2016, among Tesoro Logistics LP, Tesoro Logistics Finance Corp., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 5.25% Senior Notes due 2025			
10.1	Term Loan Credit Agreement, dated as of January 28, 2013, among Tesoro Corporation, JPMorgan Chase Bank, National Association, as administrative agent and collateral agent, and the lending institutions from time to time parties thereto	8-K	10.1	1/30/2013
10.2	Credit Agreement, dated as of September 30, 2016, among Tesoro Corporation, JP Morgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto	8-K	10.1	10/3/2016
10.3	Amendment and Incremental Facility Agreement, dated as of December 13, 2016, to the Credit Agreement dated as of September 30, 2016, among Tesoro Corporation, JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto	8-K	10.1	12/13/2016
10.4	Commitment Letter, dated November 16, 2016, among Tesoro Corporation, Goldman Sachs Bank USA and Goldman Sachs Lending Partners LLC	8-K	10.1	11/18/2016

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description of Exhibit	Incorporated by Reference (File No. 1-3473, unless otherwise indicated) Form	Exhibit	Filing Date
10.5	Amended and Restated Commitment Letter, dated November 29, 2016, among Tesoro Corporation, Goldman Sachs Bank USA, JPMorgan Chase Bank, N.A., Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., a member of MUFG, a global financial group, Wells Fargo Bank, National Association, Wells Fargo Securities LLC, WF Investment Holdings LLC, SunTrust Bank, SunTrust Robinson Humphrey, Inc., UBS AG, Stamford Branch and UBS Securities LLC	8-K	10.1	12/2/2016
10.6	Third Amended and Restated Senior Secured Revolving Credit Agreement, dated as of January 29, 2016, among Tesoro Logistics LP, Bank of America, N.A., as administrative agent, and the other lenders party thereto	8-K	10.1	2/3/2016
10.7	Senior Secured Revolving Credit Agreement, dated as of January 29, 2016, among Tesoro Logistics LP, Bank of America, N.A., as administrative agent, and the other lenders party thereto	8-K	10.2	2/3/2016
10.8	Contribution, Conveyance and Assumption Agreement, dated as of November 12, 2015, among Tesoro Corporation, Tesoro Logistics GP, LLC, Tesoro Logistics Operations LLC, Tesoro SoCal Pipeline Company LLC, Tesoro Refining & Marketing Company LLC and Carson Cogeneration Company	8-K	2.1	11/12/2015
10.9	Contribution, Conveyance and Assumption Agreement, dated as of July 1, 2016, among Tesoro Logistics LP, Tesoro Logistics GP, LLC, Tesoro Logistics Operations LLC, Tesoro Alaska Company LLC and Tesoro Corporation	8-K	2.1	7/7/2016
10.10	Revision to the Contribution, Conveyance and Assumption Agreement, dated as of July 27, 2016, among Tesoro Logistics LP, Tesoro Logistics GP, LLC, Tesoro Logistics Operations LLC, Tesoro Alaska Company LLC and Tesoro Corporation	10-Q	2.2	11/2/2016
*10.11	Revision to the Contribution, Conveyance and Assumption Agreement, dated as of November 21, 2016, by and among Tesoro Logistics LP, Tesoro Logistics GP, LLC, Tesoro Logistics Operations LLC, Tesoro Corporation and Tesoro Refining & Marketing Company LLC			
10.12	Third Amended and Restated Omnibus Agreement, dated as of July 1, 2014, among Tesoro Corporation, Tesoro Refining & Marketing Company LLC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, Tesoro Logistics LP and Tesoro Logistics GP, LLC	8-K	10.7	7/1/2014
10.13	Amendment No. 1 to the Third Amended and Restated Omnibus Agreement, dated as of February 20, 2015, among Tesoro Corporation, Tesoro Refining & Marketing Company LLC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, Tesoro Logistics LP and Tesoro Logistics GP, LLC	10-K	10.21	2/24/2015
10.14	Amendment No. 2 to the Third Amended and Restated Omnibus Agreement, dated as of August 3, 2015, among Tesoro Corporation, Tesoro Refining & Marketing Company LLC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, Tesoro Logistics LP, Tesoro Logistics GP, LLC and the other Tesoro entities named therein	10-Q	10.2	8/6/2015
10.15	First Amended and Restated Schedules to the Third Amended and Restated Omnibus Agreement, dated as of November 12, 2015, among Tesoro Corporation, Tesoro Refining & Marketing Company LLC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, Tesoro Logistics LP, Tesoro Logistics GP, LLC and the other Tesoro entities named therein	8-K	10.1	11/12/2015
10.16	Second Amended and Restated Schedules to the Third Amended and Restated Omnibus Agreement, dated as of July 1, 2016, among Tesoro Logistics LP, Tesoro Logistics GP, LLC, Tesoro Corporation, Tesoro Refining & Marketing Company LLC, Tesoro Alaska Company LLC and Tesoro Companies, Inc.	8-K	10.2	7/7/2016
10.17	Third Amended and Restated Schedules to the Third Amended and Restated Omnibus Agreement, dated as of September 16, 2016, by and among Tesoro Corporation, Tesoro Refining & Marketing Company LLC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, Tesoro Logistics LP and Tesoro Logistics GP, LLC	8-K	10.4	9/22/2016
10.18	Fourth Amended and Restated Schedules to the Third Amended and Restated Omnibus Agreement, dated as of November 21, 2016, by and among Tesoro Corporation, Tesoro Refining & Marketing Company LLC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, Tesoro Logistics LP and Tesoro Logistics GP, LLC	8-K	10.1	11/21/2016
10.19	Transportation Services Agreement (Salt Lake City Short-Haul Pipelines), dated as of April 26, 2011, between Tesoro Refining and Marketing Company and Tesoro Logistics Operations LLC	8-K	10.4	4/29/2011

Exhibit Number	Description of Exhibit	Incorporated by Reference (File No. 1-3473, unless otherwise indicated) Form	Exhibit	Filing Date
10.20	Salt Lake City Storage and Transportation Services Agreement, dated as of April 26, 2011, between Tesoro Refining and Marketing Company and Tesoro Logistics Operations LLC	8-K	10.5	4/29/2011
10.21	Second Amended and Restated Master Terminalling Services Agreement, dated as of May 3, 2013, among Tesoro Refining & Marketing Company LLC, Tesoro Alaska Company and Tesoro Logistics Operations LLC	10-Q	10.5	8/5/2013
10.22	Amendment No. 1 to the Second Amended and Restated Master Terminalling Services Agreement dated as of September 16, 2016, by and among Tesoro Refining and Marketing Company LLC, Tesoro Alaska Company LLC and Tesoro Logistics Operations LLC	8-K	10.1	9/22/2016
10.23	Terminal Expansion Agreement, dated as of February 27, 2012, between Tesoro Logistics Operations LLC and Tesoro Refining and Marketing Company	10-Q	10.6	5/3/2012
10.24	Amorco Marine Terminal Use and Throughput Agreement, effective April 1, 2012, between Tesoro Refining and Marketing Company and Tesoro Logistics Operations, LLC	8-K	10.3	4/3/2012
10.25	Amended and Restated Long Beach Berth Access Use and Throughput Agreement, dated as of December 6, 2013, among Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Logistics Operations LLC	8-K	10.9	12/9/2013
10.26	Long Beach Operating Agreement, dated as of September 14, 2012, among Tesoro Logistics Operations LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Refining and Marketing Company	8-K	10.5	9/17/2012
10.27	Transportation Services Agreement (Los Angeles Refinery Short-Haul Pipelines), executed as of September 14, 2012, among Tesoro Logistics Operations LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Refining and Marketing Company	8-K	10.6	9/17/2012
10.28	Anacortes Track Use and Throughput Agreement, dated as of November 15, 2012, among Tesoro Logistics LP, Tesoro Logistics GP, LLC, Tesoro Refining and Marketing Company and Tesoro Logistics Operations LLC	8-K	10.3	11/15/2012
10.29	Amended and Restated Master Terminalling Services Agreement - Southern California, dated as of December 6, 2013, among Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Logistics Operations LLC	8-K	10.11	12/9/2013
10.30	Carson Storage Services Agreement, dated as of June 1, 2013, among Tesoro Logistics LP, Tesoro Logistics GP, LLC, Tesoro Refining & Marketing Company LLC and Tesoro Logistics Operations LLC	8-K	10.4	6/3/2013
10.31	Carson II Storage Services Agreement, dated as of November 12, 2015, by and between Tesoro Refining & Marketing Company LLC and Tesoro Logistics Operations LLC	8-K	10.2	11/12/2015
10.32	Long Beach Berth Throughput Agreement, dated as of December 6, 2013, among Carson Cogeneration Company, Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP, and Tesoro Logistics Operations LLC	8-K	10.10	12/9/2013
10.33	Long Beach Storage Services Agreement, dated as of December 6, 2013, among Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Logistics Operations LLC	8-K	10.12	12/9/2013
10.34	Transportation Services Agreement (SoCal Pipelines), dated as of December 6, 2013, between Tesoro Refining & Marketing Company LLC and Tesoro SoCal Pipeline Company LLC	8-K	10.13	12/9/2013
10.35	Amendment No. 1 to Transportation Services Agreement (SoCal Pipelines), dated as of November 12, 2015, among Tesoro SoCal Pipeline Company LLC and Tesoro Refining & Marketing Company LLC	8-K	10.3	11/12/2015
10.36	Long Beach Pipeline Throughput Agreement (84/86 Pipelines), dated as of December 6, 2013, between the Operating Company and Tesoro Refining & Marketing Company LLC	8-K	10.14	12/9/2013
10.37	Berth 121 Operating Agreement, dated as of December 6, 2013, between Carson Cogeneration Company and Tesoro Logistics Operations LLC	8-K	10.5	12/9/2013

Exhibit Number	Description of Exhibit	Incorporated by Reference (File No. 1-3473, unless otherwise indicated) Form	Exhibit	Filing Date
10.38	Terminals 2 and 3 Operating Agreement, dated as of December 6, 2013, among Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Logistics Operations LLC	8-K	10.8	12/9/2013
10.39	Second Amended and Restated Representation and Services Agreement for Oil Spill Contingency Planning, Response and Remediation, dated as of September 16, 2016, by and among Tesoro Companies, Inc., Tesoro Maritime Company, Tesoro Refining & Marketing Company LLC, Tesoro Alaska Company LLC, Kenai Pipe Line Company, Tesoro Alaska Pipeline Company LLC, Carson Cogeneration Company, Tesoro Great Plains Midstream LLC, Tesoro Great Plains Gathering & Marketing LLC, BakkenLink Pipeline LLC, ND Land Holdings LLC, Tesoro Logistics Operations LLC, Tesoro High Plains Pipeline Company LLC, Tesoro Logistics Pipelines LLC, Tesoro Logistics Northwest Pipeline LLC, Tesoro SoCal Pipeline Company LLC, QEP Field Services, LLC, QEPM Gathering I, LLC, Green River Processing, LLC, Rendezvous Pipeline Company, LLC and Tesoro Alaska Terminals LLC	8-K	10.3	9/22/2016
10.40	Berth 121 Sublease Rights Agreement, dated as of December 6, 2013, among Carson Cogeneration Company, Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Logistics Operations LLC	8-K	10.4	12/9/2013
10.41	Terminal 2 Sublease Rights Agreement, dated as of December 6, 2013, among Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP, and Tesoro Logistics Operations LLC	8-K	10.6	12/9/2013
10.42	Terminals 2 and 3 Ground Lease Rights Agreement, dated as of December 6, 2013, among Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Logistics Operations LLC	8-K	10.7	12/9/2013
10.43	Terminalling Services Agreement – Nikiski, dated as of July 1, 2014, among Tesoro Alaska Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP, and Tesoro Logistics Operations LLC	8-K	10.2	7/1/2014
10.44	Terminalling Services Agreement – Anacortes, dated as of July 1, 2014, among Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Logistics Operations LLC	8-K	10.3	7/1/2014
10.45	Amendment No. 1 to Anacortes Track Use and Throughput Agreement, dated as of July 1, 2014, between Tesoro Refining & Marketing Company LLC and Tesoro Logistics Operations LLC	8-K	10.4	7/1/2014
10.46	Terminalling Services Agreement – Martinez, dated as of July 1, 2014, among Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP, and Tesoro Logistics Operations LLC	8-K	10.5	7/1/2014
10.47	Storage Services Agreement—Anacortes, dated as of July 1, 2014, among Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Logistics Operations LLC	8-K	10.6	7/1/2014
10.48	Secondment and Logistics Services Agreement, dated as of July 1, 2014, among Tesoro Refining & Marketing Company LLC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics Operations, LLC, Tesoro Logistics Pipelines LLC, Tesoro High Plains Pipeline Company LLC, Tesoro Logistics Northwest Pipeline LLC and Tesoro Alaska Pipeline Company LLC	8-K	10.8	7/1/2014
10.49	Amendment No. 1 to Secondment and Logistics Services Agreement, dated as of December 2, 2014, among Tesoro Refining & Marketing Company LLC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics Operations, LLC, Tesoro Logistics Pipelines LLC, Tesoro High Plains Pipeline Company LLC, Tesoro Logistics Northwest Pipeline LLC, Tesoro Alaska Pipeline Company LLC, QEP Field Services, LLC, QEP Midstream Partners GP, LLC, QEP Midstream Partners Operating, LLC, QEPM Gathering I, LLC, Rendezvous Pipeline Company, LLC and Green River Processing, LLC	10-K	10.49	2/24/2015

Exhibit Number	Description of Exhibit	Incorporated by Reference (File No. 1-3473, unless otherwise indicated) Form	Exhibit	Filing Date
10.50	Amendment No. 2 to Secondment and Logistics Services Agreement, dated as of March 31, 2016, among Tesoro Refining & Marketing Company LLC, Tesoro Companies Inc., Tesoro Alaska Company LLC, Tesoro Great Plains Midstream LLC, Tesoro Great Plains Gathering and Marketing LLC, BakkenLink Pipeline LLC, ND Land Holdings LLC, Tesoro Alaska Terminals LLC, Tesoro Logistics GP LLC, Tesoro Logistics Operations LLC, Tesoro Logistics Pipelines LLC, Tesoro High Plains Pipeline Company LLC, Tesoro Logistics Northwest Pipeline LLC, Tesoro Alaska Pipeline Company LLC, QEP Field Services LLC, QEP Midstream Partners Operating LLC, QEPM Gathering I LLC, Rendezvous Pipeline Company LLC, and Green River Processing LLC	10-Q	10.1	5/5/2016
10.51	Amendment No. 3 to Secondment and Logistics Services Agreement, dated as of November 21, 2016, among Tesoro Companies Inc., Tesoro Refining & Marketing Company LLC, Tesoro Alaska Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics Operations LLC, Tesoro Logistics Pipelines LLC, Tesoro High Plains Pipeline Company LLC, Tesoro Logistics Northwest Pipeline LLC, and Tesoro Alaska Pipeline Company LLC	8-K	10.5	11/21/2016
10.52	Carson Assets Indemnity Agreement, dated as of December 6, 2013, among Tesoro Corporation, Tesoro Refining & Marketing Company LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Logistics Operations LLC	8-K	10.3	12/9/2013
10.53	Keep-Whole Commodity Fee Agreement, dated as of December 7, 2014, among Tesoro Refining & Marketing Company LLC, QEP Field Services, LLC, QEPM Gathering I, LLC and Green River Processing, LLC	8-K	4.2	12/8/2014
10.54	First Amendment to Keep-Whole Commodity Fee Agreement, dated as of February 1, 2016, among QEP Field Services, LLC, QEPM Gathering I, LLC, Green River Processing, LLC, and Tesoro Refining & Marketing Company LLC	8-K	10.3	2/3/2016
#10.55	Agreement to Lease between Tesoro Refining and Marketing Company and Thrifty Oil Co. dated effective August 29, 2011	10-Q/A	10.17	2/22/2012
10.56	License Agreement, dated as of November 12, 2015, among Tesoro Refining & Marketing Company LLC and Tesoro Logistics Operations LLC	8-K	10.4	11/12/2015
10.57	Agreement, dated effective as of February 19, 2016, between Tesoro Refining and Marketing Company LLC and Green River Processing, LLC, related to the back-to-back purchase and sale of waxy crude oil	10-K	10.104	2/25/2016
10.58	Ground Lease, dated as of July 1, 2016, between Tesoro Alaska Company LLC and Tesoro Logistics Operations LLC	8-K	10.1	7/7/2016
10.59	Kenai Storage Services Agreement, dated as of July 1, 2016, among Tesoro Alaska Company LLC, Tesoro Logistics Operations LLC, Tesoro Logistics GP, LLC and Tesoro Logistics LP	8-K	10.3	7/7/2016
10.60	Alaska Terminalling Services Agreement, dated as of September 16, 2016 by and among Tesoro Alaska Company LLC, Tesoro Logistics Operations LLC, Tesoro Alaska Terminals LLC, Tesoro Logistics GP, LLC and Tesoro Logistics LP	8-K	10.2	9/22/2016
10.61	Martinez Storage Services Agreement, dated as of November 21, 2016, by and among Tesoro Refining & Marketing Company LLC, Tesoro Logistics Operations LLC, Tesoro Logistics GP, LLC and Tesoro Logistics LP	8-K	10.2	11/21/2016
10.62	License Agreement, dated as of November 21, 2016, by and among Tesoro Refining & Marketing Company LLC and Tesoro Logistics Operations LLC	8-K	10.3	11/21/2016
10.63	Avon Marine Terminal Operating Agreement, dated as of November 21, 2016, by and among Tesoro Logistics Operations LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Refining & Marketing Company LLC	8-K	10.4	11/21/2016
10.64	Sublease, dated as of November 21, 2016, by and among Tesoro Refining & Marketing Company LLC and Tesoro Logistics Operations LLC	8-K	10.6	11/21/2016
10.65	Avon Marine Terminal Use and Throughput Agreement, dated as of November 21, 2016, by and among Tesoro Logistics Operations LLC, Tesoro Logistics GP, LLC, Tesoro Logistics LP and Tesoro Refining & Marketing Company LLC	8-K	10.7	11/21/2016
10.66	Voting and Support Agreement by and among Western Refining, Inc., Tesoro Corporation, Tahoe Merger Sub 1, Inc., Tahoe Merger Sub 2, LLC, Paul L. Foster and Franklin Mountain Investments, dated as of November 16, 2016	8-K	10.2	11/18/2016

Exhibit Number	Description of Exhibit	Incorporated by Reference (File No. 1-3473, unless otherwise indicated) Form	Exhibit	Filing Date
10.67	Voting and Support Agreement by and among Western Refining, Inc., Tesoro Corporation, Tahoe Merger Sub 1, Inc., Tahoe Merger Sub 2, LLC, and Jeff A. Stevens, dated as of November 16, 2016	8-K	10.3	11/18/2016
10.68	Voting and Support Agreement by and among Western Refining, Inc., Tesoro Corporation, Tahoe Merger Sub 1, Inc., Tahoe Merger Sub 2, LLC, and Scott D. Weaver, dated as of November 16, 2016	8-K	10.4	11/18/2016
†10.69	Amended and Restated Executive Security Plan effective January 1, 2009	8-K	10.1	12/18/2008
†10.70	Amendment No. 1 to the Amended and Restated Executive Security Plan effective as of January 1, 2010	10-K	10.8	3/1/2010
†10.71	2006 Long-Term Incentive Plan dated effective January 1, 2009	8-K	10.4	12/18/2008
†10.72	Tesoro Corporation Amended and Restated 2011 Long-Term Incentive Plan	DEF 14A	App. A	3/21/2013
†10.73	Description of 2015 Incentive Compensation Program	10-K	10.59	2/24/2015
†10.74	Description of 2016 Incentive Compensation Program	10-K	10.63	2/25/2016
†10.75	Tesoro Corporation 2006 Executive Deferred Compensation Plan effective January 1, 2009	8-K	10.6	12/18/2008
†10.76	Amendment No. 1 to the Tesoro Corporation Executive Deferred Compensation Plan effective January 1, 2011	10-K	10.37	2/22/2013
†10.77	Amendment No. 2 to the Tesoro Corporation Executive Deferred Compensation Plan effective January 1, 2011	10-K	10.38	2/22/2013
†10.78	Amended and Restated Tesoro Corporation Executive Deferred Compensation Plan effective January 1, 2016	10-Q	10.4	10/29/2015
†10.79	Tesoro Corporation Restoration Retirement Plan effective January 1, 2009	8-K	10.5	12/18/2008
†10.80	Amendment No. 1 to the Tesoro Corporation Restoration Retirement Plan effective January 1, 2010	10-K	10.13	3/1/2010
†10.81	2006 Long-Term Stock Appreciation Rights Plan of Tesoro Corporation	8-K	10.1	2/8/2006
†10.82	Tesoro Corporation 2014 Performance Share Award Grant Letter	8-K	10.1	2/7/2014
†10.83	Tesoro Corporation 2015 Performance Share Award Grant Letter	8-K	10.1	2/17/2015
†10.84	Tesoro Corporation 2016 Performance Share Award Grant Letter	8-K	10.4	2/3/2016
†10.85	Tesoro Corporation 2014 Market Stock Unit Award Grant Letter	8-K	10.2	2/7/2014
†10.86	Tesoro Corporation 2015 Market Stock Unit Award Grant Letter	8-K	10.2	2/17/2015
†10.87	Tesoro Corporation 2016 Market Stock Unit Award Grant Letter	8-K	10.5	2/3/2016
†10.88	Tesoro Corporation Performance Share Awards Granted in 2014 Summary of Key Provisions	8-K	10.3	2/7/2014
†10.89	Tesoro Corporation Performance Share Awards Granted in 2015 Summary of Key Provisions	8-K	10.3	2/17/2015
†10.90	Tesoro Corporation Performance Share Awards Granted in 2016 Summary of Key Provisions	8-K	10.6	2/3/2016
†10.91	Tesoro Corporation Market Stock Unit Awards Granted in 2014 Summary of Key Provisions	8-K	10.4	2/7/2014
†10.92	Tesoro Corporation Market Stock Unit Awards Granted in 2015 Summary of Key Provisions	8-K	10.4	2/17/2015
†10.93	Tesoro Corporation Market Stock Unit Awards Granted in 2016 Summary of Key Provisions	8-K	10.7	2/3/2016

Exhibit Number	Description of Exhibit	Incorporated by Reference (File No. 1-3473, unless otherwise indicated) Form	Exhibit	Filing Date
†10.94	Amended and Restated 1995 Non-Employee Director Stock Option Plan, as amended through March 15, 2000	10-Q	10.2	5/15/2002
†10.95	Amendment to the Company's Amended and Restated 1995 Non-Employee Director Stock Option Plan	S-4 (File No. 333-92468)	10.41	7/16/2002
†10.96	Amendment to the Company's 1995 Non-Employee Director Stock Option Plan effective as of May 11, 2004	S-8 (File No. 333-120716)	4.19	11/23/2004
†10.97	Amended and Restated Board of Directors Deferred Compensation Plan effective May 1, 2009	10-Q	10.1	11/9/2009
†10.98	Board of Directors Deferred Compensation Trust dated February 23, 1995	10-K	10(v)	3/17/1995
†10.99	Board of Directors Deferred Phantom Stock Plan effective January 1, 2009	8-K	10.2	12/18/2008
†10.100	2005 Director Compensation Plan	DEF 14A	Exh. A	4/1/2005
†10.101	Tesoro Corporation Non-Employee Director Compensation Program	10-Q	10.1	5/8/2015
†10.102	Tesoro Corporation Non-Employee Director Compensation Program	10-K	10.99	2/25/2016
†10.103	Amended and Restated Tesoro Corporation Executive Severance and Change in Control Plan effective May 1, 2013	10-Q	10.2	5/3/2013
†10.104	Tesoro Corporation Supplemental Executive Retirement Plan effective January 12, 2011	8-K	10.2	1/18/2011
†10.105	Form of Indemnification Agreement between the Company and its officers	8-K	10.2	8/4/2008
†10.106	Form of Indemnification Agreement between the Company and its directors	8-K	10.3	8/4/2008
*21.1	Subsidiaries of the Company			
*23.1	Consent of Independent Registered Public Accounting Firm (Ernst & Young LLP)			
*31.1	Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*31.2	Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*32.1	Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
*32.2	Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
**101.INS	XBRL Instance Document			
**101.SCH	XBRL Taxonomy Extension Schema Document			
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
**101.LAB	XBRL Taxonomy Extension Label Linkbase Document			
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

* Filed herewith.
** Submitted electronically herewith.
† Compensatory plan or arrangement.
Confidential treatment has been granted for certain portions of this Exhibit pursuant to a confidential treatment order granted by the Securities Exchange Commission. Such portions have been omitted and filed separately with the Securities Exchange Commission.

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

As permitted by Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant has not filed with this Quarterly Report on Form 10-Q certain instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries because the total amount of securities authorized under any of such instruments does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis. The Registrant agrees to furnish a copy of any such agreements to the Securities and Exchange Commission upon request.

Copies of exhibits filed as part of this Form 10-K may be obtained by stockholders of record at a charge of $0.15 per page, minimum $5.00 each request. Direct inquiries to the Corporate Secretary, Tesoro Corporation, 19100 Ridgewood Pkwy, San Antonio, Texas, 78259-1828.

SIGNATURES

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

TESORO CORPORATION

/s/ GREGORY J. GOFF

Gregory J. Goff

President and Chief Executive Officer

(Principal Executive Officer)

Dated: February 21, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ GREGORY J. GOFF Gregory J. Goff	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	February 21, 2017
/s/ STEVEN M. STERIN Steven M. Sterin	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2017
/s/ BLANE W. PEERY Blane W. Peery	Vice President and Controller (Principal Accounting Officer)	February 21, 2017
/s/ SUSAN TOMASKY Susan Tomasky	Independent Lead Director	February 21, 2017
/s/ RODNEY F. CHASE Rodney F. Chase	Director	February 21, 2017
/s/ EDWARD G. GALANTE Edward G. Galante	Director	February 21, 2017
/s/ ROBERT W. GOLDMAN Robert W. Goldman	Director	February 21, 2017
/s/ DAVID LILLEY David Lilley	Director	February 21, 2017
/s/ MARY PAT MCCARTHY Mary Pat McCarthy	Director	February 21, 2017
/s/ J.W. NOKES J.W. Nokes	Director	February 21, 2017
/s/ WILLIAM H. SCHUMANN, III William H. Schumann, III	Director	February 21, 2017
/s/ MICHAEL E. WILEY Michael E. Wiley	Director	February 21, 2017
/s/ PATRICK Y. YANG Patrick Y. Yang	Director	February 21, 2017

SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this " ***Supplemental Indenture*** "), dated as of November 4, 2016 among Tesoro Corporation, a Delaware corporation (the " ***Company*** "), Virent, Inc. (" ***Virent*** "), a Delaware corporation, Virent Renewables Holding Company LLC (" ***Virent Holding*** "), a Delaware limited liability company, Virent Renewables LLC (" ***Virent Renewables*** "), a Delaware limited liability company, Redland Vision, LLC (" ***Redland Vision***), a Delaware limited liability company and Dakota Prairie Refining, LLC (" ***Dakota Prairie*** "), a Delaware limited liability company (together with Virent, Virent Holding, Virent Renewables and Redland Vision, the " ***New Guarantors*** "), and U.S. Bank National Association, as trustee under the indenture referred to below (the " ***Trustee*** "). Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Indenture (as defined below).

W I T N E S S E T H :

WHEREAS, the Company and the existing Guarantors have heretofore executed and delivered to the Trustee an indenture (as amended, supplemented and in effect, the " ***Indenture*** "), dated as of September 27, 2012, pursuant to which the Company has issued an aggregate principal amount of $450,000,000 of 4.250% Senior Notes due 2017 and an aggregate principal amount of $475,000,000 of 5.375% Senior Notes due 2022 (collectively, the " ***Notes*** ");

WHEREAS, Article X of the Indenture provides that under certain circumstances the Company may or must cause certain of its Subsidiaries to execute and deliver to the Trustee a supplemental indenture pursuant to which such Subsidiaries shall unconditionally guarantee all of the Company's Obligations under the Notes pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the New Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. *Capitalized Terms* . Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. *Agreement to Guarantee* . Each New Guarantor hereby agrees, jointly and severally with all other Guarantors, to guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article X of the Indenture and to be bound by all other applicable provisions of the Indenture as a Guarantor thereunder.

3. *No Recourse Against Others* . No past, present or future director, officer, employee, manager, incorporator, partner, member, agent, shareholder or other owner of Capital Stock of any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, any Subsidiary Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

4. *NEW YORK LAW TO GOVERN* . THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

5. *Counterparts* . The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. *Effect of Headings* . The Section headings herein are for convenience only and shall not affect the construction hereof.

7. *The Trustee* . The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the correctness of the recitals of fact contained herein, all of which recitals are made solely by the New Guarantors.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

TESORO CORPORATION

By: /s/ STEPHAN E. TOMPSETT

Name: Stephan E. Tompsett
Title: Vice President and Treasurer

VIRENT, INC.

By: /s/ STEPHAN E. TOMPSETT

Name: Stephan E. Tompsett
Title: Vice President and Treasurer

VIRENT RENEWABLES HOLDING COMPANY LLC

By: /s/ STEPHAN E. TOMPSETT

Name: Stephan E. Tompsett
Title: Vice President and Treasurer

VIRENT RENEWABLES LLC

By: /s/ STEPHAN E. TOMPSETT

Name: Stephan E. Tompsett
Title: Vice President and Treasurer

REDLAND VISION, LLC

By: /s/ STEPHAN E. TOMPSETT

Name: Stephan E. Tompsett
Title: Vice President and Treasurer

DAKOTA PRAIRIE REFINING, LLC

By: /s/ STEPHAN E. TOMPSETT

Name: Stephan E. Tompsett
Title: Vice President and Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: /s/ JAMES KOWALSKI
Name: James Kowalski
Title: Vice President

SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this " ***Supplemental Indenture*** "), dated as of November 4, 2016 among Tesoro Corporation, a Delaware corporation (the " ***Company*** "), Virent, Inc. (" ***Virent*** "), a Delaware corporation, Virent Renewables Holding Company LLC (" ***Virent Holding*** "), a Delaware limited liability company, Virent Renewables LLC (" ***Virent Renewables*** "), a Delaware limited liability company, Redland Vision, LLC (" ***Redland Vision***), a Delaware limited liability company, and Dakota Prairie Refining, LLC (" ***Dakota Prairie*** "), a Delaware limited liability company (together with Virent, Virent Holding, Virent Renewables and Redland Vision, the " ***New Guarantors*** "), and U.S. Bank National Association, as trustee under the indenture referred to below (the " ***Trustee*** "). Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Indenture (as defined below).

W I T N E S S E T H :

WHEREAS, the Company and the existing Guarantors have heretofore executed and delivered to the Trustee an indenture (as amended, supplemented and in effect, the " ***Indenture*** "), dated as of March 18, 2014 pursuant to which the Company has issued an aggregate principal amount of $300,000,000 of 5.125% Senior Notes due 2024 (the " ***Notes*** ");

WHEREAS, Article X of the Indenture provides that under certain circumstances the Company may or must cause certain of its Subsidiaries to execute and deliver to the Trustee a supplemental indenture pursuant to which such Subsidiaries shall unconditionally guarantee all of the Company's Obligations under the Notes pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the New Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. *Capitalized Terms* . Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. *Agreement to Guarantee* . Each New Guarantor hereby agrees, jointly and severally with all other Guarantors, to guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article X of the Indenture and to be bound by all other applicable provisions of the Indenture as a Guarantor thereunder.

3. *No Recourse Against Others* . No past, present or future director, officer, employee, manager, incorporator, partner, member, agent, shareholder or other owner of Capital Stock of any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, any Subsidiary Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

4. *NEW YORK LAW TO GOVERN* . THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

5. *Counterparts* . The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. *Effect of Headings* . The Section headings herein are for convenience only and shall not affect the construction hereof.

7. *The Trustee* . The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the correctness of the recitals of fact contained herein, all of which recitals are made solely by the New Guarantors.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

TESORO CORPORATION

By: /s/ STEPHAN E. TOMPSETT
Name: Stephan E. Tompsett
Title: Vice President and Treasurer

VIRENT, INC.

By: /s/ STEPHAN E. TOMPSETT
Name: Stephan E. Tompsett
Title: Vice President and Treasurer

VIRENT RENEWABLES HOLDING COMPANY LLC

By: /s/ STEPHAN E. TOMPSETT
Name: Stephan E. Tompsett
Title: Vice President and Treasurer

VIRENT RENEWABLES LLC

By: /s/ STEPHAN E. TOMPSETT
Name: Stephan E. Tompsett
Title: Vice President and Treasurer

REDLAND VISION, LLC

By: /s/ STEPHAN E. TOMPSETT
Name: Stephan E. Tompsett
Title: Vice President and Treasurer

DAKOTA PRAIRIE REFINING, LLC

By: /s/ STEPHAN E. TOMPSETT
Name: Stephan E. Tompsett
Title: Vice President and Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: /s/ JAMES KOWALSKI
Name: James Kowalski
Title: Vice President

Exhibit 4.29

EXECUTION VERSION

FIFTH SUPPLEMENTAL INDENTURE (this " Supplemental Indenture "), dated as of May 12, 2016, by and among Tesoro Logistics LP, a limited partnership organized under the laws of Delaware (the " Partnership "), and Tesoro Logistics Finance Corp., a Delaware corporation (together with the Partnership, the " Issuers "), the Guarantors party hereto (the " Guarantors ") and U.S. Bank National Association, as trustee (the " Trustee ").

W I T N E S S E T H

WHEREAS, each of the Issuers and the Guarantors (as defined in the Indenture referred to below) has heretofore executed and delivered to the Trustee an indenture (as amended or supplemented prior to the date hereof the " Indenture "), dated as of August 1, 2013, providing for the issuance of 6.125% Senior Notes due 2021 (the " Existing Notes ");

WHEREAS, Section 2.13 of the Indenture provides that Additional Notes ranking *pari passu* with the Existing Notes may be created and issued from time to time by the Issuers (subject to the Issuers' compliance with Section 4.09 of the Indenture) without notice to or consent of the Holders and shall be consolidated with and form a single class with the Existing Notes and shall have the same terms as to status, redemption or otherwise as the Existing Notes; and

WHEREAS, the Issuers and the Guarantors desire to execute and deliver this Supplemental Indenture for the purpose of issuing $250,000,000 in aggregate principal amount of additional notes, having terms substantially identical in all material respects to the Existing Notes (the " Additional Notes " and, together with the Existing Notes, the " Notes "); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

(1) Capitalized Terms . Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

(2) Additional Securities . As of the date hereof, the Issuers will issue, and the Trustee is directed to authenticate and deliver, the Additional Notes under the Indenture, having terms substantially identical in all material respects to the Existing Notes, at an issue price of 100.250%, plus accrued and unpaid interest from April 15, 2016. The Existing Notes and the Additional Notes shall be treated as a single class for all purposes under the Indenture.

(3) Governing Law . THIS SUPPLEMENTAL INDENTURE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(4) Counterparts . The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

(5) Effect of Headings . The Section headings herein are for convenience only and shall not affect the construction hereof.

(6) The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Issuers and the Guarantors.

(7) Continued Effect. Except as expressly supplemented and amended by this Supplemental Indenture, the Indenture shall continue in full force and effect in accordance with the provisions thereof, and the Indenture (as supplemented and amended by this Supplemental Indenture) is in all respects hereby ratified and confirmed. This Supplemental Indenture and all the terms and conditions of this Supplemental Indenture, with respect to the Notes, shall be and be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

The remainder of this page is intentionally left blank.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

Very truly yours,

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLC its general partner

By: /s/ Phillip M. Anderson
Name: Phillip M. Anderson
Title: President

TESORO LOGISTICS FINANCE CORP.

By: /s/ Phillip M. Anderson
Name: Phillip M. Anderson
Title: President

The following entities, each as Guarantor:

GREEN RIVER PROCESSING, LLC
QEP FIELD SERVICES, LLC
QEP MIDSTREAM PARTNERS GP, LLC
QEP MIDSTREAM PARTNERS, LP.
QEP MIDSTREAM PARTNERS OPERATING, LLC
QEPM GATHERING I, LLC
RENDEZVOUS PIPELINE COMPANY, LLC
TESORO ALASKA PIPELINE COMPANY LLC
TESORO HIGH PLAINS PIPELINE COMPANY LLC
TESORO LOGISTICS NORTHWEST PIPELINE LLC
TESORO LOGISTICS OPERATIONS LLC
TESORO LOGISTICS PIPELINES LLC
TESORO SOCAL PIPELINE COMPANY LLC

By: /s/ Phillip M. Anderson
Name: Phillip M. Anderson
Title: President

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: /s/ James Kowalski

Name: James Kowalski

Title: Vice President

Exhibit 4.33
EXECUTION VERSION

TESORO LOGISTICS LP
TESORO LOGISTICS FINANCE CORP.

AND EACH OF THE GUARANTORS PARTY HERETO

6.375% SENIOR NOTES DUE 2024

INDENTURE

Dated as of May 12, 2016

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	*Indenture Section*
310 (a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.10
311 (a)	7.11
(b)	7.11
312 (a)	2.05
(b)	12.03
(c)	12.03
313 (a)	7.06
(b)(1)	N.A.
(b)(2)	7.06; 7.07
(c)	7.06; 12.02
(d)	7.06
314 (a)(4)	4.04; 12.05
(b)	N.A
(c)(1)	12.04
(c)(2)	12.04
(c)(3)	N.A.
(d)	N.A.
(e)	12.05
(f)	N.A.
315 (a)	N.A.
(b)	N.A.
(c)	N.A.
(d)	N.A.
(e)	N.A.
316 (a)(last sentence)	2.06
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A
(b)	6.07
(c)	2.12; 9.04
317 (a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318 (a)	12.01
(b)	N.A.
(c)	12.01

N.A. means not applicable.

* This Cross Reference Table is not part of the Indenture.

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EXHIBITS

Exhibit A	FORM OF NOTE
Exhibit B	FORM OF SUPPLEMENTAL INDENTURE TO BE DELIVERED BY SUBSEQUENT GUARANTORS

INDENTURE dated as of May 12, 2016 among Tesoro Logistics LP, a Delaware limited partnership (" TLLP "), and Tesoro Logistics Finance Corp. (" Finance Corp ." and, together with TLLP, the " Issuers "), the Guarantors (as defined herein) and U.S. Bank National Association, a national banking association, as trustee.

The Issuers, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined herein) of the 6.375% Senior Notes due 2024 (the " Notes "):

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01 *Definitions.*

" Acquired Debt " means, with respect to any specified Person:

(1) 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, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person, but excluding Indebtedness which is extinguished, retired or repaid in connection with such Person merging with or becoming a Restricted Subsidiary of such specific Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person, but excluding Indebtedness which is extinguished, retired or repaid in connection with such asset being acquired by such Person.

" Acquisition " means the acquisition of QEP Field Services, LLC pursuant to the Acquisition Agreement.

" Acquisition Agreement " means the Membership Interest Purchase Agreement, dated as of October 19, 2014, by and between Tesoro Logistics LP and QEP Field Services Company.

" Additional Notes " means additional Notes (other than the applicable Initial Notes) issued under this Indenture in accordance with Sections 2.02 , 2.13 and 4.09 hereof, as part of the same series of the Initial Notes.

" Affiliate " of any specified Person means 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," as used with respect to any Person, means 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. For purposes of this definition, the terms " controlling ," " controlled by " and " under common control with " have correlative meanings.

" Agent " means any Registrar, co-registrar, Paying Agent or additional paying agent.

" Applicable Premium " means, with respect to any Note on any Redemption Date, the greater of:

(1) 1.0% of the principal amount of the Note; and

(2) the excess of: (a) the present value at such Redemption Date of (i) the Redemption Price of such Note at May 1, 2019 (such redemption price being described in Section 3.07(a)(2)) plus (ii) all required interest payments due on such Note through May 1, 2019 (excluding accrued and unpaid interest to, but excluding, the Redemption Date), computed using a discount rate equal to the Treasury Rate as of such Redemption Date plus 50 basis points; over (b) the principal amount of the Note.

" Applicable Procedures " means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

" Asset Sale " means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of TLLP and its Restricted Subsidiaries taken as a whole will be governed by Section 4.15 hereof and/or Section 5.01 hereof and not by Section 4.10 hereof; and

(2) the issuance of Equity Interests in any of TLLP's Restricted Subsidiaries or the sale of Equity Interests in any of its Restricted Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) 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 TLLP or any of its Subsidiaries;

(2) any single transaction or series of related transactions that: (a) involves assets having a Fair Market Value of less than $25.0 million or (b) results in net proceeds to TLLP and its Restricted Subsidiaries of less than $25.0 million;

(3) a transfer of assets between or among TLLP and its Restricted Subsidiaries;

(4) an issuance of Equity Interests by a Restricted Subsidiary of TLLP to TLLP or to a Restricted Subsidiary of TLLP;

(5) the sale or lease of products, equipment, services or accounts receivable in the ordinary course of business;

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

(7) a Restricted Payment that does not violate Section 4.07 hereof or a Permitted Investment;

(8) any lease of assets entered into in the ordinary course of business and with respect to which TLLP or any Restricted Subsidiary of TLLP 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;

(9) any trade or exchange by TLLP or any Restricted Subsidiary of properties or assets of any type for properties or assets of any type owned or held by another Person, including any disposition of some or all of the Equity Interests of a Restricted Subsidiary, *provided* that the fair market value of the properties or assets traded or exchanged by TLLP or such Restricted Subsidiary (together with any cash or Cash Equivalent together with the liabilities assumed) is reasonably equivalent to the fair market value of the properties or assets (together with any cash or Cash Equivalent together with liabilities assumed) to be received by TLLP or such Restricted Subsidiary; and *provided further* that any cash received must be applied in accordance with Section 4.10 hereof;

(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 Section 4.12 hereof;

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

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

(14) any disposition of defaulted receivables that arose in the ordinary course of business for collection.

" Attributable Debt " in respect of a sale-and-leaseback transaction means, at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded annually) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale-and-leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. As used in the preceding sentence, "net rental payments" under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder, excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates, utilities, operating and labor costs and other items that do not constitute payment for property rights. In the case of any lease that is terminable by the lessee upon payment of penalty, such net rental payment shall also include 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.

" Available Cash " has the meaning assigned to such term in the Partnership Agreement, as in effect on the Issue Date.

" Bankruptcy Law " means Title 11, U.S. Code, as amended, or any similar federal or state law for the relief of debtors.

" Beneficial Owner " has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms " Beneficially Owns " and " Beneficially Owned " have a corresponding meaning.

" Board of Directors " means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors or Board of Managers of the general partner of the partnership, or in the case of TLLP, the Board of Directors of the General Partner;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

" Business Day " means any day other than a Legal Holiday.

" Capital Stock " means:

(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 interests (whether general or limited) or membership interests; 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 " means:

(1) United States dollars;

(2) securities issued or fully guaranteed or insured by the United States government or any agency thereof having maturities of not more than twenty-four (24) months from the date of acquisition thereof;

(3) time deposits with, certificates of deposit, bankers' acceptances or Eurodollar time deposits of, any commercial bank that (a) is organized under the laws of the United States of America, any state thereof or the District of Columbia or is the principal banking subsidiary of a bank holding company organized under the laws of the United States of America, any state thereof or the District of Columbia or any United States branch of a foreign bank, and is a member of the Federal Reserve System, (b) issues long term securities with a rating of at least A- (or the then-equivalent grade, in each case with a stable outlook) by S&P and A3 (or the then-equivalent grade, in each case with a stable outlook) by Moody's at the time of acquisition and (c) has combined capital and surplus of at least $500,000,000, in each case with maturities of not more than twenty-four (24) months from the date of acquisition thereof;

(4) commercial paper of an issuer rated at least "A-2" (or the then-equivalent grade) by S&P or "P-2" (or the then-equivalent grade) by Moody's at the time of acquisition or guaranteed by a letter of credit issued by a financial institution rated at least A- (or the then-equivalent grade, in each case with stable outlook) by S&P and A3 (or the then-equivalent grade, in each case with stable outlook) by Moody's at the time of acquisition and such financial institution otherwise meets the requirements of subsections (a) and (c) of clause (3) of this definition, in each case having a tenor of not more than 270 days;

(5) taxable and tax-exempt municipal securities rated at least A- (or the then-equivalent grade) by S&P and A3 (or the then-equivalent grade) by Moody's, including variable rate municipal securities, having maturities or put rights of not more than twenty-four (24) months from the date of acquisition;

(6) corporate or bank debt of an issuer rated at least A- (or the then-equivalent grade, in each case with a stable outlook) by S&P and A3 (or the then-equivalent grade, in each case with stable outlook) by Moody's at the time of acquisition and having maturities of not more than twenty-four (24) months from the date of acquisition;

(7) repurchase agreements relating to any of the investments listed in clauses (1) through (6) above with a market value at least equal to the consideration paid in connection therewith, with any Person who regularly engages in the business of entering into repurchase agreements and has a combined capital and surplus of not less than $500,000,000 whose long term securities are

rated at least A- (or the then-equivalent grade) by S&P and A3 (or the then-equivalent grade) by Moody's at the time of acquisition;

(8) asset-backed securities having as the underlying asset securities issued or guaranteed by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association rated at least A- (or the then-equivalent grade, in each case with stable outlook) by S&P and A3 (or the then-equivalent grade, in each case with case with stable outlook) by Moody's at the time of acquisition and having maturities of not more than twenty-four (24) months from the date of acquisition; and

(9) Investments, classified in accordance with GAAP as current assets of TLLP or any of its Subsidiaries, in money market mutual or similar funds having assets in excess of $100,000,000, at least 95% of the assets of which are comprised of assets specified in clauses (1) through (8) above of this definition.

" Change of Control " means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of TLLP and its Subsidiaries taken as a whole (unless immediately following such sale, lease, transfer, conveyance or other disposition in compliance with this Indenture such assets are owned, directly or indirectly, by (A) TLLP or a Subsidiary of TLLP, (B) a Person controlled by TLLP or a Subsidiary of TLLP or (C) a Qualified Owner) to any "person" (as that term is used in Section 13(d) of the Exchange Act);

(2) the adoption of a plan relating to the liquidation or dissolution of TLLP or the removal of the General Partner by the limited partners of TLLP; or

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as defined above), other than a Qualified Owner, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the General Partner, measured by voting power rather than number of shares.

Notwithstanding the preceding, (a) a conversion of TLLP from a limited partnership to a corporation, limited liability company or other form of entity or an exchange of all of the outstanding limited partnership interests for capital stock in a corporation, for member interests in a limited liability company or for Equity Interests in such other form of entity shall not constitute a Change of Control, so long as following such conversion or exchange the "persons" (as defined above) who Beneficially Owned the Capital Stock of TLLP immediately prior to such transactions continue to Beneficially Own in the aggregate more than 50% of the Voting Stock of such entity, or continue to Beneficially Own sufficient Equity Interests in such entity to elect a majority of its directors, managers, trustees or other persons serving in a similar capacity for such entity and (b) a "person" or "group" shall not be deemed to Beneficially Own securities subject to a stock or asset purchase agreement, merger agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the transactions contemplated by such agreement.

" Change of Control Triggering Event " means the occurrence of both a Change of Control and a Rating Decline with respect to the Notes.

" Clearstream " means Clearstream Banking, société anonyme, and its successors.

" Code " means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

" Consolidated Cash Flow " means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus* , without duplication:

(1) an amount (to the extent not included in Consolidated Net Income) equal to the dividends or distributions paid during such period in cash or Cash Equivalents to such Person or any of its Restricted Subsidiaries by a Person that is not a Restricted Subsidiary of such Person; *plus*

(2) an amount equal to (i) any extraordinary loss plus (ii) any net loss realized by such Person or any of its Restricted Subsidiaries in connection with sales of assets or the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries, in each case, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(3) 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 in computing such Consolidated Net Income; *plus*

(4) the Fixed Charges of such Person and its Restricted Subsidiaries for such period (together with items excluded from the definition of "Fixed Charges" pursuant to clauses (1)(a)(s) through (z) and clause (2) thereof), to the extent that any such Fixed Charges was deducted in computing such Consolidated Net Income; *plus*

(5) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(6) unrealized non-cash losses resulting from foreign currency balance sheet adjustments required by GAAP to the extent such losses were deducted in computing such Consolidated Net Income; *minus*

(7) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business and other than any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated Cash Flow in any prior period,

in each case, on a consolidated basis and determined in accordance with GAAP.

" Consolidated Net Income " means, with respect to any specified Person for any period, the aggregate of the Net Income attributable to such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided* that:

(1) the aggregate 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 will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) [reserved];

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) unrealized losses and gains under Hedging Obligations included in the determination of Consolidated Net Income, including, without limitation those resulting from the application of Accounting Standards Codification No. 815 will be excluded;

(5) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with (a) any asset sale (including dispositions pursuant to sale-and-leaseback transactions) or (b) the disposition of any securities by such Person or the extinguishment of any Indebtedness or Hedging Obligations of such Person shall be excluded;

(6) any impairment charge or asset write-off pursuant to Accounting Standards Codification No. 350, "Goodwill and Other Intangible Assets," shall be excluded;

(7) any non-cash or other charges relating to any premium or penalty paid, write-off of deferred finance costs or other charges in connection with redeeming or retiring any Indebtedness prior to its Stated Maturity shall be excluded;

(8) any non-cash compensation charge arising from any grant of stock, stock options or other equity-based awards shall be excluded; and

(9) any extraordinary, unusual or nonrecurring gain, loss or charge, together with any related provision for taxes on such extraordinary or nonrecurring gain, loss or charge, shall be excluded.

" Consolidated Net Tangible Assets " means, with respect to any Person at any date of determination, the aggregate amount of total assets included in such Person's most recent quarterly or annual consolidated balance sheet prepared in accordance with GAAP less applicable reserves reflected in such balance sheet, after deducting the following amounts: (a) all current liabilities reflected in such balance sheet, and (b) all goodwill, trademarks, patents, unamortized debt discounts and expenses and other like intangibles reflected in such balance sheet, with such pro forma adjustments to total assets, reserves, current liabilities, goodwill, trademarks, patents, unamortized debt discounts and expenses and other like intangibles as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of "Fixed Charge Coverage Ratio."

" Corporate Trust Office of the Trustee " will be at the address of the Trustee specified in Section 12.02 hereof or such other address as to which the Trustee may give notice to the Issuers.

" Credit Agreements " means (1) that certain Third Amended and Restated Credit Agreement, dated as of January 29, 2016, by and among Tesoro Logistics LP, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the financial institutions from time to time party thereto, providing for revolving credit borrowings, letters of credit and swing line loans, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time and (2) that certain Credit Agreement, dated as of January 29, 2016, by and among Tesoro Logistics LP, Bank of America, N.A., as administrative agent, and the financial institutions from time to time party thereto, providing for revolving credit borrowings, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

" Credit Facilities " means, one or more debt facilities (including, without limitation, the Credit Agreements) or commercial paper facilities or Debt Issuances, in each case, not with Tesoro Corporation or any parent of TLLP (other than a facility the portion of which Tesoro Corporation or any parent of TLLP loans, finances or otherwise invests or participates in constitutes less than 10% of the proposed or outstanding issue amount of such facility, Debt Issuance or class of securities), providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders, other financiers or to special purpose entities formed to borrow from (or sell such receivables to) such lenders or other financiers against such receivables), letters of credit, bankers' acceptances, other borrowings or Debt Issuances, in each case, as amended, restated, modified, renewed, extended, refunded, replaced or refinanced (in each case, without limitation as to amount), in whole or in part, from time to time (including through one or more Debt Issuances) and any agreements and related documents governing Indebtedness or Obligations incurred to refinance amounts then outstanding or permitted to be outstanding, whether or not with the original administrative agent, lenders, investment banks, insurance companies, mutual funds, other lenders, investors or any of the foregoing and whether provided under the original agreement, indenture or other documentation relating thereto.

" Custodian " means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

" Debt Issuances " means, with respect to TLLP or any of its Restricted Subsidiaries, one or more issuances after the Issue Date of Indebtedness evidenced by notes, debentures, bonds or other similar securities or instruments.

" Default " means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

" Definitive Note " means a certificated Note in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

" Depositary " means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depositary with respect to the Notes, and any and all successors thereto appointed as Depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

" Disqualified Equity " means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Equity Interest), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Equity Interest, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature, except such Equity Interest that is solely redeemable with, or solely exchangeable for, any Equity Interest of such Person that is not Disqualified Equity. Notwithstanding the preceding sentence, any Equity Interest that would constitute Disqualified Equity solely because the holders of the Equity Interest have the right to require TLLP or any of its Restricted Subsidiaries to repurchase such Equity Interest upon the occurrence of a change of control or an asset sale will not constitute Disqualified Equity if the terms of such Equity Interest provide that TLLP or such Restricted Subsidiary may not repurchase or redeem any such Equity Interest pursuant to such provisions unless such repurchase or redemption complies with Section 4.07 hereof.

" Domestic Subsidiary " means any Restricted Subsidiary of TLLP that was formed under the laws of the United States or any state of the United States or the District of Columbia.

" Equity Interests " means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

" Equity Offering " means any public or private sale of Equity Interests (other than Disqualified Equity) made for cash on a primary basis by TLLP after the Issue Date that has not been applied to redeem, prepay or refinance any other Indebtedness (other than the temporary repayment of Indebtedness under a revolving facility).

" Euroclear " means Euroclear Bank, S.A./N.V., as operator of the Euroclear system, and its successors.

" Exchange Act " means the Securities Exchange Act of 1934, as amended.

" Existing 5.500% and 6.250% Indenture " means the Indenture dated October 29, 2014, among the Issuers, the guarantors party thereto and U.S. Bank National Association, as trustee, as supplemented as of the Issue Date.

" Existing 5.875% Indenture " means the Indenture dated September 14, 2012, among the Issuers, the guarantors party thereto and U.S. Bank National Association, as trustee, as supplemented as of the Issue Date.

" Existing 6.125% Indenture " means the Indenture dated August 1, 2013, among the Issuers, the guarantors party thereto and U.S. Bank National Association, as trustee, as supplemented as of the Issue Date.

" Existing Indebtedness " means the aggregate principal amount of Indebtedness of TLLP and its Subsidiaries (other than Indebtedness under the Credit Agreements and the Notes and the related Guarantees) in existence on the Issue Date, including the Existing Senior Notes.

" Existing Senior Notes " means the $600.0 million 5.875% senior notes of the Issuers due 2020 issued under the Existing 5.875% Indenture, the $550.0 million 6.125% senior notes of the Issuers due 2021 issued under the Existing 6.125% Indenture, the $500.0 million 5.500% senior notes of the Issuers due 2019 issued under the Existing 5.500% and 6.250% Indenture and the $800.0 million 6.250% senior notes of the Issuers due 2022 issued under the Existing 5.500% and 6.250% Indenture.

" Fair Market Value " means, with respect to consideration received or to be received, or given or to be given, pursuant to any transaction by TLLP or any Restricted Subsidiary, the fair market value of such consideration as determined in good faith by the Board of Directors of the General Partner in the case of transactions involving $50.0 million or more and otherwise by an officer of TLLP.

" Financing Lease Obligation " means an obligation that is required to be accounted for as a financing or capital lease (and, for the avoidance of doubt, not a straight-line or operating lease) on both the balance sheet and income statement for financial reporting purposes in accordance with GAAP. 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 financing or capital lease would be the amount required to be reflected on such balance sheet (excluding the footnotes thereto) in accordance with GAAP. The Stated Maturity 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.

" Fixed Charge Coverage Ratio " means with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness or issues, repurchases or redeems Disqualified Equity subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the " Calculation Date "), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Equity, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable Reference Period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions (including, without limitation, a single asset, a division or segment or an entire company) that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, asset purchase transactions or consolidations and including any related financing transactions during the Reference Period or subsequent to such Reference Period and on or prior to the Calculation Date will be given pro forma effect as if they had occurred on the first day of the Reference Period, including any Consolidated Cash Flow and any pro forma expense and cost reductions and operating improvements that have occurred or are reasonably expected to occur, in the reasonable judgment of the chief financial or accounting officer of TLLP (regardless of whether those cost savings or operating improvements could then be reflected in pro forma financial statements in accordance with Regulation S-X promulgated under the Securities Act or any other regulation or policy of the SEC related thereto);

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the average rate in effect from the beginning of the applicable period to the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months); and

(5) if any Indebtedness is incurred or repaid under a revolving credit facility and is being given pro forma effect, the interest on such indebtedness shall be calculated based on the average daily balance of such Indebtedness for the four fiscal quarters subject to the pro forma calculation.

" Fixed Charges " means, with respect to any specified Person for any period, (A) the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Financing Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates and excluding (s) penalties and interest relating to taxes, (t) any "additional interest" relating to customary registration rights with respect to securities, (u) non-cash interest expense attributable to movement in mark-to-market valuation of Hedging Obligations or other derivatives (in each case permitted hereunder and under GAAP), (v) accretion or accrual of discounts with respect to liabilities not constituting Indebtedness, (w) any expense resulting from the discounting of Indebtedness in connection with the application of recapitalization or purchase accounting, (x) amortization of deferred financing fees, debt issuance costs, commissions, fees and expenses and, with respect to Indebtedness issued in connection with the Acquisition, original issue discount, (y) any expensing of bridge, commitment and other financing fees and (z) any lease, rental or other expense in connection with a Non-Financing Lease Obligation; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; *plus*

(4) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Equity of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable (i) solely in Equity Interests of TLLP (other than Disqualified Equity) or (ii) to TLLP or a Restricted Subsidiary of TLLP; *minus*

(B) to the extent included in (A) above, write-off of nonrecurring deferred financing costs of such Person and its Restricted Subsidiaries during such period and any charge related to, or any premium or penalty paid in connection with, paying any such Indebtedness of such Person and its Restricted Subsidiaries prior to its Stated Maturity.

" GAAP " means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time. If there occurs a change in generally accepted accounting principles relating to revenue recognition resulting from the joint revenue recognition standard of the Financial Accounting Standards Board and the International Accounting Standards Board, and such change would cause a change in the method of calculation of standards or terms as determined in good faith by TLLP (an " Accounting Change "), then TLLP may elect, as evidenced by a written notice of TLLP to the Trustee, that such standards or terms shall be calculated as if such Accounting Change had not occurred. Any such election with respect to such Accounting Change may not thereafter be changed.

" General Partner " means Tesoro Logistics GP, LLC, a Delaware limited liability company, and its successors and permitted assigns as general partner of TLLP or as the business entity with the ultimate authority to manage the business and operations of TLLP.

" Global Note Legend " means the legend set forth in Section 2.06(g)(ii) hereof, which is required to be placed on all Global Notes issued under this Indenture.

" Global Notes " means, individually and collectively, each of the Notes issued or issuable in the global form of Exhibit A hereto issued in accordance with Section 2.01 or 2.06 hereof.

" Government Securities " means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States of America is pledged.

" Guarantee " means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

" Guarantors " means each of:

(1) the Subsidiaries of TLLP, other than Finance Corp., executing this Indenture as initial Guarantors;

(2) each of TLLP's Restricted Subsidiaries that becomes a guarantor of the Notes pursuant to Section 4.16 hereof; and

(3) each other Person executing a supplemental indenture in which such Person agrees to be bound by the terms of this Indenture; *provided* that any Person constituting a Guarantor as described above shall cease to constitute a Guarantor when its respective Guarantee is released in accordance with the terms of this Indenture.

" Hedging Obligations " means, with respect to any specified Person, the obligations of such Person incurred not for speculative purposes under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

" Holder " means a Person in whose name a Note is registered.

" Indebtedness " means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments;

(3) reimbursement obligations in respect of bankers' acceptances or letters of credit;

(4) representing Financing Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed, except any earn-out obligations until after becoming due and payable, has not been paid and such obligation becomes a liability on the balance sheet of such Person in accordance with GAAP; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations), but excluding amounts recorded in accordance with Accounting Standards Codification No. 815, would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset (other than Liens on and pledges of the Equity Interests of any Unrestricted Subsidiary or any Joint Venture owned by TLLP or any Restricted Subsidiary of TLLP, in each case, securing Indebtedness of such Unrestricted Subsidiary or Joint Venture, as applicable) of the specified Person (whether or not such Indebtedness is assumed by the specified Person), but in an amount not to exceed the lesser of the amount of such Person's obligation or indebtedness and the Fair Market Value of such assets, and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

Notwithstanding the foregoing, the following shall not constitute "Indebtedness":

(1) accrued expenses and trade accounts payable arising in the ordinary course of business;

(2) the incurrence by TLLP or any of its Restricted Subsidiaries of Indebtedness in respect of bid, performance, surety, appeal, payment, insurance contracts and similar bonds issued for the account of TLLP and any of its Restricted Subsidiaries in the ordinary course of business, including guarantees and obligations of TLLP or any of its Restricted Subsidiaries with respect to letters of credit supporting such obligations (in each case other than an obligation for money borrowed);

(3) any Indebtedness which has been defeased in accordance with GAAP or defeased pursuant to the deposit of cash or Government Securities (in an amount sufficient to satisfy all such Indebtedness obligations at maturity or redemption, as applicable, and all payments of interest and premium, if any) in a trust or account created or pledged for the sole benefit of the holders of such indebtedness and subject to no other Liens, and the other applicable terms of the instrument governing such Indebtedness;

(4) any obligation arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* , *however* , that such obligation is extinguished within five Business Days of its incurrence;

(5) any obligation arising from any agreement providing for indemnities, guarantees, purchase price adjustments, holdbacks, contingency payment obligations based on the performance of the acquired or disposed assets or similar obligations (other than guarantees of Indebtedness) incurred by any Person in connection with the acquisition or disposition of assets; and

(6) Non-Financing Lease Obligations or other obligations under or in respect of straight-line leases or operating leases.

" Indenture " means this Indenture, as amended or supplemented from time to time.

" Independent Financial Advisor " means a nationally recognized accounting, appraisal or investment banking firm that is, in the reasonable judgment of the Board of Directors of the General Partner, qualified to perform the task for which such firm has been engaged hereunder and disinterested and independent with respect to TLLP and its Affiliates; *provided* , that providing accounting, appraisal or investment banking services to TLLP or any of its Affiliates or having an employee, officer or other representative serving as a member of the Board of Directors of the General Partner or any of its Affiliates will not disqualify any firm from being an Independent Financial Advisor.

" Indirect Participant " means a Person who holds a beneficial interest in a Global Note through a Participant.

" Initial Notes " means the $450,000,000 aggregate principal amount of 6.375% Senior Notes due 2024 issued under this Indenture on the date hereof.

" Interest Payment Date " means May 1 and November 1 of each year to stated maturity.

" Investment Grade Rating " of the Notes, means that the Notes shall have been assigned a Moody's rating of Baa3 or higher and an S&P rating of BBB- or higher, or if one of such rating agencies shall not make a rating on the Notes publicly available for reasons outside the control of the Issuers, then "Investment Grade Rating" shall mean that the Notes shall have been assigned such a rating by one of such rating agencies and an equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" registered under Section 15E of the Exchange Act selected by the Issuers.

" Investments " means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances (other than advances to customers in the ordinary course of business which are recorded as accounts receivable on the balance sheet of the lender and commissions, moving, travel and similar advances to employees and officers made in the ordinary course of business) or capital contributions, purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

" Issue Date " means May 12, 2016.

" Joint Venture " means any Person that is not a direct or indirect Subsidiary of TLLP in which TLLP or any of its Restricted Subsidiaries makes any Investment.

" Legal Holiday " means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in the City of New York or at the place of payment. If a payment date is on a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

" Lien " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction other than a precautionary financing statement respecting a lease not intended as a security agreement. In no event shall a right of first refusal be deemed to constitute a Lien.

" Moody's " means Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

" Net Income " means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with:

(a) any Asset Sale; or

(b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

" Net Proceeds " means the aggregate cash proceeds received by TLLP or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of:

(1) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale and any related severance and associated costs, expenses and charges of personnel related to the sold assets and related operations,

(2) taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements,

(3) amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and all distributions and payments required to be made to minority interest holders in Restricted Subsidiaries as a result of such Asset Sale, and

(4) any amounts to be set aside in any reserve established in accordance with GAAP or any amount placed in escrow, in either case for adjustment in respect of the sale price of such properties or assets or for liabilities associated with such Asset Sale and retained by TLLP or any of its Restricted Subsidiaries until such time as such reserve is reversed or such escrow arrangement is terminated, in which case Net Proceeds shall include only the amount of the reserve so reversed or the amount returned to TLLP or its Restricted Subsidiaries from such escrow arrangement, as the case may be.

" Non-Financing Lease Obligation " means a lease obligation that is not required to be accounted for as a financing or capital lease on either the balance sheet or the income statement for financial reporting purposes in accordance with GAAP. For the avoidance of doubt, a straight-line or operating lease shall be considered a Non-Financing Lease Obligation.

" Non-Recourse Debt " means Indebtedness:

(1) as to which neither TLLP nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise, in each case, other than a pledge of the Equity Interests of an Unrestricted Subsidiary that is an obligor on such Indebtedness; and

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of TLLP or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity.

For purposes of determining compliance with Section 4.09 hereof, in the event that any Non-Recourse Debt of any of TLLP's Unrestricted Subsidiaries ceases to be Non-Recourse Debt of such Unrestricted Subsidiary, such event will be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary of TLLP.

" Note Guarantee " means the Guarantee by each Guarantor of the Issuers' obligations under this Indenture and the Notes, executed pursuant to the provisions of this Indenture.

" Notes " has the meaning assigned to it in the preamble to this Indenture. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Indenture, and unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

" Obligations " means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

" Officer " means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Vice President of such Person (or, if such Person is a limited partnership, the general partner of such Person).

" Officers' Certificate " means a certificate signed on behalf of a Person by two Officers of such Person that meets the requirements set forth in this Indenture. An Officers' Certificate required to be delivered by the Issuers shall be signed by two Officers of each Issuer.

" Omnibus Agreement " means the Third Amended and Restated Omnibus Agreement, dated as of July 1, 2014, among Tesoro Corporation, Tesoro Refining and Marketing Company, Tesoro Companies, Inc., Tesoro Alaska Company, TLLP and the General Partner, as may be amended, supplemented or modified; *provided* such amendment, supplement or modification is not disadvantageous in any material respect to the holders of notes when taken as a whole as compared to the Omnibus Agreement as in effect on the Issue Date, as determined in good faith by TLLP.

" Operating Surplus " has the meaning assigned to such term in the Partnership Agreement, as in effect on the Issue Date.

" Opinion of Counsel " means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 12.05 hereof. The counsel may be an employee of or counsel to TLLP, the General Partner, any Subsidiary of TLLP or the General Partner or the Trustee.

" Participant " means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

" Partnership Agreement " means the First Amended and Restated Agreement of Limited Partnership of Tesoro Logistics LP, dated as of April 26, 2011, as such may be further amended, modified or supplemented from time to time.

" Permitted Acquisition Indebtedness " means Indebtedness or Disqualified Equity of TLLP or any of its Restricted Subsidiaries to the extent such Indebtedness or Disqualified Equity was Indebtedness or Disqualified Equity of (i) a Subsidiary prior to the date on which such Subsidiary became a Restricted Subsidiary or (ii) a Person that merged with or consolidated into TLLP or a Restricted Subsidiary; *provided* that on the date such Subsidiary became a Restricted Subsidiary or the date such Person was merged and amalgamated into us or a Restricted Subsidiary, as applicable, after giving pro forma effect thereto, (a) TLLP would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test described under Section 4.09(a) hereof or (b) the Fixed Charge Coverage Ratio for TLLP would be equal to or greater than the Fixed Charge Coverage Ratio for TLLP immediately prior to such transaction; *provided* that such Indebtedness was not incurred in contemplation of, or in connection with, such acquisition, merger or consolidation.

" Permitted Business " means either (1) marketing, gathering, transporting (by barge, pipeline, ship, truck or other modes of hydrocarbon transportation), terminalling, storing, producing, acquiring, developing, exploring for, exploiting, processing, fractionation, dehydrating and otherwise handling crude oil, gas, casinghead gas, drip gasoline, natural gasoline, condensates, distillates, liquid hydrocarbons, asphalt, gaseous hydrocarbons and all other constituents, elements, compounds or products refined or processed from any of the foregoing, which activities shall include, for the avoidance of doubt, constructing pipeline, platform, dehydration, processing, fractionation, storing and other energy-related facilities, and activities or services reasonably related or ancillary thereto, including entering into purchase and sale agreements, supply agreements and Hedging Obligations related to
these businesses, (2) any other business that generates gross income at least 90% of which constitutes "qualifying income" under Section 7704(d) of the Code or (3) any activity that is ancillary, complementary or incidental to or necessary or appropriate for the activities described in clauses (1) or (2) of this definition.

" Permitted Business Investments " means Investments by TLLP or any of its Restricted Subsidiaries in any Unrestricted Subsidiary of TLLP or in any Joint Venture, *provided* that:

(1) either (a) at the time of such Investment and immediately thereafter, TLLP could incur $1.00 of additional Indebtedness under the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof or (b) such Investment does not exceed the aggregate amount of Incremental Funds (as defined in Section 4.07 hereof) not previously expended at the time of making such Investment;

(2) if such Unrestricted Subsidiary or Joint Venture has outstanding Indebtedness at the time of such Investment, either (a) all such Indebtedness is Non-Recourse Debt or (b) any such Indebtedness of such Unrestricted Subsidiaries or Joint Venture that is recourse to TLLP or any of its Restricted Subsidiaries could, at the time such Investment is made, be incurred at that time by TLLP and its Restricted Subsidiaries under Section 4.09 hereof; and

(3) such Unrestricted Subsidiary's or Joint Venture's activities are not outside the scope of the Permitted Business.

" Permitted Investments " means:

(1) any Investment in TLLP or in a Restricted Subsidiary of TLLP;

(2) any Investment in cash and Cash Equivalents or deposit accounts;

(3) any Investment by TLLP or any Restricted Subsidiary of TLLP in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of TLLP; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, TLLP or a Restricted Subsidiary of TLLP;

(4) any security or other Investment received or Investment made as a result of the receipt of non-cash consideration from:

(a) an Asset Sale that was made pursuant to and in compliance with Section 4.10 hereof; or

(b) a disposition of assets that does not constitute an Asset Sale;

(5) any Investment in any Person solely in exchange for the issuance of Equity Interests (other than Disqualified Equity) of TLLP;

(6) any Investments received in compromise, settlement or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of TLLP or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer, or as a result of a foreclosure, perfection or enforcement by TLLP or any of its Restricted Subsidiaries with respect to any secured Investment in default, (B) claims or disputes owed to TLLP or any Restricted Subsidiary of TLLP that arose out of transactions in the ordinary course of business or (C) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments in the form of intercompany Indebtedness or guarantees of Indebtedness of a Restricted Subsidiary of TLLP permitted under clauses (6) and (11) of Section 4.09(b) hereof;

(8) Investments represented by Hedging Obligations permitted to be incurred in accordance with the provisions of this Indenture;

(9) loans or advances to employees made in the ordinary course of business of TLLP or any Restricted Subsidiary of TLLP in an aggregate principal amount not to exceed $5.0 million at any one time outstanding;

(10) repurchases of the Notes;

(11) any Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers' compensation and performance and other similar deposits and prepaid expenses made in the ordinary course of business;

(12) Permitted Business Investments;

(13) Investments pursuant to agreements and obligations of TLLP and any Restricted Subsidiary in effect on the Issue Date and any renewals or replacements thereof on terms and conditions not materially less favorable to TLLP or such Restricted Subsidiary, as the case may be, than the terms of the Investment being renewed or replaced;

(14) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (14) that are at the time outstanding not to exceed the greater of (a) $250.0 million and (b) 5.0% of TLLP's Consolidated Net Tangible Assets; and

(15) Investments made in Joint Ventures having an aggregate fair market value taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding, not to exceed the greater of (a) $250.0 million and (b) 5.0% of

TLLP's Consolidated Net Tangible Assets at the time of such Investment (with the fair market value of each Investment being measured at that time made and without giving effect to subsequent changes in value); *provided, however* , that any Investment pursuant to this clause (15) made in any Person that is a Joint Venture at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (15) for so long as such Person continues to be a Restricted Subsidiary;

provided , *however* , that with respect to any Investment, TLLP may, in its sole discretion, allocate all or any portion of any Investment and later re-allocate all or any portion of any Investment to one or more of the above clauses (1) through (15) so that the entire Investment would be a Permitted Investment.

" Permitted Liens " means:

(1) Liens securing any Indebtedness under any Credit Facility and all Obligations and Hedging Obligations relating to such Indebtedness;

(2) Liens in favor of TLLP or the Guarantors;

(3) Liens on property of a Person existing at the time (a) such Person is merged with or into or consolidated with TLLP or any Subsidiary of TLLP, (b) such Person becomes a Restricted Subsidiary or (c) such property is otherwise acquired by TLLP or a Restricted Subsidiary; *provided* that such Liens were in existence prior to such merger, consolidation or other acquisition and do not extend to any assets other than those of the Person merged into or consolidated with TLLP or the Subsidiary in the case of a merger or consolidation pursuant to clause (a) or such property in the case of such other acquisition in the case of clause (b) or (c);

(4) Liens and deposits to secure the performance of statutory obligations, surety or appeal bonds, workers compensation obligations, unemployment insurance, reimbursement obligations owed to insurers, bids, performance bonds, leases, statutory obligations, other types of social security or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(5) Liens to secure Indebtedness (including Financing Lease Obligations) permitted by clause (4) or (12) of Section 4.09(b) hereof covering only the assets acquired, constructed, improved or developed with, or secured by, such Indebtedness;

(6) Liens existing on the Issue Date (other than Liens securing the Credit Facilities);

(7) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings diligently pursued; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(8) Liens imposed by law, such as carriers', warehousemen's, landlord's, repairman's, materialmen's, mechanics' and other like Liens, in each case, incurred in the ordinary course of business;

(9) defects, irregularities and deficiencies in title of any rights of way or other property, survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions and other similar encumbrances as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially interfere with the ordinary conduct of the business of TLLP or any of its Subsidiaries and defects, irregularities and deficiencies in title to any property of TLLP or any of its Subsidiaries, which defects, irregularities or deficiencies have been cured by possession under applicable statutes of limitation;

(10) inchoate Liens arising under the Employee Retirement Income Security Act of 1974, and any amendments thereto;

(11) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(12) Liens on any property or asset acquired, constructed or improved by TLLP or any of its Restricted Subsidiaries, which (a) are in favor of the seller of such property or assets, in favor of the Person developing, constructing, repairing or improving such asset or property, or in favor of the Person that provided the funding for the acquisition, development, construction, repair or improvement cost, as the case may be, of such asset or property, (b) are created within 360 days after the acquisition, development, construction, repair or improvement, (c) secure the purchase price or development, construction, repair or improvement cost, as the case may be, of such asset or property in an amount up to 100% of the Fair Market Value of such acquisition, construction or improvement of such asset or property, and (d) are limited to the asset or property so acquired, constructed or improved (including the proceeds thereof, accessions thereto and upgrades thereof);

(13) Liens on and pledges of the Equity Interests of any Unrestricted Subsidiary or any Joint Venture owned by TLLP or any Restricted Subsidiary of TLLP to the extent securing Non-Recourse Debt or other Indebtedness of such Unrestricted Subsidiary or Joint Venture;

(14) Liens in favor of collecting or payor banks having a right of setoff, revocation, refund or chargeback with respect to money or instruments of TLLP or any of its Subsidiaries on deposit with or in possession of such bank;

(15) Liens to secure performance of Hedging Obligations of TLLP or any of its Restricted Subsidiaries;

(16) Liens on pipelines or pipeline facilities that arise by operation of law;

(17) Liens incurred in the ordinary course of business of TLLP or any Restricted Subsidiary of TLLP with respect to obligations that at any one time outstanding do not exceed the greater of (a) $250.0 million and (b) 5.0% of Consolidated Net Tangible Assets;

(18) Liens resulting from the deposit of money or other Cash Equivalents or other evidence of Indebtedness in trust for the purpose of defeasing Indebtedness of TLLP or any of its Restricted Subsidiaries;

(19) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under this Indenture; *provided* , *however* , that:

(a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (*plus* improvements and accessions to such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay accrued interest on such Indebtedness and any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(20) Liens relating to future escrow arrangements securing Indebtedness incurred in accordance with this Indenture;

(21) any interest or title of a lessor under any lease entered into by TLLP or any of its Subsidiaries in the ordinary course of its business and covering only the assets so leased;

(22) any Lien securing Indebtedness, neither assumed nor guaranteed by TLLP or any of its Subsidiaries nor on which it customarily pays interest, existing upon real estate or rights in or relating to real estate acquired by TLLP for substation, metering station, pump station, storage, gathering line, transmission line, transportation line, distribution line or for right-of-way purposes, any Liens reserved in leases for rent and for compliance with the terms of the leases in the case of leasehold estates, to the extent that any such Lien referred to in this clause (22) does not materially impair the use of the property covered by such Lien for the purposes of which such property is held by TLLP or any of its Subsidiaries;

(23) any obligations or duties affecting any of the property of TLLP or its Subsidiaries to any municipality or public authority with respect to any franchise, grant, license or permit which do not materially impair the use of such property for the purposes for which it is held;

(24) Liens upon specific items of inventory, accounts receivables or other goods and proceeds of TLLP or any Restricted Subsidiary securing such Person's obligations in respect of bankers' acceptances or receivables securitizations issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory, accounts receivables or other goods and proceeds;

(25) any Liens securing industrial development, pollution control or similar bonds;

(26) Liens renewing, extending, refinancing or refunding a Lien permitted by clauses (1) through (25) above; *provided* that (a) the principal amount of Indebtedness secured by such Lien does not exceed the principal amount of such Indebtedness outstanding immediately prior to the renewal, extension, refinance or refund of such Lien, *plus* all accrued interest on the Indebtedness secured thereby and the amount of all fees, expenses and premiums incurred in connection therewith, and (b) no assets encumbered by any such Lien other than the assets permitted to be encumbered immediately prior to such renewal, extension, refinance or refund are encumbered thereby; and

(27) Liens arising from the deposit of funds or securities in trust for the purpose of decreasing, defeasing or discharging Indebtedness so long as such deposit of funds or securities and such decreasing, defeasing or discharging of Indebtedness are permitted under Section 4.07 .

" Permitted Refinancing Indebtedness " means any Indebtedness of TLLP or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of TLLP or any of its Restricted Subsidiaries (other than intercompany Indebtedness), including Indebtedness that extends, refinances, renews, replaces, defeases or refunds Permitted Refinancing Indebtedness; *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), *plus* accrued and unpaid interest on, the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date equal to or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes or the Note Guarantees, such Permitted Refinancing Indebtedness is subordinated in right of payment to, the Notes or the Note Guarantees, on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) such Indebtedness is incurred either by TLLP or by a Restricted Subsidiary who is an obligor on or guarantor of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

" Person " means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

" Prospectus " means the Prospectus, dated May 9, 2016, relating to the issuance and sale of the Initial Notes.

" Qualified Owner " means, collectively (a) Tesoro Corporation, (b) each Person of which Tesoro Corporation is a direct or indirect Subsidiary and (c) each Person which is a direct or indirect Subsidiary of any Person described in clause (a) or (b) of this definition.

" Rating Agencies " means Moody's and S&P.

" Rating Decline " means the occurrence of a decrease in the rating of the Notes by one or more gradations by each of Moody's and S&P (including gradations within the rating categories, as well as between categories), within 60 days before or after the earlier of (x) a Change of Control, (y) the date of public notice of the occurrence of a Change of Control or (z) public notice of the intention of TLLP to effect a Change of Control (which 60-day period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by either Moody's or S&P); *provided, however,* that a Rating Decline otherwise arising by virtue of a particular reduction in rating will not be deemed to have occurred in respect of a particular Change of Control (and thus will not be deemed a Rating Decline for purposes of the definition of Change of Control Triggering Event) unless each of Moody's and S&P making the reduction in rating to which this definition would otherwise apply announces or publicly confirms or informs the Trustee in writing at TLLP's or its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control has occurred at the time of the Rating Decline).

" Reference Period " means, with respect to any date of determination, the four most recent fiscal quarters of TLLP for which internal financial statements are available.

" Responsible Officer " when used with respect to the Trustee, means any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

" Restricted Investment " means an Investment other than a Permitted Investment.

" Restricted Subsidiary " of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

" S&P " means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor to the rating agency business thereof.

" SEC " means the Securities and Exchange Commission.

" Securities Act " means the Securities Act of 1933, as amended.

" Senior Indebtedness " means with respect to any Person, Indebtedness of such Person, unless the instrument creating or evidencing such Indebtedness provides that such Indebtedness is subordinate in right of payment to the Notes or the Note Guarantee of such Person, as the case may be.

" Significant Subsidiary " means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

" Stated Maturity " means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

" Subordinated Obligation " means any Indebtedness of TLLP (whether outstanding on the Issue Date or thereafter incurred) which pursuant to a written agreement is subordinate or junior in right of payment to the Notes and any Indebtedness of a Guarantor (whether outstanding on the Issue Date or thereafter incurred) which pursuant to a written agreement is subordinate or junior in right of payment to its Note Guarantee.

" Subsidiary " means, with respect to any specified Person:

(1) any corporation, association or other business entity (other than a partnership or limited liability company) of which more than 50% of the total voting power of shares of the Voting Stock is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (whether general or limited) or limited liability company (a) the sole general partner or managing member of which is such Person or a Subsidiary of such Person, or (b) if there are more than a single general partner or member, either (x) the only general partners or managing members of which are such Person or one or more Subsidiaries of such Person (or any combination thereof) or (y) such Person owns or controls, directly or indirectly, a majority of the outstanding general partner interests, member interests or other Voting Stock of such partnership or limited liability company, respectively.

" Synthetic Lease Obligation " means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property (including sale and leaseback transactions), in each case, creating obligations that do not appear on the balance sheet of such Person but which, upon the application of any bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally to such Person, would be characterized as the Indebtedness of such Person (without regard to accounting treatment).

" TIA " means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb), as in effect on the date on which this Indenture is qualified under the TIA; *provided* , *however* , that in the event the TIA is amended after such date, " TIA " means, to the extent required by such amendment, the Trust Indenture Act of 1939, as so amended.

" Treasury Rate " means, with respect to the Notes, as of any Redemption Date, the yield to maturity as of such Redemption Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Redemption Date to May 1, 2019; *provided* , *however* , that if the period from the Redemption Date to May 1, 2019, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

" Trustee " means U.S. Bank National Association, as trustee, until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

" Unrestricted Subsidiary " means any Subsidiary of TLLP (other than Finance Corp. or any successor to it) that is designated by the Board of Directors of the General Partner as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) except to the extent permitted by subclause (2)(b) of the definition of "Permitted Business Investments," has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted under clauses (b)(3) and (b)(4) of Section 4.11 hereof, is not party to any agreement, contract, arrangement or understanding with TLLP or any Restricted Subsidiary of TLLP unless the terms of any such agreement,

contract, arrangement or understanding are no less favorable to TLLP or such Restricted Subsidiary than those that might be obtained, in light of the circumstances, at the time from Persons who are not Affiliates of TLLP;

(3) is a Person with respect to which neither TLLP nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of TLLP or any of its Restricted Subsidiaries.

All Subsidiaries of an Unrestricted Subsidiary shall be also Unrestricted Subsidiaries. Any designation of a Subsidiary of TLLP as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a board resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of TLLP as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09 hereof, TLLP will be in default of such covenant.

" Voting Stock " of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled (without regard to the occurrence of any contingency) to vote in the election of the Board of Directors of such Person.

" Weighted Average Life to Maturity " means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then-remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then-outstanding principal amount of such Indebtedness.

Section 1.02 *Other Definitions* .

Term	Defined in Section
"Acceptable Commitment"	4.10
"Affiliate Transaction"	4.11
"Asset Sale Offer"	3.09
"Authentication Order"	2.02
"Change of Control Offer"	4.15
"Change of Control Payment"	4.15
"Change of Control Payment Date"	4.15
"Covenant Defeasance"	8.03
"DTC"	2.03
"Event of Default"	6.01
"Excess Proceeds"	4.10
"Incremental Funds"	4.07
"incur"	4.09
"Legal Defeasance"	8.02
"Offer Amount"	3.09
"Offer Period"	3.09
"Paying Agent"	2.03
"Payment Default"	6.01
"Permitted Debt	4.09
"Purchase Date"	3.09
"Redemption Date"	3.07
"Registrar"	2.03
"Restricted Payments"	4.07
"Second Commitment"	4.10
"Termination Date"	4.18

Section 1.03 *Incorporation by Reference of Trust Indenture Act* .

This Indenture will be subject to the mandatory provisions of the TIA, which unless otherwise indicated are incorporated by reference in and made a part of this Indenture. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms if used in this Indenture have the following meanings:

" indenture securities " means the Notes and the Note Guarantees;

" indenture security Holder " means a Holder of a Note;

" indenture to be qualified " means this Indenture;

" indenture trustee " or " institutional trustee " means the Trustee; and

" obligor " on the Notes and the Note Guarantees means the Issuers and the Guarantors, respectively, and any successor obligor upon the Notes and the Note Guarantees, respectively.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

Section 1.04 *Rules of Construction* .

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) both "shall" and "will" shall be interpreted to express a command;

(6) provisions apply to successive events and transactions; and

(7) references to sections of, or rules under, the Securities Act or the Exchange Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time.

ARTICLE 2

THE NOTES

Section 2.01 *Form and Dating* .

The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A attached hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes shall be in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture, and the Issuers, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

Notes issued in global form shall be substantially in the form of Exhibit A attached hereto (including the Global Note Legend and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without the Global Note Legend and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note shall represent such aggregate principal amount of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the

amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby shall be made by the Trustee, the Depositary or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

Section 2.02 *Execution and Authentication* .

At least one Officer shall sign the Notes for each of the Issuers by manual or facsimile signature. If an Officer of the Issuers whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid. A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee will, upon receipt of a written order of the Issuers signed by two Officers of each Issuer (an "Authentication Order"), authenticate Notes for original issue that may be validly issued under this Indenture, including any Additional Notes. The aggregate principal amount of Notes outstanding at any time may not exceed the aggregate principal amount of Notes authorized for issuance by the Issuers pursuant to one or more Authentication Orders, except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Issuers to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Issuers.

Section 2.03 *Registrar and Paying Agent* .

The Issuers shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange (" Registrar ") and an office or agency where Notes may be presented for payment (" Paying Agent "). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Issuers may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Issuers may change any Paying Agent or Registrar without notice to any Holder. The Issuers shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Issuers fail to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. TLLP, Finance Corp. or any of TLLP's Subsidiaries may act as Paying Agent or Registrar.

The Issuers initially appoint The Depository Trust Company (" DTC ") to act as Depositary with respect to the Global Notes.

The Issuers initially appoint the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

Section 2.04 *Paying Agent to Hold Money in Trust* .

The Issuers shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, or premium or interest, if any, on the Notes, and shall notify the Trustee of any default by the Issuers in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than TLLP or a Subsidiary) shall have no further liability for the money. If TLLP or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to TLLP, the Trustee shall serve as Paying Agent for the Notes.

Section 2.05 *Holder Lists* .

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA § 312(a). If the Trustee is not the Registrar, the Issuers shall provide to a Responsible Officer of the Trustee at least seven Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Issuers shall otherwise comply with TIA § 312(a).

Section 2.06 *Transfer and Exchange* .

(a) Transfer and Exchange of Global Notes . A Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes shall be exchanged by the Issuers for Definitive Notes in denominations of $2,000 and integral multiples of $1,000 in excess thereof if (i) the Issuers deliver to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary for the Global Notes or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Issuers within 90 days after the date of such notice from the Depositary; (ii) the Issuers in their sole discretion determine that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; or (iii) there has occurred and is continuing an Event of Default with respect to the Notes and the Depositary notifies the Trustee of its decision to exchange the Global Notes for Definitive Notes. Upon the occurrence of either of the preceding events in (i) or (ii) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.11 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Sections 2.07 or 2.11 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a) ; however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b) , or (c) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes . The transfer and exchange of beneficial interests in any Global Note shall be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Transfers of beneficial interests in any Global Note also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs of this Section 2.06 , as applicable:

(i) Transfer of Beneficial Interests in the Same Global Note . Beneficial interests in any Global Note may be transferred only to Persons who take delivery thereof in the form of a beneficial interest in such Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfer described in this Section 2.06(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes . In connection with all transfers and exchanges of beneficial interests (other than a transfer of a beneficial interest in a Global Note to a Person who takes delivery thereof in the form of a beneficial interest in the same Global Note), the transferor of such beneficial interest must deliver to the Registrar (A) (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above. Upon notification from the Registrar that all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture, the Notes and otherwise applicable under the Securities Act have been satisfied, the Trustee shall adjust the principal amount of the relevant Global Notes pursuant to Section 2.06(h) hereof.

(iii) [Reserved] .

(iv) [Reserved] .

(c) Transfer or Exchange of Beneficial Interests for Definitive Notes .

(i) [Reserved].

(ii) [Reserved].

(iii) If any holder of a beneficial interest in a Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon notice by the Registrar of satisfaction of the conditions set forth in Section 2.06(b)(ii) hereof, the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Issuers shall execute and the Trustee shall authenticate and make available for delivery to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall make available for delivery such Definitive Notes to the Persons in whose names such Notes are so registered.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests .

(i) [Reserved].

(ii) [Reserved].

(iii) A Holder of a Definitive Note may exchange such Note for a beneficial interest in a Global Note or transfer such Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in a Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Global Notes.

(iv) If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraph (iii) above at a time when a Global Note has not yet been issued, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Global Notes in an aggregate principal amount equal to the principal amount of beneficial interests transferred pursuant to subparagraph (iii) above.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes . Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by his attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, pursuant to the provisions of this Section 2.06(e) .

(f) [Reserved] .

(g) Legends . The following legends shall appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(i) [Reserved] .

(ii) Global Note Legend . Each Global Note shall bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO ARTICLE II OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF TESORO LOGISTICS LP AND TESORO LOGISTICS FINANCE CORP. OR ANY SUCCESSOR THERETO."

Additionally, for so long as DTC is the Depositary with respect to any Global Note, each such Global Note shall also bear a legend in substantially the following form:

"UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE), TO TESORO LOGISTICS LP AND TESORO LOGISTICS FINANCE CORP. OR ANY SUCCESSOR THERETO OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF

FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(h) Cancellation and/or Adjustment of Global Notes . At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who shall take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note, by the Trustee, the Custodian or the Depositary at the direction of the Trustee, to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who shall take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note, by the Trustee, the Custodian or by the Depositary at the direction of the Trustee, to reflect such increase.

(i) General Provisions Relating to Transfers and Exchanges .

(i) To permit registrations of transfers and exchanges, subject to Section 2.06 , the Issuers shall execute and, upon the Issuers' Authentication Order, signed by one or more Officers of each Issuer, the Trustee shall authenticate Global Notes and Definitive Notes at the Registrar's request.

(ii) No service charge shall be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Issuers may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 3.06 , 3.09 , 4.10 , 4.15 and 9.05 hereof).

(iii) The Registrar shall not be required to register the transfer or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(iv) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Issuers, evidencing the same debt, and entitled to the same benefits under this Indenture and the Subsidiary Guarantees, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(v) The Issuers and the Registrar shall not be required (A) to issue, to register the transfer of or to exchange Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection, (B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part, (C) to register the transfer of or to exchange a Note between a record date and the next succeeding Interest Payment Date or (D) to register the transfer of a Note other than in denominations of $2,000 or multiple integrals of $1,000 in excess thereof.

(vi) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Issuers may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Issuers shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(viii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a transfer or exchange may be submitted by facsimile.

Section 2.07 *Replacement Notes* .

If any mutilated Note is surrendered to the Trustee or the Issuers, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Issuers shall issue and the Trustee, upon the Authentication Order of the Issuers signed by one Officer of the Issuers, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Issuers, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Trustee and any Agent from any loss that any of them may suffer if a Note is replaced. The Issuers and the Trustee may charge for their respective expenses in replacing a Note. If, after the delivery of such replacement Note, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment or registration such original Note, the Trustee shall be entitled to recover such replacement Note from the Person to whom it was delivered or any Person taking therefrom, except a

bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuers, the Trustee and any Agent in connection therewith.

Subject to the provisions of the final sentence of the preceding paragraph of this Section 2.07 , every replacement Note is an additional obligation of the Issuers and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08 *Outstanding Notes* .

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Issuers or an Affiliate of the Issuers holds the Note.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Issuers, a Subsidiary of the Issuers or an Affiliate of any thereof) holds, on a Redemption Date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

Section 2.09 *Treasury Notes* .

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuers, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded. Notwithstanding the foregoing, Notes that the Issuers, a Subsidiary of the Issuers or an Affiliate of the Issuers offers to purchase or acquires pursuant to an offer, exchange offer, tender offer or otherwise shall not be deemed to be owned by the Issuers, such Subsidiary or such Affiliate until legal title to such Notes passes to the Issuers, such Subsidiary or such Affiliate, as the case may be.

Section 2.10 *Temporary Notes* .

Until Definitive Notes are ready for delivery, the Issuers may prepare and the Trustee, upon receipt of an Authentication Order, shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Issuers considers appropriate for temporary Notes and as shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Issuers shall prepare and the Trustee shall authenticate Definitive Notes in exchange for temporary Notes.

Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

Section 2.11 *Cancellation* .

The Issuers at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall return such canceled Notes to the Issuers. The Issuers may not issue new Notes to replace Notes that they have paid or that have been delivered to the Trustee for cancellation.

Section 2.12 *Defaulted Interest* .

If the Issuers default in a payment of interest on the Notes, they shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Issuers shall promptly notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Issuers shall fix or cause to be fixed each such special record date and payment date, *provided* that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Issuers (or, upon the written request of the

Issuers, the Trustee in the name and at the expense of the Issuers) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

Section 2.13 *Issuance of Additional Notes* .

The Issuers shall be entitled to issue Additional Notes under this Indenture which shall have identical terms as the Initial Notes issued on the Issue Date, other than with respect to the date of issuance and issue price and first payment of interest. With respect to any Additional Notes, the Issuers shall set forth in a resolution of the Board of Directors and an Officers' Certificate, a copy of each which shall be delivered to the Trustee, the following information: (a) the aggregate principal amount at maturity of such Additional Notes to be authenticated and delivered pursuant to this Indenture; and (b) the issue price, the issue date and the CUSIP number and corresponding ISIN of such Additional Notes.

Section 2.14 *One Class of Notes* .

The Initial Notes issued on the Issue Date and any Additional Notes shall be treated as a single class for all purposes under this Indenture.

Section 2.15 *CUSIP Numbers* .

The Issuers in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption or repurchase, as the case may be, as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption or repurchase, as the case may be, and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption or repurchase, as the case may be, shall not be affected by any defect in or omission of such numbers. The Issuers shall promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE 3

REDEMPTION AND PREPAYMENT

Section 3.01 *Notices to Trustee* .

If the Issuers elect to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it must furnish to the Trustee, at least 15 days but not more than 60 days before a Redemption Date, an Officers' Certificate setting forth:

(1) the clause of this Indenture pursuant to which the redemption shall occur;

(2) the Redemption Date;

(3) the principal amount of Notes to be redeemed; and

(4) the redemption price.

Section 3.02 *Selection of Notes To Be Redeemed or Purchased* .

If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee will select Notes for redemption or purchase as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which such Notes are listed; or

(2) on a pro rata basis to the extent practicable; or

(3) on a pro rata basis, by lot or such other similar method in accordance with the procedures of DTC.

No Notes of $2,000 or less can be redeemed in part. In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased will be selected, unless otherwise provided herein, not less than 15 nor more than 60 days prior to the redemption or purchase date by the Trustee from the outstanding Notes not previously called for redemption or purchase.

The Trustee will promptly notify the Issuers in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected will be in amounts of $2,000 or whole multiples of $1,000 in excess thereof; except that if all of the Notes of a Holder

are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

Section 3.03 *Notice of Redemption* .

Subject to the provisions of Section 3.09 hereof, at least 15 days but not more than 60 days before a Redemption Date, the Issuers will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a Redemption Date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 11 hereof. Notice of any redemption of the Notes, (including upon an Equity Offering or in connection with a transaction (or series of related transactions) that constitute a Change of Control) may, at the Issuers' discretion, be given prior to the completion thereof and be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering or Change of Control. In addition, if such redemption is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuers' discretion, the Redemption Date may be delayed until such time (including more than 60 days after the date the notice of redemption was delivered) as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the Redemption Date, or by the Redemption Date so delayed, or such notice may be rescinded at any time in the Issuers' discretion if in the good faith judgment of the Issuers any or all of such conditions will not be satisfied. In addition, the Issuers may provide in such notice that payment of the redemption price and performance of the Issuers' obligations with respect to such redemption may be performed by another Person.

The notice will identify the Notes to be redeemed and will state:

(1) the Redemption Date;

(2) the redemption price, if then determinable, and, if not, then a method for determination;

(3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Issuers default in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date;

(7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Issuers' request, the Trustee will give the notice of redemption in the Issuers' names and at their expense; *provided* , *however* , that the Issuers have delivered to the Trustee, at least 20 days prior to the Redemption Date (or such shorter time period as the Trustee may agree), an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.04 *Effect of Notice of Redemption* .

Once notice of redemption is delivered in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the Redemption Date at the redemption price, unless the redemption is subject to a condition precedent that is not satisfied or waived.

Section 3.05 *Deposit of Redemption or Purchase Price* .

On or prior to the redemption or purchase date, the Issuers will deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued interest on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent will promptly return to the Issuers any money deposited with the Trustee or the Paying Agent by the Issuers in excess of the amounts necessary to pay the redemption or purchase price of, and accrued interest on, all Notes to be redeemed or purchased.

If the Issuers comply with the provisions of the preceding paragraph, on and after the redemption or purchase date, interest will cease to accrue on the Notes or the portions of Notes called for redemption or purchase. If a Note is redeemed or purchased on or after an interest record date but on or prior to the related Interest Payment Date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Issuers to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06 *Notes Redeemed or Purchased in Part* .

Upon surrender of a Note that is redeemed or purchased in part, the Issuers will issue and, upon receipt of an Authentication Order, the Trustee will authenticate for the Holder at the expense of the Issuers a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered.

Section 3.07 *Optional Redemption* .

(a)

(1) At any time prior to May 1, 2019, the Issuers may on any one or more occasions redeem up to 35% of the aggregate principal amount of the outstanding Notes (including any Additional Notes) issued under this Indenture at a redemption price of 106.375% of the principal amount with an amount not to exceed the net cash proceeds of one or more Equity Offerings, plus accrued and unpaid interest to, but excluding, the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an Interest Payment Date that is on or prior to the Redemption Date); *provided* that:

(i) at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (excluding Notes held by TLLP and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(ii) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

(2) On or after May 1, 2019, the Issuers may redeem all or a part of the Notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest on the Notes redeemed, to, but excluding, the applicable Redemption Date, if redeemed during the twelve-month period beginning on May 1 of each year indicated below, subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant Interest Payment Date:

Year	Percentage
2019	104.781 %
2020	103.188 %
2021	101.594 %
2022 and thereafter	100.000 %

(3) At any time prior to May 1, 2019, the Issuers may also redeem all or a part of the Notes at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest thereon to, but excluding, the redemption date (the " Redemption Date "), subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date. The notice need not set forth the Applicable Premium but only the manner of calculation of the redemption price. With respect to any redemption pursuant to this Section 3.07(a)(3), the Issuers shall notify the Trustee of the Applicable Premium with respect to the Notes promptly after the calculation thereof and the Trustee shall not be responsible for such calculation.

(b) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

(c) Unless the Issuers default in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable Redemption Date.

Section 3.08 *Mandatory Redemption* .

Neither of the Issuers is required to make mandatory redemption or sinking fund payments with respect to the Notes.

The Issuers are not prohibited from acquiring the Notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise, so long as the acquisition does not violate the terms of this Indenture.

Section 3.09 *Offer to Purchase by Application of Excess Proceeds* .

In the event that, pursuant to Section 4.10 hereof, the Issuers are required to commence an offer to all Holders to purchase Notes (an " Asset Sale Offer "), it will follow the procedures specified below.

The Asset Sale Offer shall be made to all Holders and all holders of other Indebtedness that is *pari passu* , with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets. The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the " Offer Period ") . No later than three Business Days after the termination of the Offer Period (the " Purchase Date "), the Issuers will apply all Excess Proceeds (the " Offer Amount ") to the purchase of Notes and such other *pari passu* Indebtedness (on a *pro rata* basis, if applicable) or, if less than the Offer Amount has been tendered, all Notes and other Indebtedness tendered in response to the Asset Sale Offer. Payment for any Notes so purchased will be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related Interest Payment Date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Issuers will send, by first class mail, a notice to the Trustee and each of the Holders. The notice will contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The notice, which will govern the terms of the Asset Sale Offer, will state:

(1) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer will remain open;

(2) the Offer Amount, the purchase price and the Purchase Date;

(3) that any Note not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Issuers default in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in denominations of $2,000 and integral multiples of $1,000 in excess thereof only;

(6) that Holders electing to have Notes purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Issuers, a Depositary, if appointed by the Issuers, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(7) that Holders will be entitled to withdraw their election if the Issuers, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission, letter or other specified means of communication setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, if the aggregate principal amount of Notes and other *pari passu* Indebtedness surrendered by holders thereof exceeds the Offer Amount, the Trustee will select the Notes and the representative of such other *pari passu* Indebtedness will select such other *pari passu* Indebtedness to be purchased on a *pro rata* basis based on the principal amount of Notes and such other *pari passu* Indebtedness surrendered (with such adjustments in each case as may be deemed appropriate by the Issuers so that only Notes in denominations of $2,000, or integral multiples of $1,000 in excess thereof, will be purchased); and

(9) that Holders whose Notes were purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Issuers will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and will deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Issuers in accordance with the terms of this Section 3.09 . The Issuers, the Depositary or the Paying Agent, as the case may be, will promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Issuers for purchase, and the Issuers will promptly issue a new Note, and the Trustee, upon written request from the Issuers, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Issuers to the Holder thereof. The Issuers will publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09 , any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

ARTICLE 4

COVENANTS

Section 4.01 *Payment of Notes* .

The Issuers will pay or cause to be paid the principal of, premium, if any, and interest on, the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest will be considered paid on the date due if the Paying Agent, if other than the TLLP or a Subsidiary thereof, holds as of 11:00 a.m. Eastern Time on the due date money deposited by the Issuers in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due.

Section 4.02 *Maintenance of Office or Agency* .

The Issuers will maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuers in respect of the Notes and this Indenture may be served. The Issuers will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuers fail to maintain any such required office or agency or fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Issuers may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided* , *however* , that no such designation or rescission will in any manner relieve the Issuers of their obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Issuers will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuers hereby designate the Corporate Trust Office of the Trustee as one such office or agency of the Issuers in accordance with Section 2.03 hereof.

Section 4.03 *Reports* .

(a) Whether or not required by the rules and regulations of the SEC, so long as any Notes are outstanding, TLLP shall furnish (whether through hard copy or Internet access) to the Holders of Notes or cause the Trustee to furnish to the Holders of Notes, within the time periods specified in the SEC's rules and regulations:

(1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if TLLP were required to file such reports, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations"; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if TLLP were required to file such reports.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. Each annual report on Form 10-K will include a report on TLLP's consolidated financial statements by TLLP's independent registered public accounting firm. In addition, TLLP will file a copy of each of the reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the rules and regulations applicable to such reports (unless the SEC will not accept such a filing) and will post the reports on its website within those time periods.

If, at any time TLLP is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, TLLP will nevertheless continue filing the reports specified in the preceding paragraphs of this Section 4.03 with the SEC within the time periods specified above unless the SEC will not accept such a filing; *provided* that, for so long as TLLP is not subject to the periodic reporting requirements of the Exchange Act for any reason, the time period for filing reports on Form 8-K shall be five (5) Business Days after the event giving rise to the obligation to file such report. If the SEC will not accept TLLP's filings for any reason, TLLP will post the reports referred to in the preceding paragraphs on its website within the time periods that would apply if TLLP were required to file those reports with the SEC.

If TLLP has designated any of its Subsidiaries as Unrestricted Subsidiaries, then, to the extent material, the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, or in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of TLLP and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of TLLP.

(b) For so long as any Notes remain outstanding, if at any time they are not required to file with the SEC the reports required by Section 4.03(a) , the Issuers and the Guarantors will furnish to the Holders of Notes and to securities analysts and prospective investors in the Notes, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

TLLP will be deemed to have furnished such reports required in clauses (a) and (b) above to the Trustee and the Holders of the Notes if it has filed such reports with the SEC using the EDGAR filing system (or any successor thereto) and such reports are publicly available.

Section 4.04 *Compliance Certificate* .

(a) The Issuers and each Guarantor (to the extent that such Guarantor is so required under the TIA) shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate (at least one of the signatories of which shall be the principal executive officer, the principal financial officer, or the principal accounting officer of TLLP) stating that a review of the activities of the Issuers and TLLP's Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Issuers have kept, observed, performed and fulfilled their obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Issuers have kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the tens, provisions and conditions of this Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuers are taking or propose to take with respect thereto).

(b) So long as any of the Notes are outstanding, the Issuers will deliver to the Trustee, within ten Business Days of becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Issuers are taking or propose to take with respect thereto.

Section 4.05 *Taxes* .

The Issuers will pay or discharge, and will cause each of TLLP's Subsidiaries to pay or discharge, prior to delinquency, all material taxes, lawful assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment or discharge is not adverse in any material respect to the Holders.

Section 4.06 *Stay, Extension and Usury Laws* .

The Issuers and each of the Guarantors covenant (to the extent that they may lawfully do so) that they will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture and the Notes; and the Issuers and each of the Guarantors (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenants (to the extent that they may lawfully do so) that they will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07 *Restricted Payments* .

(a) TLLP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of TLLP's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving TLLP or any of its Restricted Subsidiaries) or to the direct or indirect holders of TLLP's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than distributions or dividends payable solely in Equity Interests of TLLP (other than Disqualified Equity) and other than distributions or dividends payable solely to TLLP or a Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving TLLP) any Equity Interests of TLLP or any direct or indirect parent of TLLP;

(3) make any payment to purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of TLLP or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee (excluding (a) any intercompany Indebtedness between or among TLLP and any of its Restricted Subsidiaries and (b) the payment of principal, purchase, repurchase or other acquisition of Indebtedness that is subordinated in right of payment to the Notes or the Note Guarantees acquired in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase or other acquisition); or

(4) make any Restricted Investment

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as " Restricted Payments "), unless, at the time of and after giving effect to such Restricted Payment, no Default or Event of Default has occurred and is continuing and either:

(1) if the Fixed Charge Coverage Ratio for TLLP's Reference Period is not less than 1.75 to 1.00, such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by TLLP and its Restricted Subsidiaries (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (9), (10) and (11) of Section 4.07(b) hereof) during the quarter in which such Restricted Payment is made, is less than the sum, without duplication, of:

(A) Available Cash from Operating Surplus as of the end of the immediately preceding fiscal quarter; *plus*

(B) 100% of the aggregate net cash proceeds, or the Fair Market Value of assets or property, received by TLLP since September 14, 2012 as a contribution to its common equity capital or from the issue or sale of (i) Equity Interests of TLLP (other than Disqualified Equity) or (ii) convertible or exchangeable Disqualified Equity or convertible or exchangeable debt securities of TLLP that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Equity or debt securities) sold to a Subsidiary of TLLP); *plus*

(C) to the extent that any Restricted Investment that was made after September 14, 2012 is sold for cash or Cash Equivalents or otherwise liquidated or repaid for cash or Cash Equivalents, the return of capital or similar payment made in cash or Cash Equivalents with respect to such Restricted Investment (less the cost of disposition, if any); *plus*

(D) the net reduction in Restricted Investments made after September 14, 2012 resulting from dividends, repayments of loans or advances, or other transfers of assets in each case to TLLP or any of its Restricted Subsidiaries from any Person (including, without limitation, Unrestricted Subsidiaries) or from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, to the extent such amounts have not been included in Available Cash from Operating Surplus for any period commencing on or after September 14, 2012 (items (B), (C) and (D) being referred to as " Incremental Funds "); *minus*

(E) the aggregate amount of Incremental Funds previously expended pursuant to this clause (1) and clause (2) below; or

(2) if the Fixed Charge Coverage Ratio for TLLP's Reference Period is less than 1.75 to 1.00, such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by TLLP and its Restricted Subsidiaries (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (9), (10) and (11) of Section 4.07(b) hereof) during the quarter in which such Restricted Payment is made (such Restricted Payments for purposes of this clause (2) meaning only distributions on common units and subordinated units of TLLP, plus the related distribution on the general partner interest), is less than the sum, without duplication, of:

(A) $400.0 million less the aggregate amount of all Restricted Payments made by TLLP and its Restricted Subsidiaries pursuant to this clause (2)(A) during the period ending on the last day of the fiscal quarter immediately preceding the date of such Restricted Payment and beginning on September 14, 2012; *plus*

(B) Incremental Funds to the extent not previously expended pursuant to this clause (2) or clause (1) above.

(b) The provisions of Section 4.07(a) hereof will not prohibit:

(1) the payment of any dividend or distribution or the consummation of an irrevocable redemption of Subordinated Obligations within 60 days after the date of the declaration of such dividend or the delivery of the irrevocable notice of redemption, as the case may be, if at the date of declaration or the date on which such irrevocable notice is delivered, such dividend or redemption would have complied with the provisions of this Indenture (assuming, in the case of a redemption payment, the giving of the notice of such redemption payment would have been deemed to be a Restricted Payment at such time and such deemed Restricted Payment would have been permitted at such time);

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of, a substantially concurrent (a) capital contribution to TLLP from any Person (other than a Restricted Subsidiary of TLLP) or (b) sale or issuance
(other than to a Restricted Subsidiary of TLLP) of Equity Interests (other than Disqualified Equity) of TLLP, with a sale or issuance being deemed substantially concurrent if such Restricted Payment occurs not more than 120 days after such sale; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded or deducted from the calculation of Available Cash from Operating Surplus and Incremental Funds;

(3) the making of any principal payment on, or the defeasance, redemption, repurchase, retirement or other acquisition of, any Subordinated Obligation with the net cash proceeds from an incurrence of, or in exchange for, Permitted Refinancing Indebtedness;

(4) the payment of any distribution or dividend by a Restricted Subsidiary of TLLP to the holders of such Restricted Subsidiary's Equity Interests (other than Disqualified Equity) on a *pro rata* basis;

(5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of TLLP or any Restricted Subsidiary of TLLP held by any current or former officer, director, consultant or employee of the General Partner, TLLP or any of their respective Subsidiaries pursuant to any equity subscription agreement or plan, stock or unit option agreement, shareholders' agreement, employment agreement or similar agreement; *provided* , that the aggregate price paid for
all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $5.0 million in any calendar year
(with unused amounts in any calendar year to be carried forward to successive calendar years and added to such amount); *provided further* that such amount in any calendar year may be increased by an amount not to exceed (a) the cash proceeds received by TLLP or any of its Restricted Subsidiaries from sales of Equity Interests of TLLP to members of management, employees or directors of the General Partner, TLLP or their respective Subsidiaries that occurs after September 14, 2012
(to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of clauses (1)(B) or (2)(B) of Section 4.07(a) hereof), *plus* (*b*) the cash proceeds of key man life insurance policies received by TLLP or any of its Restricted Subsidiaries after September 14, 2012;

(6) payments or dividends of Disqualified Equity issued pursuant to Section 4.09 hereof;

(7) repurchases of Equity Interests deemed to occur upon the cashless exercise of stock options, warrants or other convertible securities if such Equity Interests represent a portion of the exercise price of such options, warrants or other convertible securities;

(8) cash payments in lieu of the issuance of fractional shares or units, or the purchase by TLLP of fractional shares or units, in connection with (a) the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of TLLP or (b) stock or unit dividends, splits or combinations or business combinations;

(9) in connection with an acquisition by TLLP or any of its Restricted Subsidiaries, the return to TLLP or any of its Restricted Subsidiaries of Equity Interests of TLLP or any of its Restricted Subsidiaries constituting a portion of the purchase consideration in settlement of indemnification claims or pursuant to purchase price adjustments under the Acquisition Agreement;

(10) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Obligations pursuant to Sections 4.10 or 4.15 ; *provided* that all Notes tendered by Holders in connection with a Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed or acquired for value; and

(11) the issuance of common Equity Interests upon the conversion of subordinated Equity Interests;

provided further , that, with respect to clauses (5), (6) and (10) of this Section 4.07(b) , no Default shall have occurred and be continuing.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by TLLP or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. For the purposes of determining compliance with this Section 4.07 , in the event that a Restricted Payment or Investment (or a portion thereof) meets the criteria of more than one of the categories of Restricted Payments described in the preceding clauses (1) through (11) and/or one or more of the exceptions contained in the definition of "Permitted Investments," or is permitted pursuant to the first paragraph of this covenant, TLLP will be permitted to divide or classify (or later divide, classify or reclassify in whole or in part in its sole discretion) such Restricted Payment or Investment (or portion thereof) among such clauses (1) through (11) and such first paragraph and/or one or more of the exceptions contained in the definition of "Permitted Investments," in any manner that complies with this Section 4.07 .

Section 4.08 *Dividend and Other Payment Restrictions Affecting Subsidiaries* .

(a) TLLP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary of TLLP (other than Finance Corp.) that is not a Guarantor to:

(1) pay dividends or make any other distributions on its Equity Interests to TLLP or any of its Restricted Subsidiaries that is a Guarantor, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to TLLP or any of its Restricted Subsidiaries that is a Guarantor; *provided* that the priority of any preferred equity or similar Equity Interest in receiving dividends or liquidating distributions prior to the payment of dividends or liquidating distributions on common equity shall not be deemed to be a restriction on the ability to make distributions on Capital Stock;

(2) make loans or advances to TLLP or any of its Restricted Subsidiaries that is a Guarantor; or

(3) sell, lease or transfer any of its properties or assets to TLLP or any of its Restricted Subsidiaries that is a Guarantor.

(b) The restrictions in Section 4.08(a) hereof will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements as in effect on the Issue Date, including the Existing 5.875% Indenture, the Existing 6.125% Indenture, the Existing 5.500% and 6.250% Indenture and the Credit Agreements and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements or the Indebtedness to which they relate; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend, distribution and other payment restrictions than those contained in those agreements on the Issue Date;

(2) this Indenture, the Notes and the Note Guarantees;

(3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under Section 4.09 and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially more restrictive, taken as a whole, than those contained in this Indenture, the Notes and the Note Guarantees;

(4) applicable law, rule, regulation or order;

(5) any instrument governing Indebtedness or Equity Interest of a Person acquired by TLLP or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Equity Interest was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;

(6) customary non-assignment provisions in contracts, agreements, licenses and leases entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Financing Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of Section 4.08(a) hereof;

(8) any agreement for the sale or other disposition of a Restricted Subsidiary or assets of such Restricted Subsidiary that contains any such restrictions on that Restricted Subsidiary pending such sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of Section 4.12 hereof that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements;

(12) any agreement or instrument relating to any property or assets acquired after the Issue Date, so long as such encumbrance or restriction relates only to the property or assets so acquired and is not and was not created in anticipation of such acquisitions;

(13) other Indebtedness, Disqualified Equity or preferred securities permitted to be incurred subsequent to the Issue Date pursuant to Section 4.09 hereof and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that, in the good faith judgment of TLLP determined at the time of the incurrence of such Indebtedness, Disqualified Equity or preferred securities, the encumbrances and restrictions contained therein will not materially impair TLLP's ability to make payments under the Notes when due;

(14) encumbrances or restrictions contained in, or in respect of, Hedging Obligations permitted under this Indenture from time to time;

(15) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(16) secured Indebtedness that limits the right of the debtor to dispose of the assets securing such Indebtedness and any related encumbrance or restriction contained in security agreements, mortgages or purchase money agreements.

Section 4.09 *Incurrence of Indebtedness and Issuance of Disqualified Equity* .

(a) TLLP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, " incur ") any Indebtedness (including Acquired Debt), and TLLP will not issue any Disqualified Equity and will not permit any of its Restricted Subsidiaries to issue any Disqualified Equity; *provided* , *however* , that TLLP and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt) and TLLP and any Restricted Subsidiary may issue Disqualified Equity, if the Fixed Charge Coverage Ratio for TLLP's Reference Period immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Equity is issued, as the case may be, would have been at least 2.00 to 1.00, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Equity had been issued, as the case may be, at the beginning of such Reference Period.

(b) The provisions of Section 4.09(a) hereof will not prohibit the incurrence of any of the following items of Indebtedness (collectively, " Permitted Debt ") *:*

(1) the incurrence by TLLP and any Restricted Subsidiary of Indebtedness pursuant to one or more Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of TLLP and its Restricted Subsidiaries thereunder) not to exceed
the greater of (a) $2,100.0 million and (b) the sum of $1,400.0 million and 20.0% of Consolidated Net Tangible Assets (determined as of the date of incurrence and after giving effect to the use of proceeds therefrom);

(2) the incurrence by TLLP, Finance Corp. and its Restricted Subsidiaries of Existing Indebtedness;

(3) the incurrence by TLLP, Finance Corp. and the Guarantors of Indebtedness represented by the Notes and the related Note Guarantees to be issued on the Issue Date;

(4) the incurrence by TLLP or any of its Restricted Subsidiaries of Indebtedness represented by Financing Lease Obligations, Synthetic Lease Obligations, mortgage financings or purchase money obligations (including any Acquired Debt), in each case, incurred in connection with the purchase of, or for the purpose of financing all or any part of the purchase price or cost of construction, improvement or development of, property, plant or equipment used or useful in the business of TLLP or any of its Restricted Subsidiaries and related financing costs, and Attributable Debt in respect of sale and leaseback transactions, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), at any time outstanding not to exceed the greater of (a) $250.0 million and (b) 5.0% of TLLP's Consolidated Net Tangible Assets (determined as of the date of incurrence and after giving effect to the use of proceeds therefrom);

(5) the incurrence by TLLP or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace any Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be incurred under Section 4.09(a) hereof or clause (2), (3), (12) or (13) of this Section 4.09(b) or this clause (5);

(6) the incurrence by TLLP or any of its Restricted Subsidiaries of intercompany Indebtedness between or among TLLP and any of its Restricted Subsidiaries; *provided* , *however* , that:

(A) if TLLP or any Guarantor is the obligor on such Indebtedness and the payee is not TLLP or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of TLLP, or the Note Guarantee, in the case of a Guarantor; and

(B) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than TLLP or a Restricted Subsidiary of TLLP and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either TLLP or a Restricted Subsidiary of TLLP, will be deemed, in each case, to constitute an incurrence of such Indebtedness by TLLP or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence by TLLP or any of its Restricted Subsidiaries of Hedging Obligations;

(8) the guarantee by TLLP or any of the Guarantors of Indebtedness of TLLP or a Restricted Subsidiary of TLLP or the Indebtedness incurred by Joint Ventures constituting Permitted Investments; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or Note Guarantees, then the Guarantee shall be subordinated or *pari passu* , as applicable, to the same extent as the Indebtedness guaranteed;

(9) the incurrence by TLLP or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation or similar liabilities, health or other types of social security benefits, unemployment or other insurance or self-insurance obligations, insurance contracts, reclamation, statutory obligations, bankers' acceptances, and bid, performance, advance, payment, deposit, appeal and surety bonds in the ordinary course of business, including guarantees and obligations respecting standby letters of credit supporting such obligations, to the extent not drawn (in each case other than an obligation for money borrowed) and replacements of any of the foregoing;

(10) the incurrence by TLLP or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days;

(11) the issuance by TLLP or any of its Restricted Subsidiaries of Disqualified Equity to TLLP or any of its Restricted Subsidiaries, as the case may be; *provided* , *however* , that:

(a) any subsequent issuance or transfer of Equity Interests of a Restricted Subsidiary that results in any such Disqualified Equity being held, directly or indirectly, by a Person other than TLLP or a Restricted Subsidiary of TLLP; and

(b) any sale or other transfer of any such Disqualified Equity to a Person that is not either TLLP or a Restricted Subsidiary of TLLP,

will be deemed, in each case, to constitute an issuance of such Disqualified Equity by TLLP or such Restricted Subsidiary that was not permitted by this clause;

(12) the incurrence by TLLP or any of its Restricted Subsidiaries of Permitted Acquisition Indebtedness;

(13) the incurrence by TLLP of Indebtedness in the ordinary course of business under documentary letters of credit, which are to be repaid in full not more than one year after the date on which such Indebtedness was originally incurred to finance the purchase of goods by TLLP or any of its Restricted Subsidiaries;

(14) the incurrence of Indebtedness arising from agreements with TLLP or any of its Restricted Subsidiaries providing for indemnification, adjustment of purchase price, earn-outs, or similar obligations, in each case, incurred or assumed in connection with the disposition or acquisition of any business, assets or a Subsidiary in accordance with the terms of this Indenture, other than guarantees of Indebtedness incurred or assumed by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition; and

(15) the incurrence by TLLP or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount at any time outstanding, not to exceed the greater of (a) $250.0 million and (b) 5.0% of Consolidated Net Tangible Assets (determined as of the date of incurrence and after giving effect to the use of proceeds therefrom).

TLLP will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of TLLP or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided* , *however* , that no Indebtedness shall be deemed to be contractually subordinated in right of payment to any other Indebtedness of TLLP solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness (including Acquired Debt) meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (15) above, or is entitled to be incurred pursuant to Section 4.09(a) hereof, TLLP will be permitted to classify all or a portion of such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section 4.09; *provided* that Indebtedness under the Credit Agreements outstanding on the Issue Date will initially be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of the definition of "Permitted Debt."

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Equity in the form of additional shares of the same class of Disqualified Equity will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Equity for purposes of this Section 4.09. Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that TLLP or any Restricted Subsidiary may incur pursuant to this Section 4.09 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(A) the Fair Market Value of such assets at the date of determination; and

(B) the amount of the Indebtedness of the other Person.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Section 4.10 *Asset Sales* .

TLLP will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) TLLP (or the Restricted Subsidiary, as the case may be) receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Sale and which shall give effect to the assumption by another Person of any liabilities as provided for in clause (A) of the following paragraph) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale, together with all other Asset Sales since the Issue Date (on a cumulative basis) by TLLP or such Restricted Subsidiary is in the form of cash or Cash Equivalents.

For purposes of the preceding clause (2) of this provision, each of the following shall be deemed to be cash:

(A) any liabilities, as shown on TLLP's most recent consolidated balance sheet, of TLLP or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantees) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases TLLP or such Restricted Subsidiary from further liability;

(B) any securities, notes or other obligations received by TLLP or any such Restricted Subsidiary in connection with such transaction that within 90 days after the Asset Sale (subject to ordinary settlement periods) are converted by TLLP or such Restricted Subsidiary into cash or Cash Equivalents, to the extent of the cash or Cash Equivalents received in that conversion;

(C) any stock or assets of the kind referred to in clauses (2) or (4) of the next succeeding paragraph received by TLLP or any such Restricted Subsidiary in connection with such transaction; and

(D) accounts receivable of a business retained by TLLP or any of its Restricted Subsidiaries, as the case may be, following the sale of such business, *provided* such accounts receivable (x) are not past due more than 60 days and (y) do not have a payment date greater than 90 days from the date of the invoices creating such accounts receivable;

provided that any Asset Sale pursuant to a condemnation, appropriation or other similar taking, including by deed in lieu of condemnation, or pursuant to the foreclosure or other enforcement of a Lien incurred not in violation of Section 4.12 or exercise by the related lienholder of rights with respect thereto, including by deed or assignment in lieu of foreclosure, shall not be required to satisfy the conditions set forth in clauses (1) and (2) of this paragraph.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, TLLP (or any Restricted Subsidiary) may apply such Net Proceeds at its option to any combination of the following:

(1) to prepay, repay, redeem or repurchase Senior Indebtedness of TLLP and/or its Restricted Subsidiaries;

(2) to acquire a controlling interest in another business or all or substantially all of the assets of, or any Capital Stock or operating line of, another business, in each case engaged in a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of TLLP;

(3) to make capital expenditures; or

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business;

provided that, in the case of clauses (2), (3) and (4) above, a binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment so long as TLLP (or the applicable Restricted Subsidiary, as the case may be) enters into such commitment with the good faith expectation that such Net Proceeds will be applied to satisfy such commitment within 180 days of such commitment (an " Acceptable Commitment "); and such Net Proceeds are actually applied in such manner within the later of 365 days from the consummation of the Asset Sale and 180 days from the date of the Acceptable Commitment, and in the event any Acceptable Commitment is later cancelled or terminated for any reason before the Net Proceeds are applied in connection therewith, TLLP (or the applicable Restricted Subsidiary, as the case may be) enters into another Acceptable Commitment (a " Second Commitment ") within 180 days of such cancellation or termination and such Net Proceeds are actually applied in such manner within 180 days from the date of the Second Commitment, it being understood that if a Second Commitment is later cancelled or terminated for any reason before such Net Proceeds are applied then such Net Proceeds shall constitute Excess Proceeds.

Pending the final application of any Net Proceeds, TLLP or the applicable Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this Section 4.10 will constitute " Excess Proceeds . " Within five days after the date on which the aggregate amount of Excess Proceeds exceeds $50.0

million (or, at the Issuers' option, any earlier date), the Issuers will make an Asset Sale Offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount (or accreted value) thereof plus accrued and unpaid interest to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, TLLP or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and the representative of such other *pari passu* Indebtedness will select such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

TLLP will comply with the requirements of Rule 14e-l under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Section 3.09 hereof or this Section 4.10 , TLLP will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Section 3.09 hereof or this Section 4.10 by virtue of such compliance.

Section 4.11 *Transactions with Affiliates.*

(a) TLLP will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of TLLP
(each, an " Affiliate Transaction ") if such Affiliate Transaction involves aggregate consideration in excess of $25.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to TLLP or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by TLLP or such Restricted Subsidiary with an unrelated Person or, if no comparable transaction is available with which to compare such Affiliate Transaction, such Affiliate Transaction is otherwise fair to TLLP or the relevant Restricted Subsidiary from a financial point of view; and

(2) TLLP delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $75.0 million, a resolution of the Board of Directors of the General Partner set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (1) of this Section 4.11(a) and that such Affiliate Transaction has been approved by either the Conflicts Committee of the Board of Directors of the General Partner (so long as the members of the Conflicts Committee approving the Affiliate Transaction are disinterested) or a majority of the disinterested members of the Board of Directors of the General Partner.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Section 4.11(a) hereof:

(1) reasonable fees and compensation paid to or for the benefit of any employee, officer or director of TLLP, any of its Restricted Subsidiaries or the General Partner, and any employment agreement, customary benefit program or arrangement (including vacation plans, health and life insurance plans, deferred compensation plans and retirement or savings and similar plans), equity award, equity option or equity appreciation agreement or plan, officer or director indemnification agreement or any similar arrangement entered into by TLLP, any of its Restricted Subsidiaries or the General Partner existing on the Issue Date, or entered into thereafter in the ordinary course of business, and any indemnities or other transactions permitted or required by bylaw, statutory provisions or any of the foregoing agreements, plans or arrangements;

(2) transactions between or among TLLP and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of TLLP) that is an Affiliate of TLLP solely because TLLP owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) any issuance of Equity Interests (other than Disqualified Equity) of TLLP to Affiliates of TLLP;

(5) Restricted Payments or Permitted Investments that do not violate Section 4.07 hereof;

(6) customary compensation, indemnification and other benefits made available to officers, directors or employees of TLLP, a Restricted Subsidiary of TLLP or the General Partner, including reimbursement or advancement of out-of-pocket expenses and provisions of officers' and directors' liability insurance;

(7) in the case of gathering, transportation, marketing, hedging, production handling, operating, construction, terminalling, processing, fractionation, storage, lease, platform use, or other operational contracts, any such contracts that are entered into in the ordinary course of business on terms substantially similar to those contained in similar contracts entered into by TLLP or any Restricted Subsidiary and third parties, or if neither TLLP nor any Restricted Subsidiary has entered into a similar contract with a third party, that the terms are no less favorable than those available from third parties on an arm's-length basis, as determined by the Board of Directors of the General Partner;

(8) loans or advances to employees in the ordinary course of business not to exceed $5.0 million in the aggregate at any one time outstanding;

(9) the existence of, or the performance by TLLP or any Restricted Subsidiary of its obligations under the terms of, any written agreement in effect on the Issue Date, as such agreement may be amended, modified or supplemented from time to time and any similar agreements which it may enter into thereafter; *provided* , *however* , that the existence of, or the performance by TLLP or any Restricted Subsidiary of its obligations under, any future amendment to such agreements or under any such similar agreements shall only be permitted by this clause (9) to the extent that the terms of any such amendment or new agreement, taken as a whole, are not less favorable to the Holders in any material respect as compared to the terms of the agreement in effect on the Issue Date;

(10) any transaction in which TLLP or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to TLLP or such Restricted Subsidiary from a financial point of view or that such transaction meets the requirements of clause (1) of Section 4.11(a) ;

(11) guarantees of performance by TLLP or any of its Restricted Subsidiaries in the ordinary course of business, except for guarantees of Indebtedness in respect of borrowed money;

(12) (A) guarantees by TLLP or any of its Restricted Subsidiaries of performance of obligations of Unrestricted Subsidiaries or Joint Ventures in the ordinary course of business, except for guarantees of Indebtedness in respect of borrowed money, and (B) pledges by TLLP or any Restricted Subsidiary of Capital Stock in Unrestricted Subsidiaries or Joint Ventures for the benefit of lenders or other creditors of Unrestricted Subsidiaries or Joint Ventures as contemplated by clause (13) of the definition of "Permitted Liens" with respect to clause (B) so long as any such transaction, if involving aggregate consideration in excess of $75.0 million, has been approved by a majority of the disinterested members of the Board of Directors of the General Partner;

(13) any transactions between TLLP or any Restricted Subsidiary and any Person, a director of which is also a director of TLLP or a Restricted Subsidiary; *provided* that such director abstains from voting as a director of TLLP or the Restricted Subsidiary, as applicable, in connection with the approval of the transaction; and

(14) any purchase or other acquisition or related transaction pursuant to the Omnibus Agreement.

Section 4.12 *Liens.*

TLLP will not and will not permit any Guarantor to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, unless:

(1) in the case of Liens securing Subordinated Obligations of TLLP or a Guarantor, the Notes or Note Guarantees, as applicable, are contemporaneously secured by a Lien on such property or assets on a senior basis to the Subordinated Obligations so secured with the same priority that the Notes or Note Guarantees, as applicable, have to such Subordinated Obligations until such time as such Subordinated Obligations are no longer so secured by a Lien; and

(2) in the case of Liens securing Senior Indebtedness of TLLP or a Guarantor, the Notes or Note Guarantees, as applicable, are contemporaneously secured by a Lien on such property or assets on an equal and ratable basis with the Senior Indebtedness so secured until such time as such Senior Indebtedness is no longer so secured by a Lien.

Any Lien on property or assets of TLLP or any Guarantor created for the benefit of Holders of the Notes pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged at such time as there are no other Liens of any kind (other than Permitted Liens) on such property or assets securing Indebtedness.

Section 4.13 *Limitations on Finance Corp. Activities* .

Finance Corp. shall not incur Indebtedness unless (1) TLLP is a borrower, issuer, co-issuer or guarantor of such Indebtedness or (2) the net proceeds of such Indebtedness are loaned to TLLP, used to acquire outstanding debt securities issued by TLLP or used to repay Indebtedness of TLLP as permitted under Section 4.09 hereof. Finance Corp. may not engage in any business not related directly or indirectly to obtaining money or arranging financing for TLLP or its Restricted Subsidiaries.

Section 4.14 *Corporate Existence* .

Subject to Article 5 hereof, TLLP shall do or cause to be done all things necessary to preserve and keep in full force and effect:

(1) its limited partnership existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of TLLP or any such Subsidiary; and

(2) the rights (charter and statutory), licenses and franchises of TLLP and its Subsidiaries; *provided* , *however* , that TLLP shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of TLLP and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

Section 4.15 *Offer to Repurchase Upon Change of Control Triggering Event* .

(a) Upon the occurrence of a Change of Control Triggering Event with respect to the Notes, the Issuers will make an offer (a " Change of Control Offer ") to each Holder of the Notes to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess thereof) of that Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest on the Notes repurchased to, but excluding, the date of purchase, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date (the " Change of Control Payment ") . Within 30 days following any Change of Control Triggering Event, the Issuers will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control Triggering Event and stating:

(1) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes validly tendered will be accepted for payment;

(2) the purchase price and the purchase date, which shall be no earlier than 20 Business Days and no later than 60 days from the date such notice is mailed (the " Change of Control Payment Date ");

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Issuers Default in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" attached to such Notes completed, or transfer by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $2,000 in principal amount or an integral multiple of $1,000 in excess thereof.

The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Indenture, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.15 by virtue of such compliance.

(b) On the Change of Control Payment Date, the Issuers will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of such Notes properly tendered pursuant to the Change of Control Offer; and

(3) deliver or cause to be delivered to the Trustee the Notes accepted for purchase together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of such Notes being purchased by the Issuers.

The Paying Agent will promptly mail to each Holder properly tendered the Change of Control Payment for such Notes (or, if all the Notes are then in global form, it will make such payment through the facilities of DTC), and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* , that each new Note will be in a principal amount of $2,000 or an integral multiple of $ 1,000 in excess thereof. The Issuers will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) Notwithstanding anything to the contrary in this Section 4.15 , the Issuers will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.15 and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer or (2) notice of redemption has been given pursuant to Section 3.07 hereof, unless and until there is a default in payment of the applicable redemption price.

A Change of Control Offer may be made with respect to the Notes in advance of a Change of Control Triggering Event, and conditioned upon the occurrence of such Change of Control Triggering Event, if a definitive agreement for the Change of Control Triggering Event is in place at the time of making the Change of Control Offer.

With respect to the Notes, in the event that Holders of not less than 90% of the aggregate principal amount of the outstanding Notes tender and do not withdraw such Notes in a Change of Control Offer and TLLP (or the third party making the Change of Control Offer as provided above) purchases all of the Notes validly tendered and not withdrawn by such Holders, TLLP or such third party shall have the right, upon not less than 15 nor more than 60 days' prior notice, given not more than 30 days following the purchase pursuant to the Change of Control Offer described above, to redeem all of the Notes that remain outstanding following such purchase at a redemption price equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest on the Notes that remain outstanding to the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an Interest Payment Date that is on or prior to the Redemption Date).

Section 4.16 *Additional Guarantors.*

If, after the Issue Date, any wholly-owned Domestic Subsidiary (other than Finance Corp.) of TLLP that is not already a Guarantor guarantees any other Indebtedness of either of the Issuers under a Credit Facility in an aggregate principal amount in excess of $50.0 million, then that Subsidiary will become a Guarantor by executing and delivering a supplemental indenture to the Trustee within 30 Business Days of the date on which it guaranteed or incurred such Indebtedness; *provided* that the preceding shall not apply to Subsidiaries of TLLP that have been properly designated as Unrestricted Subsidiaries in accordance with this Indenture for so long as they continue to constitute Unrestricted Subsidiaries. Notwithstanding the preceding, any Guarantee of a Restricted Subsidiary that was incurred pursuant to this Section 4.16 will be released in accordance with Section 10.06 hereof.

Section 4.17 *Designation of Restricted and Unrestricted Subsidiaries* .

The Board of Directors of the General Partner may designate any Subsidiary of TLLP to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by TLLP and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 4.07 hereof or under one or more clauses of the definition of "Permitted Investments", as determined by TLLP; *provided* that any designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an "Unrestricted Subsidiary".

Any designation of a Subsidiary of TLLP as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors of the General Partner giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of TLLP as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09 hereof, TLLP will be in default of such covenant. The Board of Directors of the General Partner may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of TLLP; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of TLLP of any outstanding Indebtedness of such Unrestricted

Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09 hereof, calculated on a pro forma basis and (2) no Default or Event of Default would be in existence following such designation.

Section 4.18 *Covenant Termination* .

If at any time (a) the Notes are assigned an Investment Grade Rating from both Rating Agencies, (b) no Default or Event of Default has occurred and is continuing under this Indenture and (c) the Issuers have delivered to the Trustee an Officers' Certificate certifying as to matters specified in clauses (a) and (b) of this sentence as of the date of such certificate (the " Termination Date "), TLLP and its Restricted Subsidiaries will no longer be subject to the provisions of Sections 4.07 , 4.08 , 4.09 , 4.10 , 4.11 , 4.16 and 5.01(a)(4) of this Indenture .

No Subsidiary shall be designated as an Unrestricted Subsidiary after the Termination Date.

ARTICLE 5

SUCCESSORS

Section 5.01 *Merger, Consolidation or Sale of Assets.*

(a) Neither of the Issuers may, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Issuer is the surviving entity) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuers and the Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(1) either:

(A) such Issuer is the surviving entity; or

(B) the Person formed by or surviving any such consolidation or merger (if other than such Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is a Person organized or existing under the laws of the United States, any state of the United States or the District of Columbia; *provided* , *however* , that Finance Corp. may not consolidate or merge with or into any Person other than a corporation satisfying such requirement so long as TLLP (or any successor entity) is not a corporation;

(2) the Person formed by or surviving any such consolidation or merger (if other than such Issuer) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of such Issuer under the Notes and this Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) in the case of a transaction involving TLLP and not Finance Corp., TLLP or the Person formed by or surviving any such consolidation or merger (if other than TLLP), or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made, will:

(A) on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable Reference Period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) ; or

(B) have a Fixed Charge Coverage Ratio, on the date of such transaction and after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable Reference Period, not less than the Fixed Charge Coverage Ratio of TLLP immediately prior to such transaction; and

(5) such Issuer has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or disposition and such supplemental indenture (if any) comply with this Indenture.

(b) This Section 5.01 will not apply to any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among TLLP and its Restricted Subsidiaries, *provided further* that Sections 5.01(a)(3) and (4) will not apply to any merger or consolidation of either Issuer (A) with or into one of TLLP's Restricted Subsidiaries for any purpose or (B) with or into an Affiliate solely for the purpose of reincorporating such Issuer in another jurisdiction.

(c) Notwithstanding Section 5.01(a) , TLLP is permitted to reorganize as any other form of entity in accordance with the procedures established in this Indenture; *provided* that:

(1) the reorganization involves the conversion (by merger, sale, contribution or exchange of assets or otherwise) of TLLP into a form of entity other than a limited partnership formed under Delaware law;

(2) the entity so formed by or resulting from such reorganization is an entity organized or existing under the laws of the United States, any state thereof or the District of Columbia;

(3) the entity so formed by or resulting from such reorganization assumes all the Obligations of TLLP under the Notes and this Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(4) immediately after such reorganization no Default or Event of Default exists; and

(5) such reorganization is not adverse to the Holders of the Notes (for purposes of this clause (5) it is stipulated that such reorganization shall not be considered adverse to the Holders of the Notes solely because the successor or survivor of such reorganization (a) is subject to federal or state income taxation as an entity or (b) is considered to be an "includible corporation" of an affiliated group of corporations within the meaning of Section 1504(b) of the Code, or any similar state or local law).

(d) A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the resulting, transferee or surviving Person), another Person, other than TLLP or another Guarantor, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(2) either:

(A) the Person acquiring the assets in any such sale or disposition or the Person formed by or surviving any such consolidation or merger (if other than TLLP or another Guarantor), assumes all obligations of that Guarantor under this Indenture and its Note Guarantee pursuant to an agreement reasonably satisfactory to the Trustee; or

(B) the Net Proceeds of such sale or other disposition are applied in accordance with Section 4.10 hereof.

Section 5.02 *Successor Person Substituted* .

Upon any transaction or series of related transactions that are of the type described in, and are effected in accordance with, Section 5.01(a) hereof, the surviving Person (if other than such Issuer) shall succeed to, and be substituted for, and may exercise every right and power of, such Issuer under Indenture and the Notes with the same effect as if such surviving Person had been named as such Issuer herein, and when a surviving Person duly assumes all of the obligations and covenants of such Issuer pursuant to this Indenture and the Notes, the predecessor Person shall be relieved of all such obligations.

ARTICLE 6

DEFAULTS AND REMEDIES

Section 6.01 *Events of Default* .

Each of the following is an " Event of Default " with respect to the Notes *:*

(1) default for 30 days in the payment when due of interest with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption (or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by TLLP or any of its Restricted Subsidiaries for 30 days after written notice to TLLP by the Trustee or Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to make a Change of Control Offer within the time periods set forth, or consummate a purchase of the Notes when required pursuant to the terms described, in Section 4.15 or comply with the provisions of Section 5.01 hereof;

(4) failure by TLLP for 120 days after written notice to TLLP by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then-outstanding voting as a single class to comply with Section 4.03 ;

(5) failure by TLLP or any of its Restricted Subsidiaries for 60 days after written notice to TLLP by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then-outstanding voting as a single class to comply with any of the other agreements herein; or

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by TLLP or any of its Restricted Subsidiaries (or the payment of which is guaranteed by TLLP or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

(A) is caused by a failure to pay principal on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (a " Payment Default "); or

(B) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates, without duplication, $100.0 million or more;

(7) failure by an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $100.0 million (excluding amounts covered by insurance policies issued by reputable and credit worthy insurance companies for which coverage has not been disclaimed), which judgments are not paid, discharged or stayed for a period of 60 days;

(8) an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is not paying its debts as they become due;

(9) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the TLLP that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(B) appoints a custodian of an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary; or

(C) orders the liquidation of an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days; and

(10) except as permitted by this Indenture, any Note Guarantee from a Guarantor that is a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary, or any Person acting on behalf of any Guarantor that is a Significant Subsidiary, denies or disaffirms its Obligations under its Note Guarantee.

In the case of an Event of Default specified in clause (6) of the first paragraph of this Section 6.01 and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded with respect to the Notes, automatically and without any action by the Trustee or the Holders of such Notes, if within 60 days after such Event of Default first arose TLLP delivers an Officers' Certificate to the Trustee stating that (a) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged, (b) the Holders of the Indebtedness have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (c) the default that is the basis for such Event of Default has been cured.

Section 6.02 *Acceleration* .

In the case of an Event of Default specified in clause (8) or (9) of Section 6.01 hereof, with respect to Finance Corp., TLLP or any Restricted Subsidiary of TLLP that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default with respect to a particular the Notes occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then-outstanding Notes may declare all the Notes to be due and payable immediately.

Upon any such declaration, the Notes shall become due and payable immediately.

The Holders of not less than a majority in aggregate principal amount of the then-outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest, or premium, if any, on, or the principal of, the Notes.

Section 6.03 *Other Remedies* .

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04 *Waiver of Past Defaults* .

Holders of not less than a majority in aggregate principal amount of the then-outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium or interest on, the Notes (including in connection with an offer to purchase); *provided* , *however* , that the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05 *Control by Majority* .

Holders of at least a majority in aggregate principal amount of the then-outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability.

Section 6.06 *Limitation on Suits* .

A Holder may pursue a remedy with respect to this Indenture or the Notes only if:

(1) such Holder gives to the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the then-outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer and, if requested, provide to the Trustee reasonable security or indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and

(5) during such 60-day period, Holders of at least a majority in aggregate principal amount of the then-outstanding Notes do not give the Trustee a direction inconsistent with such request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

Section 6.07 *Rights of Holders of Notes to Institute Suit* .

Notwithstanding any other provision of this Indenture, the contractual right of any Holder of outstanding Notes to institute suit for the enforcement of any payments of principal of, or interest or premium, if any, on, such Holder's Notes on or after the due dates expressed in such outstanding Notes (including in connection with an offer to purchase), shall not be impaired or affected without the consent of such Holder.

Section 6.08 *Collection Suit by Trustee* .

If an Event of Default specified in Section 6.01(1) or (2) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Issuers for the whole amount of principal of, premium and interest remaining unpaid on, the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09 *Trustee May File Proofs of Claim* .

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Issuers (or any other obligor upon the Notes), their creditors or their property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 *Priorities* .

If the Trustee collects any money pursuant to this Article 6 , it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the Trustee's costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and interest ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, and interest respectively; and

Third: to the Issuers or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11 *Undertaking for Costs* .

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in aggregate principal amount of the then-outstanding Notes.

ARTICLE 7

TRUSTEE

Section 7.01 *Duties of Trustee* .

(a) If an Event of Default with respect to the Notes has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee will be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee. To the extent of any conflict between the duties of the Trustee hereunder and under the TIA, the TIA shall control; and

(2) in the absence of willful misconduct or bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee will examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 7.01 ;

(2) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section 7.01 .

(e) No provision of this Indenture will require the Trustee to expend or risk its own funds or incur any liability. The Trustee will be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee will not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.02 *Rights of Trustee* .

(a) The Trustee may conclusively rely upon any document (whether in its original or facsimile form) believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel will be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee will not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuers will be sufficient if signed by an Officer of each of the Issuers.

(f) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to it against the losses, liabilities and expenses that might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuers, personally or by agent or attorney at the sole cost of the Issuers and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(h) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(i) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

(j) The Trustee may request that the Issuers deliver an Officers' Certificate setting forth the names of individuals and/or titles of Officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

Section 7.03 *Individual Rights of Trustee* .

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuers or any Affiliate of the Issuers with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest (as defined in the TIA) it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee (if this Indenture has been qualified under the TIA) or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

Section 7.04 *Trustee's Disclaimer* .

The Trustee will not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Issuers' use of the proceeds from the Notes or any money paid to the Issuers or upon the Issuers' direction under any provision of this Indenture, it will not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it will not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

Section 7.05 *Notice of Defaults* .

If a Default or Event of Default occurs and is continuing and if it is actually known to a Responsible Officer of the Trustee, the Trustee will mail to Holders of Notes a notice of the Default or Event of Default within 90 days after the later of (a) the date of the Default or Event of Default shall have occurred and (b) the date such Responsible Officer first had such actual knowledge. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, or interest on, any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06 *Reports by Trustee to Holders of the Notes* .

(a) Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee will mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA § 313(a) (but if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also will comply with TIA § 313(b)(2). The Trustee will also transmit by mail all reports as required by TIA § 313(c).

(b) A copy of each report at the time of its mailing to the Holders of Notes will be mailed by the Trustee to the Issuers and filed by the Trustee with the SEC and each stock exchange on which the Notes are listed in accordance with TIA § 313(d). The Issuers will promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07 *Compensation and Indemnity* .

(a) The Issuers will pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder as such parties shall agree in writing from time to time. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust. The Issuers will reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses will include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(b) The Issuers and the Guarantors will indemnify the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Issuers and the Guarantors (including this Section 7.07) and defending itself against any claim (whether asserted by the Issuers, the Guarantors, any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence or bad faith. The Trustee will notify the Issuers promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuers will not relieve the Issuers or any of the Guarantors of their obligations hereunder, except to the extent that the Issuers are materially prejudiced by such failure to promptly provide notice. The Issuers or such Guarantor will defend the claim and the Trustee will cooperate in the defense. The Trustee may have separate counsel and the Issuers will pay the reasonable fees and expenses of such counsel. Neither the Issuers nor any Guarantor need pay for any settlement made without its consent, which consent will not be unreasonably withheld.

(c) The obligations of the Issuers and the Guarantors under this Section 7.07 will survive the satisfaction and discharge of this Indenture.

(d) To secure the Issuers' and the Guarantors' payment obligations in this Section 7.07, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien will survive the satisfaction and discharge of this Indenture.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(8) or (9) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

(f) The Trustee will comply with the provisions of TIA § 313(b)(2) to the extent applicable.

Section 7.08 *Replacement of Trustee* .

(a) A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08 .

(b) The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Issuers. The Holders of at least a majority in aggregate principal amount of the then-outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuers in writing. The Issuers may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10 hereof;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuers will promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuers.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee (at the Issuers' expense), the Issuers, or the Holders of at least 10% in aggregate principal amount of the then-outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to Holders. The retiring Trustee will promptly transfer all property held by it as Trustee to the successor Trustee; *provided* all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08 , the Issuers' obligations under Section 7.07 hereof will continue for the benefit of the retiring Trustee.

Section 7.09 *Successor Trustee by Merger, etc.*

If the Trustee consolidates, merges or converts into, or sells or otherwise transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act will be the successor Trustee. As soon as practicable, the successor Trustee shall mail a notice of its succession to the Issuers and the Holders of the Notes.

Section 7.10 *Eligibility; Disqualification* .

There will at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $100.0 million as set forth in its most recent published annual report of condition.

This Indenture will always have a Trustee who satisfies the requirements of TIA § 310(a)(1), (2) and (5). The Trustee is subject to TIA § 310(b).

Section 7.11 *Preferential Collection of Claims Against the Issuers* .

The Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

ARTICLE 8

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01 *Option to Effect Legal Defeasance or Covenant Defeasance* .

The Issuers may at their option and at any time, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes and all obligations of the Guarantors with respect to the Note Guarantees upon compliance with the conditions set forth below in this Article 8 .

Section 8.02 *Legal Defeasance and Discharge* .

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.02 , the Issuers and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from their obligations with respect to all outstanding Notes (including the Note Guarantees) and all Events of Default cured on the date the conditions set forth below are satisfied (hereinafter, " Legal Defeasance ") . For this purpose, Legal Defeasance means that the Issuers and the Guarantors will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including the Note Guarantees), which will thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in clauses (1) and (2) below, and to have satisfied all their other obligations under the Notes, the Note Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Issuers, shall execute proper instruments acknowledging the same) and to have cured all then existing Events of Default, except for the following provisions which will survive until otherwise terminated or discharged hereunder:

(1) the contractual rights of Holders of outstanding Notes to institute suit for the enforcement of any payments in respect of the principal of, or interest or premium, if any, on, such Notes when such payments are due from the trust referred to in Section 8.04 hereof;

(2) the Issuers' obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Issuers' and the Guarantors' Obligations in connection therewith; and

(4) this Article 8 .

Subject to compliance with this Article 8, the Issuers may exercise their option under this Section 8.02 notwithstanding the prior exercise of their option under Section 8.03 hereof.

Section 8.03 *Covenant Defeasance* .

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03 , the Issuers and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from each of their obligations under the covenants contained in Sections 4.03 , 4.04 , 4.07 , 4.08 , 4.09 , 4.10 , 4.11 , 4.12 , 4.13 , 4.15 , 4.16 , 4.17 and 4.18 hereof and clause (a)(4) of Section 5.01 hereof with respect to the outstanding Notes, and the Guarantors will be released from their obligations with respect to the Note Guarantees, on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, " Covenant Defeasance "), and the Notes will thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but will continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes will not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes and Note Guarantees, the Issuers and the Guarantors may omit to comply with and will have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply will not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes and Note Guarantees will be unaffected thereby. In addition, upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03 , subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(3) through 6.01(7) inclusive and 6.01(10) hereof will not constitute Events of Default.

Section 8.04 *Conditions to Legal or Covenant Defeasance* .

In order to exercise either Legal Defeasance or Covenant Defeasance as to the Notes under either Section 8.02 or 8.03 hereof:

(1) the Issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium, if any, on the outstanding Notes on the stated date for payment thereof or on the applicable Redemption Date, as the case may be, and the Issuers must specify whether the Notes are being defeased to such stated date for payment or to a particular Redemption Date;

(2) in the case of an election under Section 8.02 hereof, the Issuers must deliver to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions:

(A) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling; or

(B) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of an election under Section 8.03 hereof, the Issuers must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default with respect to the Notes shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness or other borrowing of funds or the grant of Liens securing such Indebtedness or other borrowing, all or a portion of the proceeds of which will be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which TLLP or any of its Subsidiaries is a party or by which TLLP or any of its Subsidiaries is bound, or if such breach, violation or default would occur, which is not waived as of, and for all purposes, on and after, the date of such deposit;

(6) the Issuers must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuers with the intent of preferring the Holders of Notes over the other creditors of the Issuers with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuers or others; and

(7) the Issuers must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Section 8.05 *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions* .

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05 , the " Trustee ") pursuant to Section 8.04 hereof in respect of the outstanding Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including either Issuer acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest but such money need not be segregated from other funds except to the extent required by law.

The Issuers will pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Notwithstanding anything in this Article 8 to the contrary, the Trustee will deliver or pay to the Issuers from time to time upon the request of the Issuers any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(1) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.06 *Repayment to the Issuers* .

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuers, in trust for the payment of the principal of, premium, if any, or interest on, any Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Issuers on their request or (if then held by the Issuers) will be discharged from such trust; and the Holder of such Note will thereafter be permitted to look only to the Issuers for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuers as trustee thereof, will thereupon cease; *provided* , *however* , that if any of the Notes then outstanding are in definitive form the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuers cause to be published once, in *The New York Times* and *The Wall Street Journal* (national edition), notice that such money remains unclaimed and that, after a date specified therein, which will not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Issuers.

Section 8.07 *Reinstatement* .

If the Trustee or Paying Agent is unable to apply any U.S. dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuers' and the Guarantors' obligations under this Indenture and the Notes and the applicable Note Guarantees will be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; *provided* , *however* , that, if the Issuers make any payment of principal of, premium, if any, or interest on, any Note following the reinstatement of its obligations, the Issuers will be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9

AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01 *Without Consent of Holders of Notes* .

Notwithstanding Section 9.02 of this Indenture, the Issuers and the Trustee may amend or supplement this Indenture, the Notes or the Note Guarantees without the consent of any Holder of Note:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Issuers' or a Guarantor's obligations to the Holders of the Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuers' or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any such Holder;

(5) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;

(6) to conform the text of this Indenture or the Note Guarantees to any provision of the "Description of Notes" section of the Prospectus to the extent that such provision was intended to be a verbatim recitation of a provision of this Indenture or the Note Guarantees;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes or to reflect the release of a Note Guarantee in accordance with this Indenture;

(9) to secure the Notes and/or the Note Guarantees;

(10) to comply with the rules of any applicable securities depository;

(11) to provide for the reorganization of TLLP as any other form of entity, in accordance with Section 5.01(a); or

(12) to evidence and provide for the acceptance and appointment under this Indenture of a successor Trustee pursuant to the requirements hereof.

Upon the request of the Issuers accompanied by a resolution of their Boards of Directors authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Issuers and the Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise. Notwithstanding the foregoing, neither an Opinion of Counsel nor an Officers' Certificate, nor a board resolution, shall be required in connection with the addition of a Guarantor under this Indenture upon execution and delivery by such Guarantor, the Issuers and the Trustee of a supplemental indenture to this Indenture, the form of which is attached as Exhibit B hereto.

Section 9.02 *With Consent of Holders of Notes* .

Except as provided below in this Section 9.02 , the Issuers and the Trustee may amend or supplement this Indenture (including, without limitation, Sections 3.09 , 4.10 and 4.15 hereof), the Notes and the Note Guarantees with the consent of the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium or interest on, the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture, the Notes or the Note Guarantees may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, such Notes). Section 2.08 hereof shall determine which Notes are considered to be "outstanding" for purposes of this Section 9.02.

Upon the request of the Issuers accompanied by a resolution of their Boards of Directors authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Issuers in the execution of such amended or supplemental indenture unless such amended or supplemental indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such amended or supplemental Indenture.

It is not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it is sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuers will mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuers to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of at least a majority in aggregate principal amount of the Notes then-outstanding voting as a single class may waive compliance in a particular instance by the Issuers with any provision of this Indenture or the Notes or the Note Guarantees. However, without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes; *provided* , *however* , that any purchase or repurchase of Notes, including pursuant to Sections 4.10 or 4.15 hereof, shall not be deemed a redemption of the Notes;

(3) reduce the rate of or change the time for payment of interest on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in currency other than that stated in the Notes;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the contractual rights of Holders of outstanding Notes to institute suit for the enforcement of any payments of principal of, or interest or premium, if any, on, such Holder's Notes on or after the due dates expressed in such outstanding Notes (other than as permitted by clause (7) below);

(7) waive a redemption payment with respect to any Note (other than a payment required by Sections 4.10 or 4.15 hereof);

(8) release any Guarantor with respect to its Note Guarantee of Notes from any of its obligations under its Note Guarantee or this Indenture, except in accordance with the terms of this Indenture; or

(9) make any change in the preceding amendment and waiver provisions.

Section 9.03 *Compliance with Trust Indenture Act* .

Every amendment or supplement to this Indenture or the Notes will be set forth in an amended or supplemental indenture that complies with the TIA as then in effect.

Section 9.04 *Revocation and Effect of Consents* .

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms (except as provided in the second succeeding paragraph) and thereafter binds every Holder.

The Issuers may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then notwithstanding the second to last sentence of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies) and only those Persons, shall be entitled to consent to such amendment or waiver or revoke any consent previously given, whether or not such Persons continue to be Holders after such record date.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it makes a change described in any of the clauses (1) through (9) of Section 9.02 , in which case, the amendment, supplement or waiver shall bind only each Holder of a note who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same indebtedness as the consenting Holder's Note.

Section 9.05 *Notation on or Exchange of Notes* .

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Issuers in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note will not affect the validity and effect of such amendment, supplement or waiver.

Section 9.06 *Trustee to Sign Amendments, etc.*

The Trustee will sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Issuers may not sign an amended or supplemental indenture until the Boards of Directors of each of the Issuers approves it. In executing any amended or supplemental indenture, the Trustee will be entitled to receive and (subject to Section 7.01 hereof) will be fully protected in relying upon, in addition to the documents required by Section 12.04 hereof, an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture. Notwithstanding the foregoing, neither an Opinion of Counsel nor an Officers' Certificate, nor a board resolution, shall be required for the Trustee to execute any supplemental indenture to this Indenture, the form of which is attached as Exhibit B hereto, adding a new Guarantor under this Indenture.

ARTICLE 10

NOTE GUARANTEES

Section 10.01 *Guarantee* .

(a) Subject to this Article 10 , each of the Guarantors hereby, jointly and severally, unconditionally guarantees, on an unsecured senior basis, to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuers hereunder or thereunder, that:

(1) the principal of, premium, if any, and interest on, the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(2) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Guarantors hereby agree that their obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance (other than complete performance) which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each Guarantor further, to the extent permitted by law, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of an Issuer, any right to require a proceeding first against an Issuer, protest, notice and all demands whatsoever and covenants that its Note Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Indenture.

(c) If any Holder or the Trustee is required by any court or otherwise to return to an Issuer, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to any of the Issuers or the Guarantors, any amount paid by an Issuer or

any Guarantor to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(d) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 hereof for the purposes of its Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed thereby, and (2) in the event of any declaration of acceleration of such obligations as provided in Article 6 hereof, such obligations (whether or not due and payable) will forthwith become due and payable by the Guarantors for the purpose of this Note Guarantee. The Guarantors will have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

Section 10.02 *Limitation on Guarantor Liability* .

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Note Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 10 , result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent transfer or conveyance.

Section 10.03 *Note Guarantee*

The Note Guarantee of any Guarantor shall be evidenced solely by its execution and delivery of this Indenture (or, in the case of any Guarantor that is not party to this Indenture on the date of this Indenture, a supplemental indenture hereto) and not by an endorsement on, or attachment to, any Note of any Note Guarantee or notation thereof. To effect any Note Guarantee of any Guarantor not party to this Indenture on the date of this Indenture, such future Guarantor shall execute and deliver a supplemental indenture substantially in the form attached as Exhibit B hereto, which supplemental indenture shall be executed and delivered on behalf of such Guarantor by an Officer of such Guarantor.

Section 10.04 *Evidenced by Indenture; No Notation of Subsidiary Guarantee.*

Each Guarantor hereby agrees that its Note Guarantee set forth in Section 10.01 hereof will remain in full force and effect notwithstanding any failure to endorse on any Note a notation of such Note Guarantee.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, will constitute due delivery of the Note Guarantee set forth in this Indenture on behalf of each of the Guarantors.

Section 10.05 *Guarantors May Consolidate, etc., on Certain Terms* .

Except as otherwise provided in Section 10.05 hereof, no Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Issuers or another Guarantor, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(2) either:

(a) subject to Section 10.05 hereof, the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger is a Guarantor, or unconditionally assumes all the obligations of that Guarantor under this Indenture and its Note Guarantee on the terms set forth herein or therein, pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture, including without limitation, Section 4.10 hereof.

In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Note Guarantee endorsed

upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person will succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed any or all of the Note Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Issuers and delivered to the Trustee. All the Note Guarantees so issued will in all respects have the same legal rank and benefit under this Indenture as the Note Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Note Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5 hereof, and notwithstanding clauses 2(a) and (b) above, nothing contained in this Indenture or in any of the Notes will prevent any consolidation or merger of a Guarantor with or into the Issuers or another Guarantor, or will prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Issuers or another Guarantor.

Section 10.06 *Releases* .

The Note Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) TLLP or a Restricted Subsidiary of TLLP, if the sale or other disposition does not violate Section 4.10 hereof;

(2) in connection with any sale or other disposition of the Capital Stock of that Guarantor after which the applicable Guarantor is no longer a Restricted Subsidiary of TLLP, if the sale or other disposition does not violate Section 4.10 hereof;

(3) if TLLP designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with Section 4.17 hereof;

(4) upon the release or discharge of the guarantee by such Guarantor with respect to the Indebtedness under the Credit Agreements or the guarantee that resulted in the creation of such Guarantee; *provided* , *however* , that release or discharge of the guarantee by such Guarantor with respect to Indebtedness under the Existing Notes occurs prior to or contemporaneously therewith; *provided* , *further* , *however* , that if, at any time following such release, that Guarantor later guarantees Indebtedness of any Issuer under the Credit Agreements, then such Guarantor shall provide a Note Guarantee at such time if required in accordance with Section 4.16 hereof;

(5) upon the merger, amalgamation or consolidation of such Guarantor with and into an Issuer or another Guarantor that is the surviving Person in such merger, amalgamation or consolidation, or upon the liquidation or dissolution of such Guarantor;

(6) upon Legal Defeasance or Covenant Defeasance in accordance with Article 8 hereof or upon satisfaction and discharge in accordance with Article 11 hereof; or

(7) in accordance with Article 9 hereof.

Any Guarantor not released from its obligations under its Note Guarantee as provided in this Section 10.06 will remain liable for the full amount of principal of and interest and premium, if any, on the Notes and for the other obligations of any Guarantor under this Indenture as provided in this Article 10 .

ARTICLE 11

SATISFACTION AND DISCHARGE

Section 11.01 *Satisfaction and Discharge* .

This Indenture will be discharged and will cease to be of further effect as to all Notes issued hereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Issuers, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuers or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the applicable Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default with respect to the Notes has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and such deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which any Issuer or any Guarantor is a party or by which any Issuer or any Guarantor is bound;

(3) the Issuers or any Guarantor has paid or caused to be paid all sums payable by it with respect to the Notes under this Indenture; and

(4) the Issuers have delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of such Notes at maturity or on the Redemption Date, as the case may be.

In addition, the Issuers must deliver (a) an Officers' Certificate stating that all conditions precedent set forth in clauses (1) through (4) above have been satisfied and (b) an Opinion of Counsel to the Trustee (which Opinion of Counsel may be subject to customary assumptions and qualifications), stating that all conditions precedent to satisfaction and discharge set forth in Section 11.01(2) and (4) have been satisfied; *provided* that the Opinion of Counsel with respect to Section 11.01(2) above may be to the knowledge of such counsel.

Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to subclause (b) of clause (1) of this Section 11.01 , the provisions of Sections 11.02 and 8.06 hereof will survive. In addition, nothing in this Section 11.01 will be deemed to discharge those provisions of Section 7.07 hereof, that, by their terms, survive the satisfaction and discharge of this Indenture.

Section 11.02 *Application of Trust Money* .

Subject to the provisions of Section 8.06 hereof, all money deposited with the Trustee pursuant to Section 11.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including either Issuer acting as Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 11.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuers' and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 11.01 hereof; *provided* that if the Issuers have made any payment of principal of, premium, if any, or interest on, any such Notes because of the reinstatement of its obligations, the Issuers shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

ARTICLE 12

MISCELLANEOUS

Section 12.01 *Trust Indenture Act Controls* .

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA §318(c), the imposed duties will control.

Section 12.02 *Notices* .

Any notice or communication by the Issuers, any Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or by first class mail (registered or certified, return receipt requested), facsimile transmission or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Issuers and/or any Guarantor:

Tesoro Logistics LP
Tesoro Logistics Finance Corp.
19100 Ridgewood Parkway
San Antonio, Texas 78259-1828
Facsimile No.: 844-711-9189
Attention: Chief Financial Officer

With a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Facsimile No.: 212-455-2000
Attention: Kenneth B. Wallach

If to the Trustee:

U.S. Bank National Association
535 Griswold Street
Suite 550
Detroit, Michigan 48226
Facsimile No.: 313-963-9428
Attention: Global Corporate Trust Services

The Issuers, any Guarantor or the Trustee, by notice to the others, may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five calendar days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if transmitted by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder will be electronically delivered, mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication will also be so delivered or mailed to any Person described in TIA § 313(c), to the extent required by the TIA. Failure to deliver a notice or communication to a Holder or any defect in it will not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed or otherwise delivered in the manner provided above within the time prescribed, such notice or communication shall be deemed duly given, whether or not the addressee receives it.

If the Issuers deliver or mail a notice or communication to Holders, they will deliver or mail a copy to the Trustee and each Agent at the same time.

Section 12.03 *Communication by Holders of Notes with Other Holders of Notes* .

Holders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Issuers, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Where this Indenture provides for notice of any event to a Holder of a Global Note, such notice shall be sufficiently given if given to the Depository for such Note (or its designee), pursuant to its Applicable Procedures, not later than the latest date, if any, and not earlier than the earliest date, if any, prescribed for the giving of such notice.

Section 12.04 *Certificate and Opinion as to Conditions Precedent* .

Upon any request or application by the Issuers to the Trustee to take any action under this Indenture, the Issuers shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 12.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 12.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 12.05 *Statements Required in Certificate or Opinion* .

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA § 314(a)(4)) must comply with the provisions of TIA § 314(e) and must include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 12.06 *Rules by Trustee and Agents* .

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 12.07 *No Personal Liability of Directors, Officers, Employees and Unitholders* .

No past, present or future director, officer, partner, member, employee, incorporator, manager or unitholder or other owner of Equity Interest of the Issuers, the General Partner or any of their Subsidiaries, as such, will have any liability for any obligations of the Issuers or any Guarantor under the Notes, this Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes and the Note Guarantees.

Section 12.08 *Governing Law* .

THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 12.09 *No Adverse Interpretation of Other Agreements* .

This Indenture may not be used to interpret any other indenture, loan or debt agreement of TLLP or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 12.10 *Successors* .

All agreements of the Issuers and the Guarantors in this Indenture and the Notes will bind their successors. All agreements of the Trustee in this Indenture will bind its successors. All agreements of each Guarantor in this Indenture will bind its successors, except as otherwise provided in Section 10.05 hereof.

Section 12.11 *Severability* .

In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any *way* be affected or impaired thereby.

Section 12.12 *Counterpart Originals* .

The parties may sign any number of copies of this Indenture. Each signed copy will be an original, but all of them together represent the same agreement. This Indenture may be executed in multiple counterparts which, when taken together, shall constitute one instrument. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmissions shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 12.13 *Table of Contents, Headings, etc.*

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and will in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

SIGNATURES

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLC its general partner

By: /s/ Phillip M. Anderson
Name: Phillip M. Anderson
Title: President

TESORO LOGISTICS FINANCE CORP.

GREEN RIVER PROCESSING, LLC

QEP FIELD SERVICES, LLC

QEP MIDSTREAM PARTNERS GP, LLC

QEP MIDSTREAM PARTNERS OPERATING, LLC

QEPM GATHERING I, LLC

RENDEZVOUS PIPELINE COMPANY, LLC

TESORO ALASKA PIPELINE COMPANY LLC

TESORO HIGH PLAINS PIPELINE COMPANY LLC

TESORO LOGISTICS NORTHWEST PIPELINES LLC

TESORO LOGISTICS OPERATIONS LLC

TESORO LOGISTICS PIPELINES LLC

TESORO SOCAL PIPELINE COMPANY LLC

By: /s/ Phillip M. Anderson
Name: Phillip M. Anderson
Title: President

QEP MIDSTREAM PARTNERS, LP

By: QEP Midstream Partners GP, LLC its general partner

By: /s/ Phillip M. Anderson
Name: Phillip M. Anderson
Title: President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ James Kowalski

Name: James Kowalski

Title: Vice President

[SIGNATURE PAGE TO THE INDENTURE]

EXHIBIT A

[*Insert the Global Note Legends, if applicable, pursuant to the provisions of the Indenture*]

[THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO ARTICLE II OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF TESORO LOGISTICS LP AND TESORO LOGISTICS FINANCE CORP. OR ANY SUCCESSOR THERETO.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE), TO TESORO LOGISTICS LP AND TESORO LOGISTICS FINANCE CORP. OR ANY SUCCESSOR THERETO OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[FACE OF NOTE]

CUSIP:
ISIN:

6.375% Senior Notes due 2024

No. Principal Amount at Maturity: U.S. $

TESORO LOGISTICS LP
and
TESORO LOGISTICS FINANCE CORP.

promise to pay to [Cede & Co] , or registered assigns, the principal sum of Dollars on May 1, 2024 [or such greater or lesser amount as may be indicated on Schedule A hereto].

Interest Payment Dates: May 1 and November 1, commencing on November 1, 2016.

Record Dates: April 15 and October 15.

Additional provisions of this Note are set forth on the other side of this Note.

Dated:

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLC,
its general partner

By: _____
Name:
Title:

TESORO LOGISTICS
FINANCE CORP.

By: _____
Name:
Title:

This is one of the Global Notes referred to in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____ Dated: _____
Authorized Signatory

[REVERSE OF NOTE]

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. *Interest* . Tesoro Logistics LP, a Delaware limited partnership (" TLLP ") and Tesoro Logistics Finance Corp., a Delaware corporation (" Finance Corp. " and, together with TLLP, the " Issuers "), promise to pay interest on the principal amount of this Note at 6.375% per annum from May 12, 2016 until maturity. The Issuers will pay interest semi-annually in arrears on May 1 and November 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an " Interest Payment Date "). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; *provided* that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date, except in the case of the original issuance of Notes, in which case interest shall accrue from the date of authentication; *provided* , *further* , that the first Interest Payment Date shall be November 1, 2016. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. *Method of Payment* . The Issuers will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the April 15 and October 15 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium and interest at the office or agency of the Issuers maintained for such purpose within or without the City and State of New York, or, at the option of the Issuers, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of, and interest and premium, if any, on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Issuers or the Paying Agent to an account in the United States. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. *Paying Agent and Registrar* . Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. TLLP or any of its Subsidiaries may act in any such capacity.

4. *Indenture* . The Issuers issued the Notes under an Indenture dated as of May 12, 2016 (as amended, supplemented or otherwise modified from time to time, the " Indenture ") among the Issuers, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA. The Notes are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are unsecured obligations of the Issuers. The Indenture does not limit the aggregate principal amount of Notes that may be issued thereunder.

5. *Guarantee* . To guarantee the due and punctual payment of the principal, premium, if any, and interest (including post-petition interest in any proceeding under any Bankruptcy Law) on the Notes and all other amounts payable by the Issuers under the Indenture and the Notes when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Notes and the Indenture, the Guarantors have unconditionally guaranteed (and future guarantors, together with the Guarantors, shall unconditionally Guarantee), jointly and severally, such obligations on an unsecured senior basis pursuant to the terms of the Indenture.

6. *Optional Redemption* .

(a) On or after May 1, 2019, the Issuers may redeem all or a part of the Notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest on the Notes redeemed, to, but excluding, the applicable Redemption Date, if redeemed during the twelve-month period beginning on May 1 of each year indicated below, subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant Interest Payment Date:

Year	Percentage
2019	104.781 %
2020	103.188 %
2021	101.594 %
2022 and thereafter	100.000 %

(b) Notwithstanding the provisions of subparagraph (a) of this Paragraph 6, at any time prior to May 1, 2019, the Issuers may on any one or more occasions redeem up to 35% of the aggregate principal amount of the outstanding Notes (including any Additional Notes) issued under this Indenture at a redemption price of 106.375% of the principal amount with an amount not to exceed
the net cash proceeds of one or more Equity Offerings, plus accrued and unpaid interest to, but excluding, the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an Interest Payment Date that is on or prior to the Redemption Date); *provided that* at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (excluding Notes held by TLLP and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and the redemption occurs within 180 days of the date of the closing of such Equity Offering.

(c) Notwithstanding the provisions of subparagraph (a) of this Paragraph 6, at any time prior to May 1, 2019, the Issuers may redeem all or a part of the Notes at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium, and accrued and unpaid interest thereon to, but excluding, the Redemption Date, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date.

For purposes of this Paragraph 6, " Applicable Premium " means, with respect to any Note on any Redemption Date, the greater of (1) 1.0% of the principal amount of the Note; and (2) the excess of: (a) the present value at such Redemption Date of (i) the principal amount of the Notes plus (ii) all required interest payments due on the Note (excluding accrued and unpaid interest to, but excluding, the Redemption Date) through May 1, 2019, computed using a discount rate equal to the Treasury Rate as of such Redemption Date plus 50 basis points; over (b) the principal amount of the Note. " Treasury Rate " means, as of any Redemption Date, the yield to maturity as of such Redemption Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Redemption Date to May 1, 2019; *provided* , *however* , that if the period from the Redemption Date to May 1, 2019, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

7. *Mandatory Redemption* . Neither of the Issuers is required to make mandatory redemption or sinking fund payments with respect to the Notes.

8. *Repurchase at the Option of Holder* .

(a) If there is a Change of Control Triggering Event, the Issuers will be required to make an offer (a " Change of Control Offer ") to each Holder to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess thereof) of each Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest on the Notes repurchased to, but excluding, the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date (the " Change of Control Payment "). Within 30 days following any Change of Control Triggering Event, the Issuers will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Issuers or a Restricted Subsidiary of TLLP consummates any Asset Sales, within five days after the date on which the aggregate amount of Excess Proceeds exceeds $50.0 million (or, at the Issuers' option, any earlier date), the Issuers will commence an offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an " Asset Sale Offer ") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount (or accreted value) thereof plus accrued and unpaid interest to the date of purchase, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes and other *pari passu* Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the TLLP (or such Restricted Subsidiary) may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and the representative of such other *pari passu* Indebtedness will select such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Issuers prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled " Option of Holder to Elect Purchase " attached to the Notes.

9. *Notice of Redemption* . Notice of redemption will be mailed at least 15 days but not more than 60 days before the Redemption Date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a Redemption Date if the notice is issued in connection with a defeasance of the Notes or a satisfaction or discharge of the Indenture. Notes in denominations larger than $2,000 may be redeemed in part but only in whole multiples of $1,000 and in excess of $2,000, unless all of the Notes held by a Holder are to be redeemed.

10. *Denominations* , *Transfer* , *Exchange* . The Notes are in registered form without coupons in denominations of $2,000 and integral multiples of $1,000 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

11. *Persons Deemed Owners* . The registered Holder of a Note may be treated as its owner for all purposes. Only registered Holders shall have rights hereunder.

12. *Amendment* , *Supplement and Waiver* . Subject to certain exceptions, the Indenture, the Notes and the Note Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes including Additional Notes, if any, voting as a single class, and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes or the Note Guarantees may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes including Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Note, the Indenture or the Notes or the Note Guarantees may be amended or supplemented to: cure any ambiguity, defect or inconsistency; to provide for uncertificated Notes in addition to or in place of certificated Notes; to provide for the assumption of the Issuers' or a Guarantor's obligations to Holders of the Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuers' or such Guarantor's assets, as applicable; to make any change that would provide any additional rights or benefits to the Holders of outstanding Notes or that does not adversely affect the legal rights under the Indenture of any such Holder; to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA; to conform the text of the Indenture or the Note Guarantees to any provision of the "Description of Notes" section of the Offering Memorandum to the extent that such provision was intended to be a verbatim recitation of a provision of the Indenture or Note Guarantees; to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture; to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes or to reflect the release of a Note Guarantee in accordance with this Indenture; to secure the Notes and/or the Note Guarantees; to comply with the rules of any applicable securities depository; to provide for the reorganization of TLLP as any other form of entity, in accordance with Section 5.01(a) of the Indenture; or to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee thereunder pursuant to the requirements thereof.

13. *Defaults and Remedies* . Events of Default include: (i) default for 30 days in the payment when due of interest on, with respect to the Notes; (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on the Notes; (iii) failure by TLLP or any of its Restricted Subsidiaries for 30 days after written notice to TLLP by the Trustee or Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class make a Change of Control Offer within the time periods set forth, or consummate a purchase of Notes when required pursuant to Sections 4.15 or 4.10 of the Indenture or to comply with Section 5.01 of the Indenture; (iv) failure by TLLP for 120 days after written notice to TLLP by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then-outstanding voting as a single class to comply with Section 4.03 of the Indenture, (v) failure by TLLP or any of its Restricted Subsidiaries for 60 days after written notice to TLLP by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then-outstanding voting as a single class to comply with any of the other agreements in the Indenture; (vi) default under certain other agreements relating to Indebtedness of the Issuers which default (A) is caused by a failure to pay principal on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (a " Payment Default ") or (B) results in the acceleration of such Indebtedness prior to its express maturity, in each case subject to a minimum threshold and cure period; (vii) certain final judgments for the payment of money that remain undischarged for a period of 60 days; (viii) certain events of bankruptcy or insolvency with respect to the Issuers or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; and (ix) except as permitted by the Indenture, any Note Guarantee from a Guarantor that is a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Guarantor that is a Significant Subsidiary or any Person acting on its behalf denies or disaffirms its obligations under such Guarantor's Note Guarantee. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then-outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to Finance Corp., TLLP or any Restricted Subsidiary of TLLP that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of at least a majority in aggregate principal amount of the then-outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium, if any. The Holders of at least a majority in aggregate principal amount of the then-outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any

existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium, if any, on, or the principal of, the Notes. The Issuers and the Guarantors are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers and the Guarantors are required, within ten Business Days of becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

14. *Trustee Dealings with the Issuers* . The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

15. *No Recourse Against Others* . A director, officer, partner, member, employee, incorporator, manager or unitholder or other owner of Equity Interest of the Issuers, the General Partner or any of their Subsidiaries, as such, will not have any liability for any obligations of the Issuers or any Guarantor under the Notes, the Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Note Guarantees.

16. *Authentication* . This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. *Abbreviations* . Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (=tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

18. *CUSIP Numbers* . Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. ***Governing Law* . THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to the Issuers at the following address:

TESORO LOGISTICS LP
TESORO LOGISTICS FINANCE CORP.
19100 Ridgewood Parkway
San Antonio, Texas 78259-1828
Attention: Chief Financial Officer

[*Remainder of Page Intentionally Left Blank*]

A SSIGNMENT F ORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____

(Insert assignee(s) legal name)

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

O PTION OF H OLDER TO E LECT P URCHASE

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

☐ Section 4.10 ☐ Section 4.15

If you want to elect to have only part of the Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount (in minimum denominations of $2,000 or integral multiples of $1,000 in excess thereof) you elect to have purchased:

Date: _____ $

Your Signature: _____

(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE A
EXCHANGES OF INTERESTS IN THE GLOBAL NOTE*

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized Trustee or Note Custodian

*** This Schedule should be included only if the Note is issued in global form.

EXHIBIT B

FORM OF SUPPLEMENTAL INDENTURE ADDITIONAL SUBSIDIARY GUARANTEES

SUPPLEMENTAL INDENTURE (this " Supplemental Indenture "), dated as of 20 , among [ ] (the " Guaranteeing Subsidiary "), Tesoro Logistics LP, a Delaware limited partnership (" TLLP "), Tesoro Logistics Finance Corp., a Delaware corporation (together with TLLP, the " Issuers "), and U.S. Bank National Association, as trustee under the Indenture referred to below (the " Trustee ") .

W I T N E S S E T H :

WHEREAS, the Issuers have heretofore executed and delivered to the Trustee an indenture (the " Indenture "), dated as of May 12, 2016 providing for the issuance of 6.375% Senior Notes due 2024 (the " Notes ");

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Issuers' Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the " Note Guarantee "); and

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

l. ***Capitalized Terms*** . Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. ***Agreement to Guarantee*** . The Guaranteeing Subsidiary acknowledges that it has received and reviewed a copy of the Indenture and all other documents it deems necessary to review in order to enter into this Supplemental Indenture, and acknowledges and agrees to (i) join and become a party to the Indenture as indicated by its signature below; (ii) be bound by the Indenture, as of the date hereof, as if made by, and with respect to, each signatory hereto; and (iii) perform all obligations and duties required of a Guarantor pursuant to the Indenture. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Note Guarantee on the terms and subject to the conditions set forth in the Indenture, including, but not limited to, Article 10 thereof.

3. ***Execution and Delivery*** . The Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding the absence of the endorsement of any notation of such Note Guarantee on the Notes.

4. ***No Recourse Against Others*** . No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Issuers or any Guaranteeing Subsidiary under the Notes, any Note Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

5. ***NEW YORK LAW TO GOVERN*** . THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

6. ***Counterparts*** . The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. This Supplemental Indenture may be executed in multiple counterparts which, when taken together, shall constitute one instrument. The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or PDF transmissions shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

7. ***Effect of Headings*** . The Section headings herein are for convenience only and shall not affect the construction hereof.

8. ***The Trustee*** . The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Issuers.

9. ***Benefits Acknowledged*** . The Guaranteeing Subsidiary's Guarantee is subject to the terms and conditions set forth in the Indenture. The Guaranteeing Subsidiary acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Indenture and this Supplemental Indenture and that the guarantee and waivers made by it pursuant to its Note Guarantee are knowingly made in contemplation of such benefits.

10. ***Successors*** . All agreements of the Guaranteeing Subsidiary in this Supplemental Indenture shall bind its Successors, except as otherwise provided in this Supplemental Indenture. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

Dated: , 20

GUARANTEEING SUBSIDIARY :

[GUARANTEEING SUBSIDIARY]

By: _____
Name:
Title:

ISSUERS :

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLP,
its general partner

By: _____
Name:
Title:

TESORO LOGISTICS FINANCE CORP.

By: _____
Name:
Title:

TRUSTEE :

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

Exhibit 4.34
EXECUTION VERSION

TESORO LOGISTICS LP
TESORO LOGISTICS FINANCE CORP.

AND EACH OF THE GUARANTORS PARTY HERETO

5.25% SENIOR NOTES DUE 2025

INDENTURE

Dated as of December 2, 2016

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

CROSS-REFERENCE TABLE*

Trust Indenture Act Section		*Indenture Section*
310	(a)(1)	7.10
	(a)(2)	7.10
	(a)(3)	N.A.
	(a)(4)	N.A.
	(a)(5)	7.10
	(b)	7.10
311	(a)	7.11
	(b)	7.11
312	(a)	2.05
	(b)	12.03
	(c)	12.03
313	(a)	7.06
	(b)(1)	N.A.
	(b)(2)	7.06; 7.07
	(c)	7.06; 12.02
	(d)	7.06
314	(a)(4)	4.04; 12.05
	(b)	N.A
	(c)(1)	12.04
	(c)(2)	12.04
	(c)(3)	N.A.
	(d)	N.A.
	(e)	12.05
	(f)	N.A.
315	(a)	N.A.
	(b)	N.A.
	(c)	N.A.
	(d)	N.A.
	(e)	N.A.
316	(a)(last sentence)	2.06
	(a)(1)(A)	6.05
	(a)(1)(B)	6.04
	(a)(2)	N.A
	(b)	6.07
	(c)	2.12; 9.04
317	(a)(1)	6.08
	(a)(2)	6.09
	(b)	2.04
318	(a)	12.01
	(b)	N.A.
	(c)	12.01

N.A. means not applicable.

* This Cross Reference Table is not part of the Indenture.

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EXHIBITS

Exhibit A	FORM OF NOTE
Exhibit B	FORM OF SUPPLEMENTAL INDENTURE TO BE DELIVERED BY SUBSEQUENT GUARANTORS

INDENTURE dated as of December 2, 2016 among Tesoro Logistics LP, a Delaware limited partnership (" TLLP "), and Tesoro Logistics Finance Corp. (" Finance Corp ." and, together with TLLP, the " Issuers "), the Guarantors (as defined herein) and U.S. Bank National Association, a national banking association, as trustee.

The Issuers, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined herein) of the 5.25 % Senior Notes due 2025 (the " Notes "):

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01 *Definitions.*

" Acquired Debt " means, with respect to any specified Person:

(1) 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, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person, but excluding Indebtedness which is extinguished, retired or repaid in connection with such Person merging with or becoming a Restricted Subsidiary of such specific Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person, but excluding Indebtedness which is extinguished, retired or repaid in connection with such asset being acquired by such Person.

" Acquisition " means the acquisition of QEP Field Services, LLC pursuant to the Acquisition Agreement.

" Acquisition Agreement " means the Membership Interest Purchase Agreement, dated as of October 19, 2014, by and between Tesoro Logistics LP and QEP Field Services Company.

" Additional Notes " means additional Notes (other than the applicable Initial Notes) issued under this Indenture in accordance with Sections 2.02 , 2.13 and 4.09 hereof, as part of the same series of the Initial Notes.

" Affiliate " of any specified Person means 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," as used with respect to any Person, means 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. For purposes of this definition, the terms " controlling ," " controlled by " and " under common control with " have correlative meanings.

" Agent " means any Registrar, co-registrar, Paying Agent or additional paying agent.

" Applicable Premium " means, with respect to any Note on any Redemption Date, the greater of:

(1) 1.0% of the principal amount of the Note; and

(2) the excess of: (a) the present value at such Redemption Date of (i) the Redemption Price of such Note at January 15, 2021 (such redemption price being described in Section 3.07(a)(2)) plus (ii) all required interest payments due on such Note through January 15, 2021 (excluding accrued and unpaid interest to, but excluding, the Redemption Date), computed using a discount rate equal to the Treasury Rate as of such Redemption Date plus 50 basis points; over (b) the principal amount of the Note.

" Applicable Procedures " means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

" Asset Sale " means:

(1) the sale, lease, conveyance or other disposition of any assets or rights of TLLP or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of TLLP and its Restricted Subsidiaries taken as a whole will be governed by Section 4.15 hereof and/or Section 5.01 hereof and not by Section 4.10 hereof; and

(2) the issuance of Equity Interests in any of TLLP's Restricted Subsidiaries or the sale of Equity Interests in any of its Restricted Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) 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 TLLP or any of its Subsidiaries;

(2) any single transaction or series of related transactions that: (a) involves assets having a Fair Market Value of less than $50.0 million or (b) results in net proceeds to TLLP and its Restricted Subsidiaries of less than $50 million;

(3) a transfer of assets between or among TLLP and its Restricted Subsidiaries;

(4) an issuance of Equity Interests by a Restricted Subsidiary of TLLP to TLLP or to a Restricted Subsidiary of TLLP;

(5) the sale or lease of products, equipment, services or accounts receivable in the ordinary course of business;

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

(7) a Restricted Payment that does not violate Section 4.07 hereof or a Permitted Investment;

(8) any lease of assets entered into in the ordinary course of business and with respect to which TLLP or any Restricted Subsidiary of TLLP 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;

(9) any trade or exchange by TLLP or any Restricted Subsidiary of properties or assets of any type for properties or assets of any type owned or held by another Person, including any disposition of some or all of the Equity Interests of a Restricted Subsidiary, *provided* that the fair market value of the properties or assets traded or exchanged by TLLP or such Restricted Subsidiary (together with any cash or Cash Equivalent together with the liabilities assumed) is reasonably equivalent to the fair market value of the properties or assets (together with any cash or Cash Equivalent together with liabilities assumed) to be received by TLLP or such Restricted Subsidiary; and *provided further* that any cash received must be applied in accordance with Section 4.10 hereof;

(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 Section 4.12 hereof;

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

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

(14) any disposition of defaulted receivables that arose in the ordinary course of business for collection.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Sale and would also be a permitted Restricted Payment or Permitted Investment, TLLP, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset Sale and/or one or more of the types of permitted Restricted Payments or Permitted Investments.

" Attributable Debt " in respect of a sale-and-leaseback transaction means, at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded annually) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale-and-leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. As used in the preceding sentence, "net rental payments" under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder, excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates, utilities, operating and labor costs and other items that do not constitute payment for property rights. In the case of any lease that is terminable by the lessee upon payment of penalty, such net rental payment shall also include 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.

" Available Cash " has the meaning assigned to such term in the Partnership Agreement, as in effect on the Issue Date.

" Bankruptcy Law " means Title 11, U.S. Code, as amended, or any similar federal or state law for the relief of debtors.

" Beneficial Owner " has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms " Beneficially Owns " and " Beneficially Owned " have a corresponding meaning.

" Board of Directors " means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors or Board of Managers of the general partner of the partnership, or in the case of TLLP, the Board of Directors of the General Partner;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

" Business Day " means any day other than a Legal Holiday.

" Capital Stock " means:

(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 interests (whether general or limited) or membership interests; 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 " means:

(1) United States dollars;

(2) securities issued or fully guaranteed or insured by the United States government or any agency thereof having maturities of not more than twenty-four (24) months from the date of acquisition thereof;

(3) time deposits with, certificates of deposit, bankers' acceptances or Eurodollar time deposits of, any commercial bank that (a) is organized under the laws of the United States of America, any state thereof or the District of Columbia or is the principal banking subsidiary of a bank holding company organized under the laws of the United States of America, any state thereof or the District of Columbia or any United States branch of a foreign bank, and is a member of the Federal Reserve System, (b) issues long term securities with a rating of at least A- (or the then-equivalent grade, in each case with a stable outlook) by S&P and A3 (or the then-equivalent grade, in each case with a stable outlook) by Moody's at the time of acquisition and (c) has combined capital and surplus of at least $500,000,000, in each case with maturities of not more than twenty-four (24) months from the date of acquisition thereof;

(4) commercial paper of an issuer rated at least "A-2" (or the then-equivalent grade) by S&P or "P-2" (or the then-equivalent grade) by Moody's at the time of acquisition or guaranteed by a letter of credit issued by a financial institution rated at least A- (or the then-equivalent grade, in each case with stable outlook) by S&P and A3 (or the then-equivalent grade, in each case with stable outlook) by Moody's at the time of acquisition and such financial institution otherwise meets the requirements of subsections (a) and (c) of clause (3) of this definition, in each case having a tenor of not more than 270 days;

(5) taxable and tax-exempt municipal securities rated at least A- (or the then-equivalent grade) by S&P and A3 (or the then-equivalent grade) by Moody's, including variable rate municipal securities, having maturities or put rights of not more than twenty-four (24) months from the date of acquisition;

(6) corporate or bank debt of an issuer rated at least A- (or the then-equivalent grade, in each case with a stable outlook) by S&P and A3 (or the then-equivalent grade, in each case with stable outlook) by Moody's at the time of acquisition and having maturities of not more than twenty-four (24) months from the date of acquisition;

(7) repurchase agreements relating to any of the investments listed in clauses (1) through (6) above with a market value at least equal to the consideration paid in connection therewith, with any Person who regularly engages in the business of entering into repurchase agreements and has a combined capital and surplus of not less than $500,000,000 whose long term securities are

rated at least A- (or the then-equivalent grade) by S&P and A3 (or the then-equivalent grade) by Moody's at the time of acquisition;

(8) asset-backed securities having as the underlying asset securities issued or guaranteed by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association rated at least A- (or the then-equivalent grade, in each case with stable outlook) by S&P and A3 (or the then-equivalent grade, in each case with case with stable outlook) by Moody's at the time of acquisition and having maturities of not more than twenty-four (24) months from the date of acquisition; and

(9) Investments, classified in accordance with GAAP as current assets of TLLP or any of its Subsidiaries, in money market mutual or similar funds having assets in excess of $100,000,000, at least 95% of the assets of which are comprised of assets specified in clauses (1) through (8) above of this definition.

" Change of Control " means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of TLLP and its Subsidiaries taken as a whole (unless immediately following such sale, lease, transfer, conveyance or other disposition in compliance with this Indenture such assets are owned, directly or indirectly, by (A) TLLP or a Subsidiary of TLLP, (B) a Person controlled by TLLP or a Subsidiary of TLLP or (C) a Qualified Owner) to any "person" (as that term is used in Section 13(d) of the Exchange Act);

(2) the adoption of a plan relating to the liquidation or dissolution of TLLP or the removal of the General Partner by the limited partners of TLLP; or

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as defined above), other than a Qualified Owner, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the General Partner, measured by voting power rather than number of shares.

Notwithstanding the preceding, (a) a conversion of TLLP from a limited partnership to a corporation, limited liability company or other form of entity or an exchange of all of the outstanding limited partnership interests for capital stock in a corporation, for member interests in a limited liability company or for Equity Interests in such other form of entity shall not constitute a Change of Control, so long as following such conversion or exchange the "persons" (as defined above) who Beneficially Owned the Capital Stock of TLLP immediately prior to such transactions continue to Beneficially Own in the aggregate more than 50% of the Voting Stock of such entity, or continue to Beneficially Own sufficient Equity Interests in such entity to elect a majority of its directors, managers, trustees or other persons serving in a similar capacity for such entity, (b) a "person" or "group" shall not be deemed to Beneficially Own securities subject to a stock or asset purchase agreement, merger agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the transactions contemplated by such agreement, (c) if any "group" (other than a Qualified Owner) includes one or more Qualified Owners, the issued and outstanding Voting Stock of TLLP owned, directly or indirectly, by any Qualified Owners that are part of such group shall be treated as being beneficially owned by such group or any other member of such group for purposes of determining whether a Change of Control has occurred and (d) a "person" or "group" will not be deemed to beneficially own the Voting Stock of a Person (the " Subject Person ") held by a parent of such Subject Person unless it owns 50% or more of the total voting power of the Voting Stock of such parent.

" Change of Control Triggering Event " means the occurrence of both a Change of Control and a Rating Decline with respect to the Notes.

" Clearstream " means Clearstream Banking, société anonyme, and its successors.

" Code " means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

" Consolidated Cash Flow " means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus* , without duplication:

(1) an amount (to the extent not included in Consolidated Net Income) equal to the dividends or distributions paid during such period in cash or Cash Equivalents to such Person or any of its Restricted Subsidiaries by a Person that is not a Restricted Subsidiary of such Person; *plus*

(2) an amount equal to (i) any extraordinary loss plus (ii) any net loss realized by such Person or any of its Restricted Subsidiaries in connection with sales of assets or the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries, in each case, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(3) 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 in computing such Consolidated Net Income; *plus*

(4) the Fixed Charges of such Person and its Restricted Subsidiaries for such period (together with items excluded from the definition of "Fixed Charges" pursuant to clauses (1)(a)(s) through (z) and clause (2) thereof), to the extent that any such Fixed Charges was deducted in computing such Consolidated Net Income; *plus*

(5) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(6) unrealized non-cash losses resulting from foreign currency balance sheet adjustments required by GAAP to the extent such losses were deducted in computing such Consolidated Net Income; *minus*

(7) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business and other than any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated Cash Flow in any prior period,

in each case, on a consolidated basis and determined in accordance with GAAP.

" Consolidated Net Income " means, with respect to any specified Person for any period, the aggregate of the Net Income attributable to such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided* that:

(1) the aggregate 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 will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) [reserved];

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) unrealized losses and gains under Hedging Obligations included in the determination of Consolidated Net Income, including, without limitation those resulting from the application of Accounting Standards Codification No. 815 will be excluded;

(5) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with (a) any asset sale (including dispositions pursuant to sale-and-leaseback transactions) or (b) the disposition of any securities by such Person or the extinguishment of any Indebtedness or Hedging Obligations of such Person shall be excluded;

(6) any impairment charge or asset write-off pursuant to Accounting Standards Codification No. 350, "Goodwill and Other Intangible Assets," shall be excluded;

(7) any non-cash or other charges relating to any premium or penalty paid, write-off of deferred finance costs or other charges in connection with redeeming or retiring any Indebtedness prior to its Stated Maturity shall be excluded;

(8) any non-cash compensation charge arising from any grant of stock, stock options or other equity-based awards shall be excluded; and

(9) any extraordinary, unusual or nonrecurring gain, loss or charge, together with any related provision for taxes on such extraordinary or nonrecurring gain, loss or charge, shall be excluded.

" Consolidated Net Tangible Assets " means, with respect to any Person at any date of determination, the aggregate amount of total assets included in such Person's most recent quarterly or annual consolidated balance sheet prepared in accordance with GAAP less applicable reserves reflected in such balance sheet, after deducting the following amounts: (a) all current liabilities reflected in such balance sheet, and (b) all goodwill, trademarks, patents, unamortized debt discounts and expenses and other like intangibles reflected in such balance sheet, with such pro forma adjustments to total assets, reserves, current liabilities, goodwill, trademarks, patents, unamortized debt discounts and expenses and other like intangibles as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of "Fixed Charge Coverage Ratio."

" Corporate Trust Office of the Trustee " will be at the address of the Trustee specified in Section 12.02 hereof or such other address as to which the Trustee may give notice to the Issuers.

" Credit Agreements " means (1) that certain Third Amended and Restated Credit Agreement, dated as of January 29, 2016, by and among Tesoro Logistics LP, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the financial institutions from time to time party thereto, providing for revolving credit borrowings, letters of credit and swing line loans, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case,

as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time and (2) that certain Credit Agreement, dated as of January 29, 2016, by and among Tesoro Logistics LP, Bank of America, N.A., as administrative agent, and the financial institutions from time to time party thereto, providing for revolving credit borrowings, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

" Credit Facilities " means, one or more debt facilities (including, without limitation, the Credit Agreements) or commercial paper facilities or Debt Issuances, in each case, not with Tesoro Corporation or any parent of TLLP (other than a facility the portion of which Tesoro Corporation or any parent of TLLP loans, finances or otherwise invests or participates in constitutes less than 10% of the proposed or outstanding issue amount of such facility, Debt Issuance or class of securities), providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders, other financiers or to special purpose entities formed to borrow from (or sell such receivables to) such lenders or other financiers against such receivables), letters of credit, bankers' acceptances, other borrowings or Debt Issuances, in each case, as amended, restated, modified, renewed, extended, refunded, replaced or refinanced (in each case, without limitation as to amount), in whole or in part, from time to time (including through one or more Debt Issuances) and any agreements and related documents governing Indebtedness or Obligations incurred to refinance amounts then outstanding or permitted to be outstanding, whether or not with the original administrative agent, lenders, investment banks, insurance companies, mutual funds, other lenders, investors or any of the foregoing and whether provided under the original agreement, indenture or other documentation relating thereto.

" Custodian " means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

" Debt Issuances " means, with respect to TLLP or any of its Restricted Subsidiaries, one or more issuances after the Issue Date of Indebtedness evidenced by notes, debentures, bonds or other similar securities or instruments.

" Default " means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

" Definitive Note " means a certificated Note in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

" Depositary " means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depositary with respect to the Notes, and any and all successors thereto appointed as Depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

" Disqualified Equity " means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Equity Interest), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Equity Interest, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature, except such Equity Interest that is solely redeemable with, or solely exchangeable for, any Equity Interest of such Person that is not Disqualified Equity. Notwithstanding the preceding sentence, any Equity Interest that would constitute Disqualified Equity solely because the holders of the Equity Interest have the right to require TLLP or any of its Restricted Subsidiaries to repurchase such Equity Interest upon the occurrence of a change of control or an asset sale will not constitute Disqualified Equity if the terms of such Equity Interest provide that TLLP or such Restricted Subsidiary may not repurchase or redeem any such Equity Interest pursuant to such provisions unless such repurchase or redemption complies with Section 4.07 hereof.

" Domestic Subsidiary " means any Restricted Subsidiary of TLLP that was formed under the laws of the United States or any state of the United States or the District of Columbia.

" Equity Interests " means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

" Equity Offering " means any public or private sale of Equity Interests (other than Disqualified Equity) made for cash on a primary basis by TLLP after the Issue Date that has not been applied to redeem, prepay or refinance any other Indebtedness (other than the temporary repayment of Indebtedness under a revolving facility).

" Euroclear " means Euroclear Bank, S.A./N.V., as operator of the Euroclear system, and its successors.

" Exchange Act " means the Securities Exchange Act of 1934, as amended.

" Existing 5.500% and 6.250% Indenture " means the Indenture dated October 29, 2014, among the Issuers, the guarantors party thereto and U.S. Bank National Association, as trustee, as supplemented as of the Issue Date.

" Existing 5.875% Indenture " means the Indenture dated September 14, 2012, among the Issuers, the guarantors party thereto and U.S. Bank National Association, as trustee, as supplemented as of the Issue Date.

" Existing 6.125% Indenture " means the Indenture dated August 1, 2013, among the Issuers, the guarantors party thereto and U.S. Bank National Association, as trustee, as supplemented as of the Issue Date.

" Existing 6.375% Indenture " means the Indenture dated May 12, 2016, among the Issuers, the guarantors party thereto and U.S. Bank National Association, as trustee, as supplemented as of the Issue Date.

" Existing Indebtedness " means the aggregate principal amount of Indebtedness of TLLP and its Subsidiaries (other than Indebtedness under the Credit Agreements and the Notes and the related Guarantees) in existence on the Issue Date, including the Existing Senior Notes.

" Existing Senior Notes " means the $600.0 million 5.875% senior notes of the Issuers due 2020 issued under the Existing 5.875% Indenture, the $800.0 million 6.125% senior notes of the Issuers due 2021 issued under the Existing 6.125% Indenture, the $500.0 million 5.500% senior notes of the Issuers due 2019 issued under the Existing 5.500% and 6.250% Indenture, the $800.0 million 6.250% senior notes of the Issuers due 2022 issued under the Existing 5.500% and 6.250% Indenture and the $450.0 million 6.375% senior notes of the Issuers due 2024 issued under the Existing 6.375% Indenture.

" Fair Market Value " means, with respect to consideration received or to be received, or given or to be given, pursuant to any transaction by TLLP or any Restricted Subsidiary, the fair market value of such consideration as determined in good faith by the Board of Directors of the General Partner, the Conflicts Committee of the Board of Directors of the General Partner or senior management of TLLP or the General Partner.

" Financing Lease Obligation " means an obligation that is required to be accounted for as a financing or capital lease (and, for the avoidance of doubt, not a straight-line or operating lease) on both the balance sheet and income statement for financial reporting purposes in accordance with GAAP. 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 financing or capital lease would be the amount required to be reflected on such balance sheet (excluding the footnotes thereto) in accordance with GAAP. The Stated Maturity 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.

" Fixed Charge Coverage Ratio " means with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness or issues, repurchases or redeems Disqualified Equity subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the " Calculation Date "), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Equity, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable Reference Period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions (including, without limitation, a single asset, a division or segment or an entire company) that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, asset purchase transactions or consolidations and including any related financing transactions during the Reference Period or subsequent to such Reference Period and on or prior to the Calculation Date will be given pro forma effect as if they had occurred on the first day of the Reference Period, including any Consolidated Cash Flow and any pro forma expense and cost reductions and operating improvements that have occurred or are reasonably expected to occur, in the reasonable judgment of the chief financial or accounting officer of TLLP (regardless of whether those cost savings or operating improvements could then be reflected in pro forma financial statements in accordance with Regulation S-X promulgated under the Securities Act or any other regulation or policy of the SEC related thereto);

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the average rate in effect from the beginning of the applicable period to the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months); and

(5) if any Indebtedness is incurred or repaid under a revolving credit facility and is being given pro forma effect, the interest on such indebtedness shall be calculated based on the average daily balance of such Indebtedness for the four fiscal quarters subject to the pro forma calculation, or if lower, the maximum commitments under such revolving credit facility on the Calculation Date.

" Fixed Charges " means, with respect to any specified Person for any period, (A) the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Financing Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates and excluding (s) penalties and interest relating to taxes, (t) any "additional interest" relating to customary registration rights with respect to securities, (u) non-cash interest expense attributable to movement in mark-to-market valuation of Hedging Obligations or other derivatives (in each case permitted hereunder and under GAAP), (v) accretion or accrual of discounts with respect to liabilities not constituting Indebtedness, (w) any expense resulting from the discounting of Indebtedness in connection with the application of recapitalization or purchase accounting, (x) amortization of deferred financing fees, debt issuance costs, commissions, fees and expenses and, with respect to Indebtedness issued in connection with the Acquisition, original issue discount, (y) any expensing of bridge, commitment and other financing fees and (z) any lease, rental or other expense in connection with a Non-Financing Lease Obligation; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; *plus*

(4) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Equity of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable (i) solely in Equity Interests of TLLP (other than Disqualified Equity) or (ii) to TLLP or a Restricted Subsidiary of TLLP; *minus*

(B) to the extent included in (A) above, write-off of nonrecurring deferred financing costs of such Person and its Restricted Subsidiaries during such period and any charge related to, or any premium or penalty paid in connection with, paying any such Indebtedness of such Person and its Restricted Subsidiaries prior to its Stated Maturity.

" GAAP " means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time. If there occurs a change in generally accepted accounting principles occurring after the Issue Date (including with respect to the treatment of leases and revenue recognition) and such change would cause a change in the method of calculation of standards or terms used in this Indenture (an " Accounting Change "), then TLLP may elect, as evidenced by a written notice of TLLP to the Trustee, that such standards or terms shall be calculated as if such Accounting Change had not occurred. Any such election with respect to such Accounting Change may not thereafter be changed.

" General Partner " means Tesoro Logistics GP, LLC, a Delaware limited liability company, and its successors and permitted assigns as general partner of TLLP or as the business entity with the ultimate authority to manage the business and operations of TLLP.

" Global Note Legend " means the legend set forth in Section 2.06(g)(ii) hereof, which is required to be placed on all Global Notes issued under this Indenture.

" Global Notes " means, individually and collectively, each of the Notes issued or issuable in the global form of Exhibit A hereto issued in accordance with Section 2.01 or 2.06 hereof.

" Government Securities " means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States of America is pledged.

" Guarantee " means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

" Guarantors " means each of:

(1) the Subsidiaries of TLLP, other than Finance Corp., executing this Indenture as initial Guarantors;

(2) each of TLLP's Restricted Subsidiaries that becomes a guarantor of the Notes pursuant to Section 4.16 hereof; and

(3) each other Person executing a supplemental indenture in which such Person agrees to be bound by the terms of this Indenture; *provided* that any Person constituting a Guarantor as described above shall cease to constitute a Guarantor when its respective Guarantee is released in accordance with the terms of this Indenture.

" Hedging Obligations " means, with respect to any specified Person, the obligations of such Person incurred not for speculative purposes under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

" Holder " means a Person in whose name a Note is registered.

" Indebtedness " means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments;

(3) reimbursement obligations in respect of bankers' acceptances or letters of credit;

(4) representing Financing Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed, except any earn-out obligations until after becoming due and payable, has not been paid and such obligation becomes a liability on the balance sheet of such Person in accordance with GAAP; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations), but excluding amounts recorded in accordance with Accounting Standards Codification No. 815, would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes (i) all Indebtedness of others secured by a Lien on any asset (other than Liens on and pledges of the Equity Interests of any Unrestricted Subsidiary or any Joint Venture owned by TLLP or any Restricted Subsidiary of TLLP, in each case, securing Indebtedness of such Unrestricted Subsidiary or Joint Venture, as applicable) of the specified Person (whether or not such Indebtedness is assumed by the specified Person); *provided* that the amount of such Indebtedness will be the lesser of the amount of such Person's obligation or indebtedness and the Fair Market Value of such assets and (ii) to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

Notwithstanding the foregoing, the following shall not constitute "Indebtedness":

(1) accrued expenses and trade accounts payable arising in the ordinary course of business;

(2) the incurrence by TLLP or any of its Restricted Subsidiaries of Indebtedness in respect of bid, performance, surety, appeal, payment, insurance contracts and similar bonds issued for the account of TLLP and any of its Restricted Subsidiaries in the ordinary course of business, including guarantees and obligations of TLLP or any of its Restricted Subsidiaries with respect to letters of credit supporting such obligations (in each case other than an obligation for money borrowed);

(3) any Indebtedness which has been defeased in accordance with GAAP or defeased pursuant to the deposit of cash or Government Securities (in an amount sufficient to satisfy all such Indebtedness obligations at maturity or redemption, as applicable, and all payments of interest and premium, if any) in a trust or account created or pledged for the sole benefit of the holders of such indebtedness and subject to no other Liens, and the other applicable terms of the instrument governing such Indebtedness;

(4) any obligation arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* , *however* , that such obligation is extinguished within five Business Days of its incurrence;

(5) any obligation arising from any agreement providing for indemnities, guarantees, purchase price adjustments, holdbacks, contingency payment obligations based on the performance of the acquired or disposed assets or similar obligations (other than guarantees of Indebtedness) incurred by any Person in connection with the acquisition or disposition of assets; and

(6) Non-Financing Lease Obligations or other obligations under or in respect of straight-line leases or operating leases.

" Indenture " means this Indenture, as amended or supplemented from time to time.

" Independent Financial Advisor " means a nationally recognized accounting, appraisal or investment banking firm that is, in the reasonable judgment of the Board of Directors of the General Partner, qualified to perform the task for which such firm has been engaged hereunder and disinterested and independent with respect to TLLP and its Affiliates; *provided* , that providing accounting, appraisal or investment banking services to TLLP or any of its Affiliates or having an employee, officer or other representative serving as a member of the Board of Directors of the General Partner or any of its Affiliates will not disqualify any firm from being an Independent Financial Advisor.

" Indirect Participant " means a Person who holds a beneficial interest in a Global Note through a Participant.

" Initial Notes " means the $750,000,000 aggregate principal amount of 5.25% Senior Notes due 2025 issued under this Indenture on the date hereof.

" Interest Payment Date " means January 15 and July 15 of each year to stated maturity.

" Investment Grade Rating " of the Notes, means that the Notes shall have been assigned a Moody's rating of Baa3 or higher or an S&P rating of BBB- or higher, or if one of such rating agencies shall not make a rating on the Notes publicly available for reasons outside the control of the Issuers, then "Investment Grade Rating" shall mean that the Notes shall have been assigned such a rating by one of such rating agencies and an equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" registered under Section 15E of the Exchange Act selected by the Issuers.

" Investments " means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances (other than advances to customers in the ordinary course of business which are recorded as accounts receivable on the balance sheet of the lender and commissions, moving, travel and similar advances to employees and officers made in the ordinary course of business) or capital contributions, purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet (excluding the footnotes) prepared in accordance with GAAP.

If TLLP or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any investment by TLLP or any Restricted Subsidiary in such Person remaining after giving effect thereto shall not be deemed to be an Investment at such time.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in cash or Cash Equivalents by TLLP or a Restricted Subsidiary in respect of such Investment.

" Issue Date " means December 2, 2016.

" Joint Venture " means any Person that is not a direct or indirect Subsidiary of TLLP in which TLLP or any of its Restricted Subsidiaries makes any Investment.

" Legal Holiday " means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in the City of New York or at the place of payment. If a payment date is on a Legal Holiday at a place of payment, payment may be made

at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

" Lien " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction other than a precautionary financing statement respecting a lease not intended as a security agreement. In no event shall a right of first refusal be deemed to constitute a Lien.

" Moody's " means Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

" Net Income " means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with:

(a) any Asset Sale; or

(b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

" Net Proceeds " means the aggregate cash proceeds received by TLLP or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of:

(1) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale and any related severance and associated costs, expenses and charges of personnel related to the sold assets and related operations,

(2) taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements,

(3) amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and all distributions and payments required to be made to minority interest holders in Restricted Subsidiaries as a result of such Asset Sale, and

(4) any amounts to be set aside in any reserve established in accordance with GAAP or any amount placed in escrow, in either case for adjustment in respect of the sale price of such properties or assets or for liabilities associated with such Asset Sale and retained by TLLP or any of its Restricted Subsidiaries until such time as such reserve is reversed or such escrow arrangement is terminated, in which case Net Proceeds shall include only the amount of the reserve so reversed or the amount returned to TLLP or its Restricted Subsidiaries from such escrow arrangement, as the case may be.

" Non-Financing Lease Obligation " means a lease obligation that is not required to be accounted for as a financing or capital lease on either the balance sheet or the income statement for financial reporting purposes in accordance with GAAP. For the avoidance of doubt, a straight-line or operating lease shall be considered a Non-Financing Lease Obligation.

" Non-Recourse Debt " means Indebtedness:

(1) as to which neither TLLP nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise, in each case, other than a pledge of the Equity Interests of an Unrestricted Subsidiary that is an obligor on such Indebtedness; and

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of TLLP or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity.

For purposes of determining compliance with Section 4.09 hereof, in the event that any Non-Recourse Debt of any of TLLP's Unrestricted Subsidiaries ceases to be Non-Recourse Debt of such Unrestricted Subsidiary, such event will be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary of TLLP.

" Note Guarantee " means the Guarantee by each Guarantor of the Issuers' obligations under this Indenture and the Notes, executed pursuant to the provisions of this Indenture.

" Notes " has the meaning assigned to it in the preamble to this Indenture. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Indenture, and unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

" Obligations " means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

" Officer " means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Vice President of such Person (or, if such Person is a limited partnership, the general partner of such Person).

" Officers' Certificate " means a certificate signed on behalf of a Person by two Officers of such Person that meets the requirements set forth in this Indenture. An Officers' Certificate required to be delivered by the Issuers shall be signed by two Officers of each Issuer.

" Omnibus Agreement " means the Third Amended and Restated Omnibus Agreement, dated as of July 1, 2014, among Tesoro Corporation, Tesoro Refining and Marketing Company, Tesoro Companies, Inc., Tesoro Alaska Company, TLLP and the General Partner, as may be amended, supplemented or modified; *provided* such amendment, supplement or modification is not disadvantageous in any material respect to the holders of notes when taken as a whole as compared to the Omnibus Agreement as in effect on the Issue Date, as determined in good faith by TLLP.

" Operating Surplus " has the meaning assigned to such term in the Partnership Agreement, as in effect on the Issue Date.

" Opinion of Counsel " means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 12.05 hereof. The counsel may be an employee of or counsel to TLLP, the General Partner, any Subsidiary of TLLP or the General Partner or the Trustee.

" Participant " means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

" Partnership Agreement " means the First Amended and Restated Agreement of Limited Partnership of Tesoro Logistics LP, dated as of April 26, 2011, as such may be further amended, modified or supplemented from time to time.

" Permitted Acquisition Indebtedness " means Indebtedness or Disqualified Equity of TLLP or any of its Restricted Subsidiaries to the extent such Indebtedness or Disqualified Equity was Indebtedness or Disqualified Equity of (i) a Subsidiary prior to the date on which such Subsidiary became a Restricted Subsidiary or (ii) a Person that merged with or consolidated into TLLP or a Restricted Subsidiary; *provided* that on the date such Subsidiary became a Restricted Subsidiary or the date such Person was merged and amalgamated into TLLP or a Restricted Subsidiary, as applicable, after giving pro forma effect thereto, (a) TLLP would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test described under Section 4.09(a) hereof or (b) the Fixed Charge Coverage Ratio for TLLP would be equal to or greater than the Fixed Charge Coverage Ratio for TLLP immediately prior to such transaction.

" Permitted Business " means either (1) marketing, gathering, transporting (by barge, pipeline, ship, truck or other modes of hydrocarbon transportation), terminalling, storing, producing, acquiring, developing, exploring for, exploiting, processing, fractionation, dehydrating and otherwise handling crude oil, gas, casinghead gas, drip gasoline, natural gasoline, condensates, distillates, liquid hydrocarbons, asphalt, gaseous hydrocarbons and all other constituents, elements, compounds or products refined or processed from any of the foregoing, which activities shall include, for the avoidance of doubt, constructing pipeline, platform, dehydration, processing, fractionation, storing and other energy-related facilities, and activities or services reasonably related or ancillary thereto, including entering into purchase and sale agreements, supply agreements and Hedging Obligations related to these businesses, (2) any other business that generates gross income at least 90% of which constitutes "qualifying income" under Section 7704(d) of the Code or (3) any activity that is ancillary, complementary or incidental to or necessary or appropriate for the activities described in clauses (1) or (2) of this definition.

" Permitted Business Investments " means Investments by TLLP or any of its Restricted Subsidiaries in any Unrestricted Subsidiary of TLLP or in any Joint Venture, *provided* that:

(1) either (a) at the time of such Investment and immediately thereafter, TLLP could incur $1.00 of additional Indebtedness under the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof or (b) such Investment does not exceed the aggregate amount of Incremental Funds (as defined in Section 4.07 hereof) not previously expended at the time of making such Investment;

(2) if such Unrestricted Subsidiary or Joint Venture has outstanding Indebtedness at the time of such Investment, either (a) all such Indebtedness is Non-Recourse Debt or (b) any such Indebtedness of such Unrestricted Subsidiaries or Joint Venture that is recourse to TLLP or any of its Restricted Subsidiaries could, at the time such Investment is made, be incurred at that time by TLLP and its Restricted Subsidiaries under Section 4.09 hereof; and

(3) such Unrestricted Subsidiary's or Joint Venture's activities are not outside the scope of the Permitted Business.

" Permitted Investments " means:

(1) any Investment in TLLP or in a Restricted Subsidiary of TLLP;

(2) any Investment in cash and Cash Equivalents or deposit accounts;

(3) any Investment by TLLP or any Restricted Subsidiary of TLLP in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of TLLP; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, TLLP or a Restricted Subsidiary of TLLP;

(4) any security or other Investment received or Investment made as a result of the receipt of non-cash consideration from:

(a) an Asset Sale that was made pursuant to and in compliance with Section 4.10 hereof; or

(b) a disposition of assets that does not constitute an Asset Sale;

(5) any Investment in any Person solely in exchange for the issuance of Equity Interests (other than Disqualified Equity) of TLLP;

(6) any Investments received in compromise, settlement or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of TLLP or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer, or as a result of a foreclosure, perfection or enforcement by TLLP or any of its Restricted Subsidiaries with respect to any secured Investment in default, (B) claims or disputes owed to TLLP or any Restricted Subsidiary of TLLP that arose out of transactions in the ordinary course of business or (C) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments in the form of intercompany Indebtedness or guarantees of Indebtedness of a Restricted Subsidiary of TLLP permitted under clauses (6) and (11) of Section 4.09(b) hereof;

(8) Investments represented by Hedging Obligations permitted to be incurred in accordance with the provisions of this Indenture;

(9) loans or advances to employees made in the ordinary course of business of TLLP or any Restricted Subsidiary of TLLP in an aggregate principal amount not to exceed $5.0 million at any one time outstanding;

(10) repurchases of the Notes;

(11) any Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers' compensation and performance and other similar deposits and prepaid expenses made in the ordinary course of business;

(12) Permitted Business Investments;

(13) Investments pursuant to agreements and obligations of TLLP and any Restricted Subsidiary in effect on the Issue Date and any renewals or replacements thereof on terms and conditions not materially less favorable to TLLP or such Restricted Subsidiary, as the case may be, than the terms of the Investment being renewed or replaced;

(14) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (14) that are at the time outstanding not to exceed the greater of (a) $300.0 million and (b) 5.0% of TLLP's Consolidated Net Tangible Assets; *provided, however* , that any Investment pursuant to this clause (14) made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted

Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (14) for so long as such Person continues to be a Restricted Subsidiary; and

(15) Investments made in Joint Ventures having an aggregate fair market value taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding, not to exceed the greater of (a) $300.0 million and (b) 5.0% of TLLP's Consolidated Net Tangible Assets at the time of such Investment (with the fair market value of each Investment being measured at that time made and without giving effect to subsequent changes in value); *provided, however* , that any Investment pursuant to this clause (15) made in any Person that is a Joint Venture at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (15) for so long as such Person continues to be a Restricted Subsidiary;

provided , *however* , that with respect to any Investment, TLLP may, in its sole discretion, allocate all or any portion of any Investment and later re-allocate all or any portion of any Investment to one or more of the above clauses (1) through (15) so that the entire Investment would be a Permitted Investment.

" Permitted Liens " means:

(1) Liens securing any Indebtedness under any Credit Facility and all Obligations and Hedging Obligations relating to such Indebtedness;

(2) Liens in favor of TLLP or the Guarantors;

(3) Liens on property of a Person existing at the time (a) such Person is merged with or into or consolidated with TLLP or any Subsidiary of TLLP, (b) such Person becomes a Restricted Subsidiary or (c) such property is otherwise acquired by TLLP or a Restricted Subsidiary; *provided* that such Liens were in existence prior to such merger, consolidation or other acquisition and do not extend to any assets other than those of the Person merged into or consolidated with TLLP or the Subsidiary in the case of a merger or consolidation pursuant to clause (a) or such property in the case of such other acquisition in the case of clause (b) or (c);

(4) Liens and deposits to secure the performance of statutory obligations, surety or appeal bonds, workers compensation obligations, unemployment insurance, reimbursement obligations owed to insurers, bids, performance bonds, leases, statutory obligations, other types of social security or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(5) Liens to secure Indebtedness (including Financing Lease Obligations) permitted by clause (4) or (12) of Section 4.09(b) hereof covering only the assets acquired, constructed, improved or developed with, or secured by, such Indebtedness;

(6) Liens existing on the Issue Date (other than Liens securing the Credit Facilities);

(7) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings diligently pursued; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(8) Liens imposed by law, such as carriers', warehousemen's, landlord's, repairman's, materialmen's, mechanics' and other like Liens, in each case, incurred in the ordinary course of business;

(9) defects, irregularities and deficiencies in title of any rights of way or other property, survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions and other similar encumbrances as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially interfere with the ordinary conduct of the business of TLLP or any of its Subsidiaries and defects, irregularities and deficiencies in title to any property of TLLP or any of its Subsidiaries, which defects, irregularities or deficiencies have been cured by possession under applicable statutes of limitation;

(10) inchoate Liens arising under the Employee Retirement Income Security Act of 1974, and any amendments thereto;

(11) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(12) Liens on any property or asset acquired, constructed or improved by TLLP or any of its Restricted Subsidiaries, which (a) are in favor of the seller of such property or assets, in favor of the Person developing, constructing, repairing or improving such asset or property, or in favor of the Person that provided the funding for the acquisition, development, construction, repair or improvement cost, as the case may be, of such asset or property, (b) are created within 360 days after the acquisition, development, construction, repair or improvement, (c) secure the purchase price or development, construction, repair or improvement cost, as the case may be, of such asset or property in an amount up to 100% of the Fair Market Value of

such acquisition, construction or improvement of such asset or property, and (d) are limited to the asset or property so acquired, constructed or improved (including the proceeds thereof, accessions thereto and upgrades thereof);

(13) Liens on and pledges of the Equity Interests of any Unrestricted Subsidiary or any Joint Venture owned by TLLP or any Restricted Subsidiary of TLLP to the extent securing Non-Recourse Debt or other Indebtedness of such Unrestricted Subsidiary or Joint Venture;

(14) Liens in favor of collecting or payor banks having a right of setoff, revocation, refund or chargeback with respect to money or instruments of TLLP or any of its Subsidiaries on deposit with or in possession of such bank;

(15) Liens to secure performance of Hedging Obligations of TLLP or any of its Restricted Subsidiaries;

(16) Liens on pipelines or pipeline facilities that arise by operation of law;

(17) Liens incurred in the ordinary course of business of TLLP or any Restricted Subsidiary of TLLP with respect to obligations that at any one time outstanding do not exceed the greater of (a) $300.0 million and (b) 5.0% of Consolidated Net Tangible Assets;

(18) Liens resulting from the deposit of money or other Cash Equivalents or other evidence of Indebtedness in trust for the purpose of defeasing Indebtedness of TLLP or any of its Restricted Subsidiaries;

(19) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under this Indenture; *provided* , *however* , that:

(a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (*plus* improvements and accessions to such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay accrued interest on such Indebtedness and any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(20) Liens relating to future escrow arrangements securing Indebtedness incurred in accordance with this Indenture;

(21) any interest or title of a lessor under any lease entered into by TLLP or any of its Subsidiaries in the ordinary course of its business and covering only the assets so leased;

(22) any Lien securing Indebtedness, neither assumed nor guaranteed by TLLP or any of its Subsidiaries nor on which it customarily pays interest, existing upon real estate or rights in or relating to real estate acquired by TLLP for substation, metering station, pump station, storage, gathering line, transmission line, transportation line, distribution line or for right-of-way purposes, any Liens reserved in leases for rent and for compliance with the terms of the leases in the case of leasehold estates, to the extent that any such Lien referred to in this clause (22) does not materially impair the use of the property covered by such Lien for the purposes of which such property is held by TLLP or any of its Subsidiaries;

(23) any obligations or duties affecting any of the property of TLLP or its Subsidiaries to any municipality or public authority with respect to any franchise, grant, license or permit which do not materially impair the use of such property for the purposes for which it is held;

(24) Liens upon specific items of inventory, accounts receivables or other goods and proceeds of TLLP or any Restricted Subsidiary securing such Person's obligations in respect of bankers' acceptances or receivables securitizations issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory, accounts receivables or other goods and proceeds;

(25) any Liens securing industrial development, pollution control or similar bonds;

(26) Liens renewing, extending, refinancing or refunding a Lien permitted by clauses (1) through (25) above; *provided* that (a) the principal amount of Indebtedness secured by such Lien does not exceed the principal amount of such Indebtedness outstanding immediately prior to the renewal, extension, refinance or refund of such Lien, *plus* all accrued interest on the Indebtedness secured thereby and the amount of all fees, expenses and premiums incurred in connection therewith, and (b) no assets encumbered by any such Lien other than the assets permitted to be encumbered immediately prior to such renewal, extension, refinance or refund are encumbered thereby; and

(27) Liens arising from the deposit of funds or securities in trust for the purpose of decreasing, defeasing or discharging Indebtedness so long as such deposit of funds or securities and such decreasing, defeasing or discharging of Indebtedness are permitted under Section 4.07 .

" Permitted Refinancing Indebtedness " means any Indebtedness of TLLP or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of TLLP or any of its Restricted Subsidiaries (other than intercompany Indebtedness), including Indebtedness that extends, refinances, renews, replaces, defeases or refunds Permitted Refinancing Indebtedness; *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), *plus* accrued and unpaid interest on, the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date equal to or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes or the Note Guarantees, such Permitted Refinancing Indebtedness is subordinated in right of payment to, the Notes or the Note Guarantees, on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) such Indebtedness is incurred either by TLLP or by a Restricted Subsidiary who is an obligor on or guarantor of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

" Person " means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

" Prospectus " means the Prospectus, dated November 29, 2016, relating to the issuance and sale of the Initial Notes.

" Qualified Owner " means, collectively (a) Tesoro Corporation, (b) each Person of which Tesoro Corporation is a direct or indirect Subsidiary, (c) each Person which is a direct or indirect Subsidiary of any Person described in clause (a) or (b) of this definition and (d) any "group" (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) of which any of the foregoing or any Qualified Owner specified in the last sentence of this definition are members and any member of such group; *provided* , that, in the case of such group and without giving effect to the existence of such group or any other group, such Persons specified in clauses (a), (b) and (c) above and Person or group specified in the last sentence of this definition, collectively, own, directly or indirectly, more than 50% of the total voting power of the Voting Stock of TLLP. Any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) whose acquisition of beneficial ownership constitutes a Change of Control Triggering Event in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Qualified Owner.

" Rating Decline " means the occurrence of a decrease in the rating of the Notes by one or more gradations by each of Moody's and S&P (including gradations within the rating categories, as well as between categories), within 60 days before or after the earlier of (x) a Change of Control, (y) the date of public notice of the occurrence of a Change of Control or (z) public notice of the intention of TLLP to effect a Change of Control (which 60-day period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by either Moody's or S&P); *provided, however,* that a Rating Decline otherwise arising by virtue of a particular reduction in rating will not be deemed to have occurred in respect of a particular Change of Control (and thus will not be deemed a Rating Decline for purposes of the definition of Change of Control Triggering Event) unless each of Moody's and S&P making the reduction in rating to which this definition would otherwise apply announces or publicly confirms or informs the Trustee in writing at TLLP's or its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control has occurred at the time of the Rating Decline); *provided* , further, that notwithstanding the foregoing, a Ratings Decline shall not be deemed to have occurred so long as the notes have an Investment Grade Rating.

" Reference Period " means, with respect to any date of determination, the four most recent fiscal quarters of TLLP for which internal financial statements are available.

" Responsible Officer " when used with respect to the Trustee, means any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

" Restricted Investment " means an Investment other than a Permitted Investment.

" Restricted Subsidiary " of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

" S&P " means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor to the rating agency business thereof.

" SEC " means the Securities and Exchange Commission.

" Securities Act " means the Securities Act of 1933, as amended.

" Senior Indebtedness " means with respect to any Person, Indebtedness of such Person, unless the instrument creating or evidencing such Indebtedness provides that such Indebtedness is subordinate in right of payment to the Notes or the Note Guarantee of such Person, as the case may be.

" Significant Subsidiary " means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

" Stated Maturity " means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

" Subordinated Obligation " means any Indebtedness of TLLP (whether outstanding on the Issue Date or thereafter incurred) which pursuant to a written agreement is subordinate or junior in right of payment to the Notes and any Indebtedness of a Guarantor (whether outstanding on the Issue Date or thereafter incurred) which pursuant to a written agreement is subordinate or junior in right of payment to its Note Guarantee.

" Subsidiary " means, with respect to any specified Person:

(1) any corporation, association or other business entity (other than a partnership or limited liability company) of which more than 50% of the total voting power of shares of the Voting Stock is at the time owned, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (whether general or limited) or limited liability company (a) the sole general partner or managing member of which is such Person or a Subsidiary of such Person, or (b) if there are more than a single general partner or member, either (x) the only general partners or managing members of which are such Person or one or more Subsidiaries of such Person (or any combination thereof) or (y) such Person owns, directly or indirectly, a majority of the outstanding general partner interests, member interests or other Voting Stock of such partnership or limited liability company, respectively.

" Synthetic Lease Obligation " means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property (including sale and leaseback transactions), in each case, creating obligations that do not appear on the balance sheet of such Person but which, upon the application of any bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally to such Person, would be characterized as the Indebtedness of such Person (without regard to accounting treatment).

" TIA " means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb), as in effect on the date on which this Indenture is qualified under the TIA; *provided* , *however* , that in the event the TIA is amended after such date, " TIA " means, to the extent required by such amendment, the Trust Indenture Act of 1939, as so amended.

" Treasury Rate " means, with respect to the Notes, as of any Redemption Date, the yield to maturity as of such Redemption Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Redemption Date to January 15, 2021; *provided* , *however* , that if the period from the Redemption Date to January 15, 2021, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

" Trustee " means U.S. Bank National Association, as trustee, until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

" Unrestricted Subsidiary " means any Subsidiary of TLLP (other than Finance Corp. or any successor to it) that is designated by the Board of Directors of the General Partner as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) except to the extent permitted by subclause (2)(b) of the definition of "Permitted Business Investments," has no Indebtedness other than Non-Recourse Debt; and

(2) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of TLLP or any of its Restricted Subsidiaries.

All Subsidiaries of an Unrestricted Subsidiary shall also be Unrestricted Subsidiaries. Any designation of a Subsidiary of TLLP as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a board resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of TLLP as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09 hereof, TLLP will be in default of such covenant.

" Voting Stock " of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled (without regard to the occurrence of any contingency) to vote in the election of the Board of Directors of such Person.

" Weighted Average Life to Maturity " means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then-remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then-outstanding principal amount of such Indebtedness.

Section 1.02 *Other Definitions* .

Term	Defined in Section
"Acceptable Commitment"	4.10
"Affiliate Transaction"	4.11
"Asset Sale Proceeds Application Period"	4.10
"Asset Sale Offer"	3.09
"Authentication Order"	2.02
"Change of Control Offer"	4.15
"Change of Control Payment"	4.15
"Change of Control Payment Date"	4.15
"Covenant Defeasance"	8.03
"DTC"	2.03
"Event of Default"	6.01
"Excess Proceeds"	4.10
"First Commitment Application Period"	4.10
"Incremental Funds"	4.07
"incur"	4.09
"Legal Defeasance"	8.02
"Offer Amount"	3.09
"Offer Period"	3.09
"Paying Agent"	2.03
"Payment Default"	6.01
"Permitted Debt	4.09
"Purchase Date"	3.09
"Redemption Date"	3.07
"Registrar"	2.03
"Restricted Payments"	4.07

Term	Defined in Section
"Second Commitment"	4.10
"Subject Lien"	4.12
"Termination Date"	4.18

Section 1.03 *Incorporation by Reference of Trust Indenture Act* .

This Indenture will be subject to the mandatory provisions of the TIA, which unless otherwise indicated are incorporated by reference in and made a part of this Indenture. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms if used in this Indenture have the following meanings:

" indenture securities " means the Notes and the Note Guarantees;

" indenture security Holder " means a Holder of a Note;

" indenture to be qualified " means this Indenture;

" indenture trustee " or " institutional trustee " means the Trustee; and

" obligor " on the Notes and the Note Guarantees means the Issuers and the Guarantors, respectively, and any successor obligor upon the Notes and the Note Guarantees, respectively.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

Section 1.04 *Rules of Construction* .

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) both "shall" and "will" shall be interpreted to express a command;

(6) provisions apply to successive events and transactions; and

(7) references to sections of, or rules under, the Securities Act or the Exchange Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time.

ARTICLE 2

THE NOTES

Section 2.01 *Form and Dating* .

The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A attached hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes shall be in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture, and the Issuers, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

Notes issued in global form shall be substantially in the form of Exhibit A attached hereto (including the Global Note Legend and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without the Global Note Legend and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note shall represent such aggregate principal amount of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby shall be made by the Trustee, the Depositary or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

Section 2.02 *Execution and Authentication* .

At least one Officer shall sign the Notes for each of the Issuers by manual or facsimile signature. If an Officer of the Issuers whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid. A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee will, upon receipt of a written order of the Issuers signed by two Officers of each Issuer (an "Authentication Order"), authenticate Notes for original issue that may be validly issued under this Indenture, including any Additional Notes. The aggregate principal amount of Notes outstanding at any time may not exceed the aggregate principal amount of Notes authorized for issuance by the Issuers pursuant to one or more Authentication Orders, except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Issuers to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Issuers.

Section 2.03 *Registrar and Paying Agent* .

The Issuers shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange (" Registrar ") and an office or agency where Notes may be presented for payment (" Paying Agent "). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Issuers may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Issuers may change any Paying Agent or Registrar without notice to any Holder. The Issuers shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Issuers fail to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. TLLP, Finance Corp. or any of TLLP's Subsidiaries may act as Paying Agent or Registrar.

The Issuers initially appoint The Depository Trust Company (" DTC ") to act as Depositary with respect to the Global Notes.

The Issuers initially appoint the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

Section 2.04 *Paying Agent to Hold Money in Trust* .

The Issuers shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, or premium or interest, if any, on the Notes, and shall notify the Trustee of any default by the Issuers in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than TLLP or a Subsidiary) shall have no further liability for the money. If TLLP or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to TLLP, the Trustee shall serve as Paying Agent for the Notes.

Section 2.05 *Holder Lists* .

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA § 312(a). If the Trustee is not the Registrar, the Issuers shall provide to a Responsible Officer of the Trustee at least seven Business Days before each Interest Payment Date and at such other times as the

Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Issuers shall otherwise comply with TIA § 312(a).

Section 2.06 *Transfer and Exchange* .

(a) Transfer and Exchange of Global Notes . A Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes shall be exchanged by the Issuers for Definitive Notes in denominations of $2,000 and integral multiples of $1,000 in excess thereof if (i) the Issuers deliver to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary for the Global Notes or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Issuers within 90 days after the date of such notice from the Depositary; (ii) the Issuers in their sole discretion determine that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; or (iii) there has occurred and is continuing an Event of Default with respect to the Notes and the Depositary notifies the Trustee of its decision to exchange the Global Notes for Definitive Notes. Upon the occurrence of either of the preceding events in (i) or (ii) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.11 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Sections 2.07 or 2.11 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a) ; however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b) , or (c) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes . The transfer and exchange of beneficial interests in any Global Note shall be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Transfers of beneficial interests in any Global Note also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs of this Section 2.06 , as applicable:

(i) Transfer of Beneficial Interests in the Same Global Note . Beneficial interests in any Global Note may be transferred only to Persons who take delivery thereof in the form of a beneficial interest in such Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfer described in this Section 2.06(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes . In connection with all transfers and exchanges of beneficial interests (other than a transfer of a beneficial interest in a Global Note to a Person who takes delivery thereof in the form of a beneficial interest in the same Global Note), the transferor of such beneficial interest must deliver to the Registrar (A) (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above. Upon notification from the Registrar that all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture, the Notes and otherwise applicable under the Securities Act have been satisfied, the Trustee shall adjust the principal amount of the relevant Global Notes pursuant to Section 2.06(h) hereof.

(iii) [Reserved] .

(iv) [Reserved] .

(c) Transfer or Exchange of Beneficial Interests for Definitive Notes .

(i) [Reserved].

(ii) [Reserved].

(iii) If any holder of a beneficial interest in a Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon notice by the Registrar of satisfaction of the conditions set forth in Section 2.06(b)(ii) hereof, the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Issuers shall execute and the Trustee shall authenticate and make available for delivery to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall

be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall make available for delivery such Definitive Notes to the Persons in whose names such Notes are so registered.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests .

(i) [Reserved].

(ii) [Reserved].

(iii) A Holder of a Definitive Note may exchange such Note for a beneficial interest in a Global Note or transfer such Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in a Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Global Notes.

(iv) If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraph (iii) above at a time when a Global Note has not yet been issued, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Global Notes in an aggregate principal amount equal to the principal amount of beneficial interests transferred pursuant to subparagraph (iii) above.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes . Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by his attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, pursuant to the provisions of this Section 2.06(e) .

(f) [Reserved] .

(g) Legends . The following legends shall appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(i) [Reserved] .

(ii) Global Note Legend . Each Global Note shall bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO ARTICLE II OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF TESORO LOGISTICS LP AND TESORO LOGISTICS FINANCE CORP. OR ANY SUCCESSOR THERETO."

Additionally, for so long as DTC is the Depositary with respect to any Global Note, each such Global Note shall also bear a legend in substantially the following form:

"UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE), TO TESORO LOGISTICS LP AND TESORO LOGISTICS FINANCE CORP. OR ANY SUCCESSOR THERETO OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(h) Cancellation and/or Adjustment of Global Notes . At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time

prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who shall take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note, by the Trustee, the Custodian or the Depositary at the direction of the Trustee, to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who shall take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note, by the Trustee, the Custodian or by the Depositary at the direction of the Trustee, to reflect such increase.

(i) General Provisions Relating to Transfers and Exchanges .

(i) To permit registrations of transfers and exchanges, subject to Section 2.06 , the Issuers shall execute and, upon the Issuers' Authentication Order, signed by one or more Officers of each Issuer, the Trustee shall authenticate Global Notes and Definitive Notes at the Registrar's request.

(ii) No service charge shall be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Issuers may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 3.06 , 3.09 , 4.10 , 4.15 and 9.05 hereof).

(iii) The Registrar shall not be required to register the transfer or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(iv) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Issuers, evidencing the same debt, and entitled to the same benefits under this Indenture and the Subsidiary Guarantees, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(v) The Issuers and the Registrar shall not be required (A) to issue, to register the transfer of or to exchange Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection, (B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part, (C) to register the transfer of or to exchange a Note between a record date and the next succeeding Interest Payment Date or (D) to register the transfer of a Note other than in denominations of $2,000 or multiple integrals of $1,000 in excess thereof.

(vi) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Issuers may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Issuers shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(viii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a transfer or exchange may be submitted by facsimile.

Section 2.07 *Replacement Notes* .

If any mutilated Note is surrendered to the Trustee or the Issuers, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Issuers shall issue and the Trustee, upon the Authentication Order of the Issuers signed by one Officer of the Issuers, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Issuers, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Trustee and any Agent from any loss that any of them may suffer if a Note is replaced. The Issuers and the Trustee may charge for their respective expenses in replacing a Note. If, after the delivery of such replacement Note, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment or registration such original Note, the Trustee shall be entitled to recover such replacement Note from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuers, the Trustee and any Agent in connection therewith.

Subject to the provisions of the final sentence of the preceding paragraph of this Section 2.07 , every replacement Note is an additional obligation of the Issuers and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08 *Outstanding Notes* .

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Issuers or an Affiliate of the Issuers holds the Note.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Issuers, a Subsidiary of the Issuers or an Affiliate of any thereof) holds, on a Redemption Date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

Section 2.09 *Treasury Notes* .

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuers, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded. Notwithstanding the foregoing, Notes that the Issuers, a Subsidiary of the Issuers or an Affiliate of the Issuers offers to purchase or acquires pursuant to an offer, exchange offer, tender offer or otherwise shall not be deemed to be owned by the Issuers, such Subsidiary or such Affiliate until legal title to such Notes passes to the Issuers, such Subsidiary or such Affiliate, as the case may be.

Section 2.10 *Temporary Notes* .

Until Definitive Notes are ready for delivery, the Issuers may prepare and the Trustee, upon receipt of an Authentication Order, shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Issuers considers appropriate for temporary Notes and as shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Issuers shall prepare and the Trustee shall authenticate Definitive Notes in exchange for temporary Notes.

Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

Section 2.11 *Cancellation* .

The Issuers at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall return such canceled Notes to the Issuers. The Issuers may not issue new Notes to replace Notes that they have paid or that have been delivered to the Trustee for cancellation.

Section 2.12 *Defaulted Interest* .

If the Issuers default in a payment of interest on the Notes, they shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Issuers shall promptly notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Issuers shall fix or cause to be fixed each such special record date and payment date, *provided* that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Issuers (or, upon the written request of the Issuers, the Trustee in the name and at the expense of the Issuers) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

Section 2.13 *Issuance of Additional Notes* .

The Issuers shall be entitled to issue Additional Notes under this Indenture which shall have identical terms as the Initial Notes issued on the Issue Date, other than with respect to the date of issuance and issue price and first payment of interest. With respect to

any Additional Notes, the Issuers shall set forth in a resolution of the Board of Directors and an Officers' Certificate, a copy of each which shall be delivered to the Trustee, the following information: (a) the aggregate principal amount at maturity of such Additional Notes to be authenticated and delivered pursuant to this Indenture; and (b) the issue price, the issue date and the CUSIP number and corresponding ISIN of such Additional Notes.

Section 2.14 *One Class of Notes* .

The Initial Notes issued on the Issue Date and any Additional Notes shall be treated as a single class for all purposes under this Indenture.

Section 2.15 *CUSIP Numbers* .

The Issuers in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption or repurchase, as the case may be, as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption or repurchase, as the case may be, and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption or repurchase, as the case may be, shall not be affected by any defect in or omission of such numbers. The Issuers shall promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE 3

REDEMPTION AND PREPAYMENT

Section 3.01 *Notices to Trustee* .

If the Issuers elect to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it must furnish to the Trustee, at least 15 days but not more than 60 days before a Redemption Date, an Officers' Certificate setting forth:

(1) the clause of this Indenture pursuant to which the redemption shall occur;

(2) the Redemption Date;

(3) the principal amount of Notes to be redeemed; and

(4) the redemption price.

Section 3.02 *Selection of Notes To Be Redeemed or Purchased* .

If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee will select Notes for redemption or purchase as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which such Notes are listed; or

(2) on a *pro rata* basis to the extent practicable; or

(3) on a *pro rata* basis, by lot or such other similar method in accordance with the procedures of DTC.

No Notes of $2,000 or less can be redeemed in part. In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased will be selected, unless otherwise provided herein, not less than 15 nor more than 60 days prior to the redemption or purchase date by the Trustee from the outstanding Notes not previously called for redemption or purchase.

The Trustee will promptly notify the Issuers in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected will be in amounts of $2,000 or whole multiples of $1,000 in excess thereof; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

Section 3.03 *Notice of Redemption* .

Subject to the provisions of Section 3.09 hereof, at least 15 days but not more than 60 days before a Redemption Date, the Issuers will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a Redemption Date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 11 hereof. Notice of any redemption of the Notes, (including upon an Equity Offering, another transaction or in connection with a transaction (or series of related transactions) that constitute a Change of Control) may, at the Issuers' discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering, other transaction or Change of Control. In addition, if such redemption is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuers' discretion, the Redemption Date may be delayed until such time (including more than 60 days after the date the notice of redemption was delivered) as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the Redemption Date, or by the Redemption Date so delayed, or such notice may be rescinded at any time in the Issuers' discretion if in the good faith judgment of the Issuers any or all of such conditions will not be satisfied. In addition, the Issuers may provide in such notice that payment of the redemption price and performance of the Issuers' obligations with respect to such redemption may be performed by another Person.

The notice will identify the Notes to be redeemed and will state:

(1) the Redemption Date;

(2) the redemption price, if then determinable, and, if not, then a method for determination;

(3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Issuers default in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date;

(7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Issuers' request, the Trustee will give the notice of redemption in the Issuers' names and at their expense; *provided* , *however* , that the Issuers have delivered to the Trustee, at least 20 days prior to the Redemption Date (or such shorter time period as the Trustee may agree), an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.04 *Effect of Notice of Redemption* .

Once notice of redemption is delivered in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the Redemption Date at the redemption price, unless the redemption is subject to a condition precedent that is not satisfied or waived.

Section 3.05 *Deposit of Redemption or Purchase Price* .

On or prior to the redemption or purchase date, the Issuers will deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued interest on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent will promptly return to the Issuers any money deposited with the Trustee or the Paying Agent by the Issuers in excess of the amounts necessary to pay the redemption or purchase price of, and accrued interest on, all Notes to be redeemed or purchased.

If the Issuers comply with the provisions of the preceding paragraph, on and after the redemption or purchase date, interest will cease to accrue on the Notes or the portions of Notes called for redemption or purchase. If a Note is redeemed or purchased on or after an interest record date but on or prior to the related Interest Payment Date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Issuers to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal is paid, and to the

extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06 *Notes Redeemed or Purchased in Part* .

Upon surrender of a Note that is redeemed or purchased in part, the Issuers will issue and, upon receipt of an Authentication Order, the Trustee will authenticate for the Holder at the expense of the Issuers a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered.

Section 3.07 *Optional Redemption* .

(a)

(1) At any time prior to January 15, 2020, the Issuers may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes (including any Additional Notes) issued under this Indenture at a redemption price of 105.250% of the principal amount with an amount not to exceed the net cash proceeds of one or more Equity Offerings, plus accrued and unpaid interest to, but excluding, the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an Interest Payment Date that is on or prior to the Redemption Date); *provided* that:

(i) at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (excluding Notes held by TLLP and its Subsidiaries and excluding any Additional Notes) remains outstanding immediately after the occurrence of such redemption; and

(ii) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

(2) On or after January 15, 2021, the Issuers may redeem all or a part of the Notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest on the Notes redeemed, to, but excluding, the applicable Redemption Date, if redeemed during the twelve-month period beginning on January 15 of each year indicated below, subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant Interest Payment Date:

Year	Percentage
2021	102.625 %
2022	101.313 %
2023 and thereafter	100.000 %

(3) At any time prior to January 15, 2021, the Issuers may also redeem all or a part of the Notes at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest thereon to, but excluding, the redemption date (the " Redemption Date "), subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date. The notice need not set forth the Applicable Premium but only the manner of calculation of the redemption price. With respect to any redemption pursuant to this Section 3.07(a)(3), the Issuers shall notify the Trustee of the Applicable Premium with respect to the Notes promptly after the calculation thereof and the Trustee shall not be responsible for such calculation.

(b) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

(c) Unless the Issuers default in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable Redemption Date.

Section 3.08 *Mandatory Redemption* .

Neither of the Issuers is required to make mandatory redemption or sinking fund payments with respect to the Notes.

The Issuers are not prohibited from acquiring the Notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise, so long as the acquisition does not violate the terms of this Indenture.

Section 3.09 *Offer to Purchase by Application of Excess Proceeds* .

In the event that, pursuant to Section 4.10 hereof, the Issuers are required to commence an offer to all Holders to purchase Notes (an " Asset Sale Offer "), it will follow the procedures specified below.

The Asset Sale Offer shall be made to all Holders and all holders of other Indebtedness that is *pari passu* , with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets. The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the " Offer Period ") . No later than three Business Days after the termination of the Offer Period (the " Purchase Date "), the Issuers will apply all Excess Proceeds (the " Offer Amount ") to the purchase of Notes and such other *pari passu* Indebtedness (on a *pro rata* basis, if applicable) or, if less than the Offer Amount has been tendered, all Notes and other Indebtedness tendered in response to the Asset Sale Offer. Payment for any Notes so purchased will be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related Interest Payment Date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Issuers will send, by first class mail, a notice to the Trustee and each of the Holders. The notice will contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The notice, which will govern the terms of the Asset Sale Offer, will state:

(1) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer will remain open;

(2) the Offer Amount, the purchase price and the Purchase Date;

(3) that any Note not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Issuers default in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in denominations of $2,000 and integral multiples of $1,000 in excess thereof only;

(6) that Holders electing to have Notes purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Issuers, a Depositary, if appointed by the Issuers, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(7) that Holders will be entitled to withdraw their election if the Issuers, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission, letter or other specified means of communication setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, if the aggregate principal amount of Notes and other *pari passu* Indebtedness surrendered by holders thereof exceeds the Offer Amount, the Trustee will select the Notes and the representative of such other *pari passu* Indebtedness will select such other *pari passu* Indebtedness to be purchased on a *pro rata* basis based on the principal amount of Notes and such other *pari passu* Indebtedness surrendered (with such adjustments in each case as may be deemed appropriate by the Issuers so that only Notes in denominations of $2,000, or integral multiples of $1,000 in excess thereof, will be purchased); and

(9) that Holders whose Notes were purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Issuers will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and will deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Issuers in accordance with the terms of this Section 3.09 . The Issuers, the Depositary or the Paying Agent, as the case may be, will promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Issuers for purchase, and the Issuers will promptly issue a new Note, and the Trustee, upon written request from the Issuers, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Issuers to the Holder thereof. The Issuers will publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09 , any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

ARTICLE 4

COVENANTS

Section 4.01 *Payment of Notes* .

The Issuers will pay or cause to be paid the principal of, premium, if any, and interest on, the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest will be considered paid on the date due if the Paying Agent, if other than the TLLP or a Subsidiary thereof, holds as of 11:00 a.m. Eastern Time on the due date money deposited by the Issuers in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due.

Section 4.02 *Maintenance of Office or Agency* .

The Issuers will maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuers in respect of the Notes and this Indenture may be served. The Issuers will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuers fail to maintain any such required office or agency or fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Issuers may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided* , *however* , that no such designation or rescission will in any manner relieve the Issuers of their obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Issuers will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuers hereby designate the Corporate Trust Office of the Trustee as one such office or agency of the Issuers in accordance with Section 2.03 hereof.

Section 4.03 *Reports* .

(a) Whether or not required by the rules and regulations of the SEC, so long as any Notes are outstanding, TLLP shall furnish (whether through hard copy or Internet access) to the Holders of Notes or cause the Trustee to furnish to the Holders of Notes, within the time periods specified in the SEC's rules and regulations:

(1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if TLLP were required to file such reports, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations"; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if TLLP were required to file such reports.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. Each annual report on Form 10-K will include a report on TLLP's consolidated financial statements by TLLP's independent registered public accounting firm. In addition, TLLP will file a copy of each of the reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the rules and regulations applicable to such reports (unless the SEC will not accept such a filing) and will post the reports on its website within those time periods.

If, at any time TLLP is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, TLLP will nevertheless continue filing the reports specified in the preceding paragraphs of this Section 4.03 with the SEC within the time periods specified above unless the SEC will not accept such a filing; *provided* that, for so long as TLLP is not subject to the periodic reporting requirements of the Exchange Act for any reason, the time period for filing reports on Form 8-K shall be five (5) Business Days after the event giving rise to the obligation to file such report. If the SEC will not accept TLLP's filings for any reason, TLLP will post the reports referred to in the preceding paragraphs on its website within the time periods that would apply if TLLP were required to file those reports with the SEC.

If TLLP has designated any of its Subsidiaries as Unrestricted Subsidiaries, then, to the extent material, the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, or in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of TLLP and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of TLLP.

(b) For so long as any Notes remain outstanding, if at any time they are not required to file with the SEC the reports required by Section 4.03(a) , the Issuers and the Guarantors will furnish to the Holders of Notes and to securities analysts and prospective investors in the Notes, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

TLLP will be deemed to have furnished such reports required in clauses (a) and (b) above to the Trustee and the Holders of the Notes if it has filed such reports with the SEC using the EDGAR filing system (or any successor thereto) and such reports are publicly available.

Section 4.04 *Compliance Certificate* .

(a) The Issuers and each Guarantor (to the extent that such Guarantor is so required under the TIA) shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate (at least one of the signatories of which shall be the principal executive officer, the principal financial officer, or the principal accounting officer of TLLP) stating that a review of the activities of the Issuers and TLLP's Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Issuers have kept, observed, performed and fulfilled their obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Issuers have kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the tens, provisions and conditions of this Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuers are taking or propose to take with respect thereto).

(b) So long as any of the Notes are outstanding, the Issuers will deliver to the Trustee, within ten Business Days of becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Issuers are taking or propose to take with respect thereto.

Section 4.05 *Taxes* .

The Issuers will pay or discharge, and will cause each of TLLP's Subsidiaries to pay or discharge, prior to delinquency, all material taxes, lawful assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment or discharge is not adverse in any material respect to the Holders.

Section 4.06 *Stay, Extension and Usury Laws* .

The Issuers and each of the Guarantors covenant (to the extent that they may lawfully do so) that they will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture and the Notes; and the Issuers and each of the Guarantors (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenants (to the extent that they may lawfully do so) that they will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07 *Restricted Payments* .

(a) TLLP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of TLLP's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving TLLP or any of its Restricted Subsidiaries) or to the direct or indirect holders of TLLP's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than distributions or dividends payable solely in Equity Interests of TLLP (other than Disqualified Equity) and other than distributions or dividends payable solely to TLLP or a Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving TLLP) any Equity Interests of TLLP or any direct or indirect parent of TLLP;

(3) make any payment to purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of TLLP or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee (excluding (a) any intercompany Indebtedness between or among TLLP and any of its Restricted Subsidiaries and (b) the payment of principal, purchase, repurchase or other acquisition of Indebtedness that is subordinated in right of payment to the Notes or the Note Guarantees acquired in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase or other acquisition); or

(4) make any Restricted Investment

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as " Restricted Payments "), unless, at the time of and after giving effect to such Restricted Payment, no Default or Event of Default has occurred and is continuing and either:

(1) if the Fixed Charge Coverage Ratio for TLLP's Reference Period is not less than 1.75 to 1.00, such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by TLLP and its Restricted Subsidiaries (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (9), (10) and (11) of Section 4.07(b) hereof) during the quarter in which such Restricted Payment is made, is less than the sum, without duplication, of:

(A) Available Cash from Operating Surplus as of the end of the immediately preceding fiscal quarter; *plus*

(B) 100% of the aggregate net cash proceeds, or the Fair Market Value of assets or property, received by TLLP since September 14, 2012 as a contribution to its common equity capital or from the issue or sale of (i) Equity Interests of TLLP (other than Disqualified Equity) or (ii) convertible or exchangeable Disqualified Equity or convertible or exchangeable debt securities of TLLP that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Equity or debt securities) sold to a Subsidiary of TLLP); *plus*

(C) to the extent that any Restricted Investment that was made after September 14, 2012 is sold for cash or Cash Equivalents or otherwise liquidated or repaid for cash or Cash Equivalents, the return of capital or similar payment made in cash or Cash Equivalents with respect to such Restricted Investment (less the cost of disposition, if any); *plus*

(D) the net reduction in Restricted Investments made after September 14, 2012 resulting from dividends, repayments of loans or advances, or other transfers of assets in each case to TLLP or any of its Restricted Subsidiaries from any Person (including, without limitation, Unrestricted Subsidiaries) or from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, to the extent such amounts have not been included in Available Cash from Operating Surplus for any period commencing on or after September 14, 2012 (items (B), (C) and (D) being referred to as " Incremental Funds "); *minus*

(E) the aggregate amount of Incremental Funds previously expended pursuant to this clause (1) and clause (2) below; or

(2) if the Fixed Charge Coverage Ratio for TLLP's Reference Period is less than 1.75 to 1.00, such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by TLLP and its Restricted Subsidiaries (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (9), (10) and (11) of Section 4.07(b) hereof) during the quarter in which such Restricted Payment is made (such Restricted Payments for purposes of this clause (2) meaning only distributions on common units and subordinated units of TLLP, plus the related distribution on the general partner interest), is less than the sum, without duplication, of:

(A) $400.0 million less the aggregate amount of all Restricted Payments made by TLLP and its Restricted Subsidiaries pursuant to this clause (2)(A) during the period ending on the last day of the fiscal quarter immediately preceding the date of such Restricted Payment and beginning on September 14, 2012; *plus*

(B) Incremental Funds to the extent not previously expended pursuant to this clause (2) or clause (1) above.

(b) The provisions of Section 4.07(a) hereof will not prohibit:

(1) the payment of any dividend or distribution or the consummation of an irrevocable redemption of Subordinated Obligations within 60 days after the date of the declaration of such dividend or the delivery of the irrevocable notice of redemption, as the case may be, if at the date of declaration or the date on which such irrevocable notice is delivered, such dividend or redemption would have complied with the provisions of this Indenture (assuming, in the case of a redemption payment, the giving of the notice of such redemption payment would have been deemed to be a Restricted Payment at such time and such deemed Restricted Payment would have been permitted at such time);

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of, a substantially concurrent (a) capital contribution to TLLP from any Person (other than a Restricted Subsidiary of TLLP) or (b) sale or issuance
(other than to a Restricted Subsidiary of TLLP) of Equity Interests (other than Disqualified Equity) of TLLP, with a sale or issuance being deemed substantially concurrent if such Restricted Payment occurs not more than 120 days after such sale; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded or deducted from the calculation of Available Cash from Operating Surplus and Incremental Funds;

(3) the making of any principal payment on, or the defeasance, redemption, repurchase, retirement or other acquisition of, any Subordinated Obligation with the net cash proceeds from an incurrence of, or in exchange for, Permitted Refinancing Indebtedness;

(4) the payment of any distribution or dividend by a Restricted Subsidiary of TLLP to the holders of such Restricted Subsidiary's Equity Interests (other than Disqualified Equity) on a *pro rata* basis;

(5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of TLLP or any Restricted Subsidiary of TLLP held by any current or former officer, director, consultant or employee of the General Partner, TLLP or any of their respective Subsidiaries pursuant to any equity subscription agreement or plan, stock or unit option agreement, shareholders' agreement, employment agreement or similar agreement; *provided* , that the aggregate price paid for
all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $5.0 million in any calendar year
(with unused amounts in any calendar year to be carried forward to successive calendar years and added to such amount); *provided further* that such amount in any calendar year may be increased by an amount not to exceed (a) the cash proceeds received by TLLP or any of its Restricted Subsidiaries from sales of Equity Interests of TLLP to members of management, employees or directors of the General Partner, TLLP or their respective Subsidiaries that occurs after September 14, 2012
(to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of clauses (1)(B) or (2)(B) of Section 4.07(a) hereof), *plus* (*b*) the cash proceeds of key man life insurance policies received by TLLP or any of its Restricted Subsidiaries after September 14, 2012;

(6) payments or dividends of Disqualified Equity issued pursuant to Section 4.09 hereof;

(7) repurchases of Equity Interests deemed to occur upon the cashless exercise of stock options, warrants or other convertible securities if such Equity Interests represent a portion of the exercise price of such options, warrants or other convertible securities;

(8) cash payments in lieu of the issuance of fractional shares or units, or the purchase by TLLP of fractional shares or units, in connection with (a) the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of TLLP or (b) stock or unit dividends, splits or combinations or business combinations;

(9) in connection with an acquisition by TLLP or any of its Restricted Subsidiaries, the return to TLLP or any of its Restricted Subsidiaries of Equity Interests of TLLP or any of its Restricted Subsidiaries constituting a portion of the purchase consideration in settlement of indemnification claims or pursuant to purchase price adjustments under the acquisition agreement;

(10) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Obligations pursuant to Sections 4.10 or 4.15 ; *provided* that all Notes tendered by Holders in connection with a Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed or acquired for value; and

(11) the issuance of common Equity Interests upon the conversion of subordinated Equity Interests;

provided further , that, with respect to clause (10) of this Section 4.07(b) , no Default shall have occurred and be continuing.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by TLLP or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. For the purposes of determining compliance with this Section 4.07 , in the event that a Restricted Payment or Investment (or a portion thereof) meets the criteria of more than one of the categories of Restricted Payments described in the preceding clauses (1) through (11) and/or one or more of the exceptions contained in the definition of "Permitted Investments," or is permitted pursuant to the first paragraph of this covenant, TLLP will be permitted to divide or classify (or later divide, classify or reclassify in whole or in part in its sole discretion) such Restricted Payment or Investment (or portion thereof) among such clauses (1) through (11) and such first paragraph and/or one or more of the exceptions contained in the definition of "Permitted Investments," in any manner that complies with this Section 4.07 .

Section 4.08 *Dividend and Other Payment Restrictions Affecting Subsidiaries* .

(a) TLLP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary of TLLP (other than Finance Corp.) that is not a Guarantor to:

(1) pay dividends or make any other distributions on its Equity Interests to TLLP or any of its Restricted Subsidiaries that is a Guarantor, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to TLLP or any of its Restricted Subsidiaries that is a Guarantor; *provided* that the priority of any preferred equity or similar Equity Interest in receiving dividends or liquidating distributions prior to the payment of dividends or liquidating distributions on common equity shall not be deemed to be a restriction on the ability to make distributions on Capital Stock;

(2) make loans or advances to TLLP or any of its Restricted Subsidiaries that is a Guarantor; or

(3) sell, lease or transfer any of its properties or assets to TLLP or any of its Restricted Subsidiaries that is a Guarantor.

(b) The restrictions in Section 4.08(a) hereof will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements as in effect on the Issue Date, including the Existing 5.875% Indenture, the Existing 6.125% Indenture, the Existing 5.500% and 6.250% Indenture, the Existing 6.375% Indenture and the Credit Agreements and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements or the Indebtedness to which they relate; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend, distribution and other payment restrictions than those contained in those agreements on the Issue Date;

(2) this Indenture, the Notes and the Note Guarantees;

(3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under Section 4.09 and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially more restrictive, taken as a whole, than those contained in this Indenture, the Notes and the Note Guarantees;

(4) applicable law, rule, regulation or order;

(5) any instrument governing Indebtedness or Equity Interest of a Person acquired by TLLP or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Equity Interest was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;

(6) customary non-assignment provisions in contracts, agreements, licenses and leases entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Financing Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of Section 4.08(a) hereof;

(8) any agreement for the sale or other disposition of a Restricted Subsidiary or assets of such Restricted Subsidiary that contains any such restrictions on that Restricted Subsidiary pending such sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of Section 4.12 hereof that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements;

(12) any agreement or instrument relating to any property or assets acquired after the Issue Date, so long as such encumbrance or restriction relates only to the property or assets so acquired and is not and was not created in anticipation of such acquisitions;

(13) other Indebtedness, Disqualified Equity or preferred securities permitted to be incurred subsequent to the Issue Date pursuant to Section 4.09 hereof and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that, in the good faith judgment of TLLP determined at the time of the incurrence of such Indebtedness, Disqualified Equity or preferred securities, the encumbrances and restrictions contained therein will not materially impair TLLP's ability to make payments under the Notes when due;

(14) encumbrances or restrictions contained in, or in respect of, Hedging Obligations permitted under this Indenture from time to time;

(15) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(16) secured Indebtedness that limits the right of the debtor to dispose of the assets securing such Indebtedness and any related encumbrance or restriction contained in security agreements, mortgages or purchase money agreements.

Section 4.09 *Incurrence of Indebtedness and Issuance of Disqualified Equity* .

(a) TLLP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, " incur ") any Indebtedness (including Acquired Debt), and TLLP will not issue any Disqualified Equity and will not permit any of its Restricted Subsidiaries to issue any Disqualified Equity; *provided* , *however* , that TLLP and any Restricted Subsidiary may incur Indebtedness

(including Acquired Debt) and TLLP and any Restricted Subsidiary may issue Disqualified Equity, if the Fixed Charge Coverage Ratio for TLLP's Reference Period immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Equity is issued, as the case may be, would have been at least 2.00 to 1.00, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Equity had been issued, as the case may be, at the beginning of such Reference Period.

(b) The provisions of Section 4.09(a) hereof will not prohibit the incurrence of any of the following items of Indebtedness (collectively, " Permitted Debt ") *:*

(1) the incurrence by TLLP and any Restricted Subsidiary of Indebtedness pursuant to one or more Credit Facilities in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (1), at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of TLLP and its Restricted Subsidiaries thereunder) not to exceed the greater of (a) $2,300.0 million and (b) the sum of $900.0 million and 30.0% of Consolidated Net Tangible Assets (determined as of the date of incurrence and after giving effect to the use of proceeds therefrom);

(2) the incurrence by TLLP, Finance Corp. and its Restricted Subsidiaries of Existing Indebtedness;

(3) the incurrence by TLLP, Finance Corp. and the Guarantors of Indebtedness represented by the Notes and the related Note Guarantees to be issued on the Issue Date;

(4) the incurrence by TLLP or any of its Restricted Subsidiaries of Indebtedness represented by Financing Lease Obligations, Synthetic Lease Obligations, mortgage financings or purchase money obligations (including any Acquired Debt), in each case, incurred in connection with the purchase of, or for the purpose of financing all or any part of the purchase price or cost of construction, improvement or development of, property, plant or equipment used or useful in the business of TLLP or any of its Restricted Subsidiaries and related financing costs, and Attributable Debt in respect of sale and leaseback transactions, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), at any time outstanding not to exceed the greater of (a) $300.0 million and (b) 5.0% of TLLP's Consolidated Net Tangible Assets (determined as of the date of incurrence and after giving effect to the use of proceeds therefrom);

(5) the incurrence by TLLP or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace any Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be incurred under Section 4.09(a) hereof or clause (2), (3), (12) or (13) of this Section 4.09(b) or this clause (5);

(6) the incurrence by TLLP or any of its Restricted Subsidiaries of intercompany Indebtedness between or among TLLP and any of its Restricted Subsidiaries; *provided* , *however* , that:

(A) if TLLP or any Guarantor is the obligor on such Indebtedness and the payee is not TLLP or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of TLLP, or the Note Guarantee, in the case of a Guarantor; and

(B) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than TLLP or a Restricted Subsidiary of TLLP and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either TLLP or a Restricted Subsidiary of TLLP, will be deemed, in each case, to constitute an incurrence of such Indebtedness by TLLP or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence by TLLP or any of its Restricted Subsidiaries of Hedging Obligations;

(8) the guarantee by TLLP or any of the Guarantors of Indebtedness of TLLP or a Restricted Subsidiary of TLLP or Indebtedness incurred by Joint Ventures; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or Note Guarantees, then the Guarantee shall be subordinated or *pari passu* , as applicable, to the same extent as the Indebtedness guaranteed;

(9) the incurrence by TLLP or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation or similar liabilities, health or other types of social security benefits, unemployment or other insurance or self-insurance obligations, insurance contracts, reclamation, statutory obligations, bankers' acceptances, and bid, performance, advance, payment, deposit, appeal and surety bonds in the ordinary course of business, including guarantees and obligations respecting standby letters of credit supporting such obligations, to the extent not drawn (in each case other than an obligation for money borrowed) and replacements of any of the foregoing;

(10) the incurrence by TLLP or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days;

(11) the issuance by TLLP or any of its Restricted Subsidiaries of Disqualified Equity to TLLP or any of its Restricted Subsidiaries, as the case may be; *provided* , *however* , that:

(a) any subsequent issuance or transfer of Equity Interests of a Restricted Subsidiary that results in any such Disqualified Equity being held, directly or indirectly, by a Person other than TLLP or a Restricted Subsidiary of TLLP; and

(b) any sale or other transfer of any such Disqualified Equity to a Person that is not either TLLP or a Restricted Subsidiary of TLLP,

will be deemed, in each case, to constitute an issuance of such Disqualified Equity by TLLP or such Restricted Subsidiary that was not permitted by this clause;

(12) the incurrence by TLLP or any of its Restricted Subsidiaries of Permitted Acquisition Indebtedness;

(13) the incurrence by TLLP of Indebtedness in the ordinary course of business under documentary letters of credit, which are to be repaid in full not more than one year after the date on which such Indebtedness was originally incurred to finance the purchase of goods by TLLP or any of its Restricted Subsidiaries;

(14) the incurrence of Indebtedness arising from agreements with TLLP or any of its Restricted Subsidiaries providing for indemnification, adjustment of purchase price, earn-outs, or similar obligations, in each case, incurred or assumed in connection with the disposition or acquisition of any business, assets or a Subsidiary in accordance with the terms of this Indenture, other than guarantees of Indebtedness incurred or assumed by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition; and

(15) the incurrence by TLLP or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount at any time outstanding, not to exceed the greater of (a) $300.0 million and (b) 5.0% of Consolidated Net Tangible Assets (determined as of the date of incurrence and after giving effect to the use of proceeds therefrom).

TLLP will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of TLLP or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided* , *however* , that no Indebtedness shall be deemed to be contractually subordinated in right of payment to any other Indebtedness of TLLP solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness (including Acquired Debt) meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (15) above, or is entitled to be incurred pursuant to Section 4.09(a) hereof, TLLP will be permitted to classify all or a portion of such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section 4.09; *provided* that Indebtedness under the Credit Agreements outstanding on the Issue Date will initially be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of the definition of "Permitted Debt."

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Equity in the form of additional shares of the same class of Disqualified Equity will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Equity for purposes of this Section 4.09. Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that TLLP or any Restricted Subsidiary may incur pursuant to this Section 4.09 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(A) the Fair Market Value of such assets at the date of determination; and

(B) the amount of the Indebtedness of the other Person.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign

currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Section 4.10 *Asset Sales* .

TLLP will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) TLLP (or the Restricted Subsidiary, as the case may be) receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Sale and which shall give effect to the assumption by another Person of any liabilities as provided for in clause (A) of the following paragraph) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale (as determined on the date of contractually agreeing to such Asset Sale), together with all other Asset Sales since the Issue Date (on a cumulative basis) by TLLP or such Restricted Subsidiary is in the form of cash or Cash Equivalents.

For purposes of the preceding clause (2) of this provision, each of the following shall be deemed to be cash or Cash Equivalents:

(A) any liabilities, as shown on TLLP's most recent consolidated balance sheet, of TLLP or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantees) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases TLLP or such Restricted Subsidiary from further liability;

(B) any securities, notes or other obligations received by TLLP or any such Restricted Subsidiary in connection with such transaction that within 90 days after the Asset Sale (subject to ordinary settlement periods) are converted by TLLP or such Restricted Subsidiary into cash or Cash Equivalents, to the extent of the cash or Cash Equivalents received in that conversion;

(C) any stock or assets of the kind referred to in clauses (2) or (4) of the next succeeding paragraph received by TLLP or any such Restricted Subsidiary in connection with such transaction; and

(D) accounts receivable of a business retained by TLLP or any of its Restricted Subsidiaries, as the case may be, following the sale of such business, *provided* such accounts receivable (x) are not past due more than 60 days and (y) do not have a payment date greater than 90 days from the date of the invoices creating such accounts receivable;

provided that any Asset Sale pursuant to a condemnation, appropriation or other similar taking, including by deed in lieu of condemnation, or pursuant to the foreclosure or other enforcement of a Lien incurred not in violation of Section 4.12 or exercise by the related lienholder of rights with respect thereto, including by deed or assignment in lieu of foreclosure, shall not be required to satisfy the conditions set forth in clauses (1) and (2) of this paragraph.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale (the " Asset Sale Proceeds Application Period "), TLLP (or any Restricted Subsidiary) may apply an amount not to exceed such Net Proceeds at its option to any combination of the following:

(1) to prepay, repay, redeem or repurchase Senior Indebtedness of TLLP and/or its Restricted Subsidiaries;

(2) to acquire a controlling interest in another business or all or substantially all of the assets of, or any Capital Stock or operating line of, another business, in each case engaged in a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of TLLP;

(3) to make capital expenditures; or

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business;

provided that, in the case of clauses (2), (3) and (4) above, a binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment so long as TLLP (or the applicable Restricted Subsidiary, as the case may be) enters into such commitment with the good faith expectation that such Net Proceeds will be applied to satisfy such commitment within 180 days of the expiration of the Asset Sale Proceeds Application Period (an " Acceptable Commitment ") and such Net Proceeds are actually applied in such manner within 180 days of the expiration of the Asset Sale Proceeds Application Period (the period from the

consummation of the Asset Sale to such date, the " First Commitment Application Period "), and in the event any Acceptable Commitment is later cancelled or terminated for any reason after the expiration of the Asset Sale Proceeds Application Period and before the Net Proceeds are applied in connection therewith, TLLP (or the applicable Restricted Subsidiary, as the case may be) enters into another Acceptable Commitment (a " Second Commitment ") prior to the expiration of the First Commitment Application Period and such Net Proceeds are actually applied in such manner within 180 days from the date of the Second Commitment, it being understood that if a Second Commitment is later cancelled or terminated for any reason before such Net Proceeds are applied, then such Net Proceeds shall constitute Excess Proceeds.

Pending the final application of any Net Proceeds, TLLP or the applicable Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Indenture.

To the extent Net Proceeds from an Asset Sale exceed amounts that are applied or invested as provided and within the time period set forth in the second preceding paragraph, such excess amount will be deemed to constitute " Excess Proceeds ." Within five days after the date on which the aggregate amount of Excess Proceeds exceeds $100.0 million (or, at the Issuers' option, any earlier date), the Issuers will make an Asset Sale Offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the principal amount (or accreted value) thereof plus accrued and unpaid interest to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, TLLP or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes (subject to applicable DTC procedures as to global notes) and TLLP or the representative of such other *pari passu* Indebtedness will select such other *pari passu* Indebtedness to be purchased, on a *pro rata* basis between the Notes and such other *pari passu* Indebtedness, with adjustments as necessary so that no Notes or *pari passu* Indebtedness, as the case may be, will be repurchased in part in an unauthorized denomination. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

TLLP will comply with the requirements of Rule 14e-l under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Section 3.09 hereof or this Section 4.10 , TLLP will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Section 3.09 hereof or this Section 4.10 by virtue of such compliance.

Section 4.11 *Transactions with Affiliates.*

(a) TLLP will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of TLLP
(each, an " Affiliate Transaction ") if such Affiliate Transaction involves aggregate consideration in excess of $25.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to TLLP or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by TLLP or such Restricted Subsidiary with an unrelated Person or, if no comparable transaction is available with which to compare such Affiliate Transaction, such Affiliate Transaction is otherwise fair to TLLP or the relevant Restricted Subsidiary from a financial point of view; and

(2) TLLP delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $75.0 million, a resolution of the Board of Directors of the General Partner set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (1) of this Section 4.11(a) and that such Affiliate Transaction has been approved by either the Conflicts Committee of the Board of Directors of the General Partner (so long as the members of the Conflicts Committee approving the Affiliate Transaction are disinterested) or a majority of the disinterested members of the Board of Directors of the General Partner.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Section 4.11(a) hereof:

(1) reasonable fees and compensation paid to or for the benefit of any employee, officer or director of TLLP, any of its Restricted Subsidiaries or the General Partner, and any employment agreement, customary benefit program or arrangement (including vacation plans, health and life insurance plans, deferred compensation plans and retirement or savings and similar plans), equity award, equity option or equity appreciation agreement or plan, officer or director indemnification agreement or any similar arrangement entered into by TLLP, any of its Restricted Subsidiaries or the General Partner existing on the Issue

Date, or entered into thereafter in the ordinary course of business, and any indemnities or other transactions permitted or required by bylaw, statutory provisions or any of the foregoing agreements, plans or arrangements;

(2) transactions between or among TLLP and/or its Restricted Subsidiaries;

(3) transactions with a Person that is an Affiliate of TLLP solely because TLLP owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) any issuance of Equity Interests (other than Disqualified Equity) of TLLP to Affiliates of TLLP;

(5) Restricted Payments or Permitted Investments that do not violate Section 4.07 hereof;

(6) customary compensation, indemnification and other benefits made available to officers, directors or employees of TLLP, a Restricted Subsidiary of TLLP or the General Partner, including reimbursement or advancement of out-of-pocket expenses and provisions of officers' and directors' liability insurance;

(7) in the case of gathering, transportation, marketing, hedging, production handling, operating, construction, terminalling, processing, fractionation, storage, lease, platform use, or other operational contracts, any such contracts that are entered into in the ordinary course of business on terms substantially similar to those contained in similar contracts entered into by TLLP or any Restricted Subsidiary and third parties, or if neither TLLP nor any Restricted Subsidiary has entered into a similar contract with a third party, that the terms are no less favorable than those available from third parties on an arm's-length basis, as determined by the Board of Directors of the General Partner or the Conflicts Committee of the Board of Directors of the General Partner;

(8) loans or advances to employees in the ordinary course of business not to exceed $5.0 million in the aggregate at any one time outstanding;

(9) the existence of, or the performance by TLLP or any Restricted Subsidiary of its obligations under the terms of, any written agreement in effect on the Issue Date, as such agreement may be amended, modified or supplemented from time to time and any similar agreements which it may enter into thereafter; *provided* , *however* , that the existence of, or the performance by TLLP or any Restricted Subsidiary of its obligations under, any future amendment to such agreements or under any such similar agreements shall only be permitted by this clause (9) to the extent that the terms of any such amendment or new agreement, taken as a whole, are not less favorable to the Holders in any material respect as compared to the terms of the agreement in effect on the Issue Date;

(10) any transaction in which TLLP or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to TLLP or such Restricted Subsidiary from a financial point of view or that such transaction meets the requirements of clause (1) of Section 4.11(a) ;

(11) guarantees of performance by TLLP or any of its Restricted Subsidiaries in the ordinary course of business, except for guarantees of Indebtedness in respect of borrowed money;

(12) (A) guarantees by TLLP or any of its Restricted Subsidiaries of performance of obligations of Unrestricted Subsidiaries or Joint Ventures in the ordinary course of business, except for guarantees of Indebtedness in respect of borrowed money, and (B) pledges by TLLP or any Restricted Subsidiary of Capital Stock in Unrestricted Subsidiaries or Joint Ventures for the benefit of lenders or other creditors of Unrestricted Subsidiaries or Joint Ventures as contemplated by clause (13) of the definition of "Permitted Liens" with respect to clause (B);

(13) any transactions between TLLP or any Restricted Subsidiary and any Person, a director of which is also a director of TLLP or a Restricted Subsidiary; *provided* that such director either abstains from voting as a director of TLLP or the Restricted Subsidiary, as applicable, or declares his or her interest in the transaction, in connection with the approval of the transaction; and

(14) any purchase or other acquisition or related transaction pursuant to the Omnibus Agreement.

Section 4.12 *Liens.*

TLLP will not and will not permit any Guarantor to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind (other than Permitted Liens) (each, a " Subject Lien ") securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, unless:

(1) in the case of Liens securing Subordinated Obligations of TLLP or a Guarantor, the Notes or Note Guarantees, as applicable, are contemporaneously secured by a Lien on such property or assets on a senior basis to the Subordinated Obligations so secured with the same priority that the Notes or Note Guarantees, as applicable, have to such Subordinated Obligations until such time as such Subordinated Obligations are no longer so secured by a Lien; and

(2) in the case of Liens securing Senior Indebtedness of TLLP or a Guarantor, the Notes or Note Guarantees, as applicable, are contemporaneously secured by a Lien on such property or assets on an equal and ratable basis with the Senior Indebtedness so secured until such time as such Senior Indebtedness is no longer so secured by a Lien.

Any Lien on property or assets of TLLP or any Guarantor created for the benefit of Holders of the Notes pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Lien that gave rise to the obligation to secure to the Notes. In addition, in the event that a Subject Lien is or becomes a Permitted Lien, TLLP may, at its option and without the consent from any Holder, so long as the Existing Notes are not secured by the Subject Lien, elect to release and discharge any Lien created for the benefit of the Holders pursuant to the preceding paragraph in respect of such Subject Lien.

Section 4.13 *Limitations on Finance Corp. Activities* .

Finance Corp. shall not incur Indebtedness for borrowed money unless (1) TLLP is a borrower, issuer, co-issuer or guarantor of such Indebtedness or (2) the net proceeds of such Indebtedness are loaned to TLLP, used to acquire outstanding debt securities issued by TLLP or used to repay Indebtedness of TLLP as permitted under Section 4.09 hereof. Finance Corp. may not engage in any business not related directly or indirectly to obtaining money or arranging financing for TLLP or its Restricted Subsidiaries.

Section 4.14 *Corporate Existence* .

Subject to Article 5 hereof, TLLP shall do or cause to be done all things necessary to preserve and keep in full force and effect:

(1) its limited partnership existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of TLLP or any such Subsidiary; and

(2) the rights (charter and statutory), licenses and franchises of TLLP and its Subsidiaries; *provided* , *however* , that TLLP shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of TLLP and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

Section 4.15 *Offer to Repurchase Upon Change of Control Triggering Event* .

(a) Upon the occurrence of a Change of Control Triggering Event with respect to the Notes, the Issuers will make an offer (a " Change of Control Offer ") to each Holder of the Notes to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess thereof) of that Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased (or such higher amount as the Issuers may determine), plus accrued and unpaid interest on the Notes repurchased to, but excluding, the date of purchase, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date (the " Change of Control Payment ") . Within 30 days following any Change of Control Triggering Event, the Issuers will deliver a notice to each Holder describing the transaction or transactions that constitute the Change of Control Triggering Event and stating:

(1) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes validly tendered will be accepted for payment;

(2) the purchase price and the purchase date, which shall be no earlier than 20 Business Days and no later than 60 days from the date such notice is mailed (the " Change of Control Payment Date "); *provided* that the Change of Control Payment Date may be delayed, in the Issuers' discretion, until such time (including more than 60 days after the date such notice is sent) as any or all such conditions referred to in Section 4.15(d) shall be satisfied;

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Issuers Default in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" attached to such Notes completed, or transfer by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $2,000 in principal amount or an integral multiple of $1,000 in excess thereof.

The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Indenture, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.15 by virtue of such compliance.

(b) On the Change of Control Payment Date, the Issuers will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of such Notes properly tendered pursuant to the Change of Control Offer; and

(3) deliver or cause to be delivered to the Trustee the Notes accepted for purchase together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of such Notes being purchased by the Issuers.

The Paying Agent will promptly mail to each Holder properly tendered the Change of Control Payment for such Notes (or, if all the Notes are then in global form, it will make such payment through the facilities of DTC), and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* , that each new Note will be in a principal amount of $2,000 or an integral multiple of $ 1,000 in excess thereof. The Issuers will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) Notwithstanding anything to the contrary in this Section 4.15 , the Issuers will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.15 and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer or (2) notice of redemption has been given pursuant to Section 3.07 hereof, unless and until there is a default in payment of the applicable redemption price.

(d) A Change of Control Offer may be made with respect to the Notes in advance of a Change of Control Triggering Event, and conditioned upon the occurrence of such Change of Control Triggering Event or such other conditions as may be described in the notice delivered to holders as described above, if a definitive agreement for the Change of Control Triggering Event is in place at the time of making the Change of Control Offer. If a Change of Control Offer is subject to satisfaction of one or more conditions precedent, the notice delivered to Holders shall state that, in the Issuers' discretion, the Change of Control Payment Date may be delayed until such time (including more than 60 days after the date the notice was delivered) as any or all such conditions shall be satisfied, or such Change of Control Payment Date may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the Change of Control Payment Date, or by the Change of Control Payment Date so delayed, or such notice may be rescinded at any time in the Issuers' discretion if in the good faith judgment of the Issuers any or all of such conditions will not be satisfied.

(e) With respect to the Notes, in the event that Holders of not less than 90% of the aggregate principal amount of the outstanding Notes tender and do not withdraw such Notes in a Change of Control Offer and TLLP (or the third party making the Change of Control Offer as provided above) purchases all of the Notes validly tendered and not withdrawn by such Holders, TLLP or such third party shall have the right, upon not less than 15 nor more than 60 days' prior notice, given not more than 30 days following the purchase pursuant to the Change of Control Offer described above, to redeem all of the Notes that remain outstanding following such purchase at a redemption price equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest on the Notes that remain outstanding to the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an Interest Payment Date that is on or prior to the Redemption Date).

Section 4.16 *Additional Guarantors.*

If, after the Issue Date, any wholly-owned Domestic Subsidiary (other than Finance Corp.) of TLLP that is not already a Guarantor guarantees any other Indebtedness of either of the Issuers under a Credit Facility in an aggregate principal amount in excess of $50.0 million, then that Subsidiary will become a Guarantor by executing and delivering a supplemental indenture to the Trustee within 30 Business Days of the date on which it guaranteed or incurred such Indebtedness; *provided* that the preceding shall not apply to Subsidiaries of TLLP that have been properly designated as Unrestricted Subsidiaries in accordance with this Indenture for so long

as they continue to constitute Unrestricted Subsidiaries. Notwithstanding the preceding, any Guarantee of a Restricted Subsidiary that was incurred pursuant to this Section 4.16 will be released in accordance with Section 10.06 hereof.

Section 4.17 *Designation of Restricted and Unrestricted Subsidiaries* .

The Board of Directors of the General Partner may designate any Subsidiary of TLLP to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by TLLP and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 4.07 hereof or under one or more clauses of the definition of "Permitted Investments", as determined by TLLP; *provided* that any designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an "Unrestricted Subsidiary".

Any designation of a Subsidiary of TLLP as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors of the General Partner giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of TLLP as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09 hereof, TLLP will be in default of such covenant. The Board of Directors of the General Partner may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of TLLP; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of TLLP of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09 hereof, calculated on a pro forma basis and (2) no Default or Event of Default would be in existence following such designation.

Section 4.18 *Covenant Termination* .

If at any time (a) the Notes are assigned an Investment Grade Rating from either Moody's or S&P, (b) no Default or Event of Default has occurred and is continuing under this Indenture and (c) the Issuers have delivered to the Trustee an Officers' Certificate certifying as to matters specified in clauses (a) and (b) of this sentence as of the date of such certificate (the " Termination Date "), TLLP and its Restricted Subsidiaries will no longer be subject to the provisions of Sections 4.07 , 4.08 , 4.09 , 4.10 , 4.11 , 4.16 and 5.01(a)(4) of this Indenture .

No Subsidiary shall be designated as an Unrestricted Subsidiary after the Termination Date.

ARTICLE 5

SUCCESSORS

Section 5.01 *Merger, Consolidation or Sale of Assets.*

(a) Neither of the Issuers may, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Issuer is the surviving entity) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuers and the Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(1) either:

(A) such Issuer is the surviving entity; or

(B) the Person formed by or surviving any such consolidation or merger (if other than such Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is a Person organized or existing under the laws of the United States, any state of the United States or the District of Columbia; *provided* , *however* , that Finance Corp. may not consolidate or merge with or into any Person other than a corporation satisfying such requirement so long as TLLP (or any successor entity) is not a corporation;

(2) the Person formed by or surviving any such consolidation or merger (if other than such Issuer) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of such Issuer under the Notes and this Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) in the case of a transaction involving TLLP and not Finance Corp., TLLP or the Person formed by or surviving any such consolidation or merger (if other than TLLP), or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made, will:

(A) on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable Reference Period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) ; or

(B) have a Fixed Charge Coverage Ratio, on the date of such transaction and after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable Reference Period, not less than the Fixed Charge Coverage Ratio of TLLP immediately prior to such transaction; and

(5) such Issuer has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or disposition and such supplemental indenture (if any) comply with this Indenture.

(b) This Section 5.01 will not apply to any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among TLLP and its Restricted Subsidiaries, *provided further* that Sections 5.01(a)(3) and (4) will not apply to any merger or consolidation of either Issuer (A) with or into one of TLLP's Restricted Subsidiaries for any purpose or (B) with or into an Affiliate solely for the purpose of reincorporating such Issuer in another jurisdiction.

(c) Notwithstanding Section 5.01(a) , TLLP is permitted to reorganize as any other form of entity in accordance with the procedures established in this Indenture; *provided* that:

(1) the reorganization involves the conversion (by merger, sale, contribution or exchange of assets or otherwise) of TLLP into a form of entity other than a limited partnership formed under Delaware law;

(2) the entity so formed by or resulting from such reorganization is an entity organized or existing under the laws of the United States, any state thereof or the District of Columbia;

(3) the entity so formed by or resulting from such reorganization assumes all the Obligations of TLLP under the Notes and this Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(4) immediately after such reorganization no Default or Event of Default exists; and

(5) such reorganization is not adverse to the Holders of the Notes (for purposes of this clause (5) it is stipulated that such reorganization shall not be considered adverse to the Holders of the Notes solely because the successor or survivor of such reorganization (a) is subject to federal or state income taxation as an entity or (b) is considered to be an "includible corporation" of an affiliated group of corporations within the meaning of Section 1504(b) of the Code, or any similar state or local law).

(d) A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the resulting, transferee or surviving Person), another Person, other than TLLP or another Guarantor, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(2) either:

(A) the Person acquiring the assets in any such sale or disposition or the Person formed by or surviving any such consolidation or merger (if other than TLLP or another Guarantor), assumes all obligations of that Guarantor under this Indenture and its Note Guarantee pursuant to an agreement reasonably satisfactory to the Trustee; or

(B) the Net Proceeds of such sale or other disposition are applied in accordance with Section 4.10 hereof.

Section 5.02 *Successor Person Substituted* .

Upon any transaction or series of related transactions that are of the type described in, and are effected in accordance with, Section 5.01(a) hereof, the surviving Person (if other than such Issuer) shall succeed to, and be substituted for, and may exercise every right and power of, such Issuer under Indenture and the Notes with the same effect as if such surviving Person had been named as such Issuer herein, and when a surviving Person duly assumes all of the obligations and covenants of such Issuer pursuant to this Indenture and the Notes, the predecessor Person shall be relieved of all such obligations.

ARTICLE 6

DEFAULTS AND REMEDIES

Section 6.01 *Events of Default* .

Each of the following is an " Event of Default " with respect to the Notes *:*

(1) default for 30 days in the payment when due of interest with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption (or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by TLLP or any of its Restricted Subsidiaries for 30 days after written notice to TLLP by the Trustee or Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to make a Change of Control Offer within the time periods set forth, or consummate a purchase of the Notes when required pursuant to the terms described, in Section 4.15 or comply with the provisions of Section 5.01 hereof;

(4) failure by TLLP for 120 days after written notice to TLLP by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then-outstanding voting as a single class to comply with Section 4.03 ;

(5) failure by TLLP or any of its Restricted Subsidiaries for 60 days after written notice to TLLP by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then-outstanding voting as a single class to comply with any of the other agreements herein; or

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by TLLP or any of its Restricted Subsidiaries (or the payment of which is guaranteed by TLLP or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

(A) is caused by a failure to pay principal on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (a " Payment Default "); or

(B) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates, without duplication, $100.0 million or more;

(7) failure by an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $100.0 million (excluding amounts covered by insurance policies issued by reputable and credit worthy insurance companies for which coverage has not been disclaimed), which judgments are not paid, discharged or stayed for a period of 60 days;

(8) an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is not paying its debts as they become due;

(9) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the TLLP that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(B) appoints a custodian of an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary; or

(C) orders the liquidation of an Issuer or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days; and

(10) except as permitted by this Indenture, any Note Guarantee from a Guarantor that is a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary, or any Person acting on behalf of any Guarantor that is a Significant Subsidiary, denies or disaffirms its Obligations under its Note Guarantee.

In the case of an Event of Default specified in clause (6) of the first paragraph of this Section 6.01 and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded with respect to the Notes, automatically and without any action by the Trustee or the Holders of such Notes, if within 60 days after such Event of Default first arose TLLP delivers an Officers' Certificate to the Trustee stating that (a) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged, (b) the Holders of the Indebtedness have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (c) the default that is the basis for such Event of Default has been cured.

Section 6.02 *Acceleration* .

In the case of an Event of Default specified in clause (8) or (9) of Section 6.01 hereof, with respect to Finance Corp., TLLP or any Restricted Subsidiary of TLLP that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default with respect to a particular the Notes occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then-outstanding Notes may declare all the Notes to be due and payable immediately.

Upon any such declaration, the Notes shall become due and payable immediately.

The Holders of not less than a majority in aggregate principal amount of the then-outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest, or premium, if any, on, or the principal of, the Notes.

Section 6.03 *Other Remedies* .

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04 *Waiver of Past Defaults* .

Holders of not less than a majority in aggregate principal amount of the then-outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium or interest on, the Notes (including in connection with an offer to purchase); *provided* , *however* , that the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05 *Control by Majority* .

Holders of at least a majority in aggregate principal amount of the then-outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability.

Section 6.06 *Limitation on Suits* .

A Holder may pursue a remedy with respect to this Indenture or the Notes only if:

(1) such Holder gives to the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the then-outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer and, if requested, provide to the Trustee reasonable security or indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and

(5) during such 60-day period, Holders of at least a majority in aggregate principal amount of the then-outstanding Notes do not give the Trustee a direction inconsistent with such request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

Section 6.07 *Rights of Holders of Notes to Institute Suit* .

Notwithstanding any other provision of this Indenture, the contractual right of any Holder of outstanding Notes to institute suit for the enforcement of any payments of principal of, or interest or premium, if any, on, such Holder's Notes on or after the due dates expressed in such outstanding Notes (including in connection with an offer to purchase), shall not be impaired or affected without the consent of such Holder.

Section 6.08 *Collection Suit by Trustee* .

If an Event of Default specified in Section 6.01(1) or (2) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Issuers for the whole amount of principal of, premium and interest remaining unpaid on, the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09 *Trustee May File Proofs of Claim* .

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Issuers (or any other obligor upon the Notes), their creditors or their property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 *Priorities* .

If the Trustee collects any money pursuant to this Article 6 , it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the Trustee's costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and interest ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, and interest respectively; and

Third: to the Issuers or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11 *Undertaking for Costs* .

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in aggregate principal amount of the then-outstanding Notes.

ARTICLE 7

TRUSTEE

Section 7.01 *Duties of Trustee* .

(a) If an Event of Default with respect to the Notes has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee will be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee. To the extent of any conflict between the duties of the Trustee hereunder and under the TIA, the TIA shall control; and

(2) in the absence of willful misconduct or bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee will examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 7.01 ;

(2) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section 7.01 .

(e) No provision of this Indenture will require the Trustee to expend or risk its own funds or incur any liability. The Trustee will be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee will not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.02 *Rights of Trustee* .

(a) The Trustee may conclusively rely upon any document (whether in its original or facsimile form) believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel will be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee will not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuers will be sufficient if signed by an Officer of each of the Issuers.

(f) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to it against the losses, liabilities and expenses that might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuers, personally or by agent or attorney at the sole cost of the Issuers and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(h) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(i) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

(j) The Trustee may request that the Issuers deliver an Officers' Certificate setting forth the names of individuals and/or titles of Officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

Section 7.03 *Individual Rights of Trustee* .

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuers or any Affiliate of the Issuers with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest (as defined in the TIA) it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee (if this Indenture has been qualified under the TIA) or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

Section 7.04 *Trustee's Disclaimer* .

The Trustee will not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Issuers' use of the proceeds from the Notes or any money paid to the Issuers or upon the Issuers' direction under any provision of this Indenture, it will not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it will not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

Section 7.05 *Notice of Defaults* .

If a Default or Event of Default occurs and is continuing and if it is actually known to a Responsible Officer of the Trustee, the Trustee will mail to Holders of Notes a notice of the Default or Event of Default within 90 days after the later of (a) the date of the Default or Event of Default shall have occurred and (b) the date such Responsible Officer first had such actual knowledge. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, or interest on, any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06 *Reports by Trustee to Holders of the Notes* .

(a) Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee will mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA § 313(a) (but if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also will comply with TIA § 313(b)(2). The Trustee will also transmit by mail all reports as required by TIA § 313(c).

(b) A copy of each report at the time of its mailing to the Holders of Notes will be mailed by the Trustee to the Issuers and filed by the Trustee with the SEC and each stock exchange on which the Notes are listed in accordance with TIA § 313(d). The Issuers will promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07 *Compensation and Indemnity* .

(a) The Issuers will pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder as such parties shall agree in writing from time to time. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust. The Issuers will reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses will include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(b) The Issuers and the Guarantors will indemnify the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Issuers and the Guarantors (including this Section 7.07) and defending itself against any claim (whether asserted by the Issuers, the Guarantors, any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence or bad faith. The Trustee will notify the Issuers promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuers will not relieve the Issuers or any of the Guarantors of their obligations hereunder, except to the extent that the Issuers are materially prejudiced by such failure to promptly provide notice. The Issuers or such Guarantor will defend the claim and the Trustee will cooperate in the defense. The Trustee may have separate counsel and the Issuers will pay the reasonable fees and expenses of such counsel. Neither the Issuers nor any Guarantor need pay for any settlement made without its consent, which consent will not be unreasonably withheld.

(c) The obligations of the Issuers and the Guarantors under this Section 7.07 will survive the satisfaction and discharge of this Indenture.

(d) To secure the Issuers' and the Guarantors' payment obligations in this Section 7.07, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien will survive the satisfaction and discharge of this Indenture.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(8) or (9) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

(f) The Trustee will comply with the provisions of TIA § 313(b)(2) to the extent applicable.

Section 7.08 *Replacement of Trustee* .

(a) A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08 .

(b) The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Issuers. The Holders of at least a majority in aggregate principal amount of the then-outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuers in writing. The Issuers may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10 hereof;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuers will promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuers.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee (at the Issuers' expense), the Issuers, or the Holders of at least 10% in aggregate principal amount of the then-outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to Holders. The retiring Trustee will promptly transfer all property held by it as Trustee to the successor Trustee; *provided* all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08 , the Issuers' obligations under Section 7.07 hereof will continue for the benefit of the retiring Trustee.

Section 7.09 *Successor Trustee by Merger, etc.*

If the Trustee consolidates, merges or converts into, or sells or otherwise transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act will be the successor Trustee. As soon as practicable, the successor Trustee shall mail a notice of its succession to the Issuers and the Holders of the Notes.

Section 7.10 *Eligibility; Disqualification* .

There will at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $100.0 million as set forth in its most recent published annual report of condition.

This Indenture will always have a Trustee who satisfies the requirements of TIA § 310(a)(1), (2) and (5). The Trustee is subject to TIA § 310(b).

Section 7.11 *Preferential Collection of Claims Against the Issuers* .

The Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

ARTICLE 8

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01 *Option to Effect Legal Defeasance or Covenant Defeasance* .

The Issuers may at their option and at any time, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes and all obligations of the Guarantors with respect to the Note Guarantees upon compliance with the conditions set forth below in this Article 8 .

Section 8.02 *Legal Defeasance and Discharge* .

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.02 , the Issuers and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from their obligations with respect to all outstanding Notes (including the Note Guarantees) and all Events of Default cured on the date the conditions set forth below are satisfied (hereinafter, " Legal Defeasance ") . For this purpose, Legal Defeasance means that the Issuers and the Guarantors will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including the Note Guarantees), which will thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in clauses (1) and (2) below, and to have satisfied all their other obligations under the Notes, the Note Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Issuers, shall execute proper instruments acknowledging the same) and to have cured all then existing Events of Default, except for the following provisions which will survive until otherwise terminated or discharged hereunder:

(1) the contractual rights of Holders of outstanding Notes to institute suit for the enforcement of any payments in respect of the principal of, or interest or premium, if any, on, such Notes when such payments are due from the trust referred to in Section 8.04 hereof;

(2) the Issuers' obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Issuers' and the Guarantors' Obligations in connection therewith; and

(4) this Article 8 .

Subject to compliance with this Article 8, the Issuers may exercise their option under this Section 8.02 notwithstanding the prior exercise of their option under Section 8.03 hereof.

Section 8.03 *Covenant Defeasance* .

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03 , the Issuers and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from each of their obligations under the covenants contained in Sections 4.03 , 4.04 , 4.07 , 4.08 , 4.09 , 4.10 , 4.11 , 4.12 , 4.13 , 4.15 , 4.16 , 4.17 and 4.18 hereof and clause (a)(4) of Section 5.01 hereof with respect to the outstanding Notes, and the Guarantors will be released from their obligations with respect to the Note Guarantees, on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, " Covenant Defeasance "), and the Notes will thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but will continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes will not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes and Note Guarantees, the Issuers and the Guarantors may omit to comply with and will have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply will not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes and Note Guarantees will be unaffected thereby. In addition, upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03 , subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(3) through 6.01(7) inclusive and 6.01(10) hereof will not constitute Events of Default.

Section 8.04 *Conditions to Legal or Covenant Defeasance* .

In order to exercise either Legal Defeasance or Covenant Defeasance as to the Notes under either Section 8.02 or 8.03 hereof:

(1) the Issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium, if any, on the outstanding Notes on the stated date for payment thereof or on the applicable Redemption Date, as the case may be, and the Issuers must specify whether the Notes are being defeased to such stated date for payment or to a particular Redemption Date;

(2) in the case of an election under Section 8.02 hereof, the Issuers must deliver to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions:

(A) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling; or

(B) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of an election under Section 8.03 hereof, the Issuers must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default with respect to the Notes shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness or other borrowing of funds or the grant of Liens securing such Indebtedness or other borrowing, all or a portion of the proceeds of which will be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which TLLP or any of its Subsidiaries is a party or by which TLLP or any of its Subsidiaries is bound, or if such breach, violation or default would occur, which is not waived as of, and for all purposes, on and after, the date of such deposit;

(6) the Issuers must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuers with the intent of preferring the Holders of Notes over the other creditors of the Issuers with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuers or others; and

(7) the Issuers must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Section 8.05 *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions* .

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05 , the " Trustee ") pursuant to Section 8.04 hereof in respect of the outstanding Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including either Issuer acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest but such money need not be segregated from other funds except to the extent required by law.

The Issuers will pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Notwithstanding anything in this Article 8 to the contrary, the Trustee will deliver or pay to the Issuers from time to time upon the request of the Issuers any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(1) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.06 *Repayment to the Issuers* .

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuers, in trust for the payment of the principal of, premium, if any, or interest on, any Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Issuers on their request or (if then held by the Issuers) will be discharged from such trust; and the Holder of such Note will thereafter be permitted to look only to the Issuers for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuers as trustee thereof, will thereupon cease; *provided* , *however* , that if any of the Notes then outstanding are in definitive form the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuers cause to be published once, in *The New York Times* and *The Wall Street Journal* (national edition), notice that such money remains unclaimed and that, after a date specified therein, which will not

be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Issuers.

Section 8.07 *Reinstatement* .

If the Trustee or Paying Agent is unable to apply any U.S. dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuers' and the Guarantors' obligations under this Indenture and the Notes and the applicable Note Guarantees will be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; *provided* , *however* , that, if the Issuers make any payment of principal of, premium, if any, or interest on, any Note following the reinstatement of its obligations, the Issuers will be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9

AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01 *Without Consent of Holders of Notes* .

Notwithstanding Section 9.02 of this Indenture, the Issuers and the Trustee may amend or supplement this Indenture, the Notes or the Note Guarantees without the consent of any Holder of Note:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Issuers' or a Guarantor's obligations to the Holders of the Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuers' or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any such Holder;

(5) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;

(6) to conform the text of this Indenture or the Note Guarantees to any provision of the "Description of Notes" section of the Prospectus to the extent that such provision was intended to be a verbatim recitation of a provision of this Indenture or the Note Guarantees;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes or to reflect the release of a Note Guarantee in accordance with this Indenture;

(9) to secure the Notes and/or the Note Guarantees;

(10) to comply with the rules of any applicable securities depository;

(11) to provide for the reorganization of TLLP as any other form of entity, in accordance with Section 5.01(c); or

(12) to evidence and provide for the acceptance and appointment under this Indenture of a successor Trustee pursuant to the requirements hereof.

Upon the request of the Issuers accompanied by a resolution of their Boards of Directors authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Issuers and the Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise. Notwithstanding the foregoing, neither an Opinion of Counsel nor an Officers' Certificate, nor a board resolution, shall be required in connection with the addition of a Guarantor under this Indenture upon execution and delivery by such Guarantor, the Issuers and the Trustee of a supplemental indenture to this Indenture, the form of which is attached as Exhibit B hereto.

Section 9.02 *With Consent of Holders of Notes* .

Except as provided below in this Section 9.02 , the Issuers and the Trustee may amend or supplement this Indenture (including, without limitation, Sections 3.09 , 4.10 and 4.15 hereof), the Notes and the Note Guarantees with the consent of the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium or interest on, the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture, the Notes or the Note Guarantees may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, such Notes). Section 2.08 hereof shall determine which Notes are considered to be "outstanding" for purposes of this Section 9.02.

Upon the request of the Issuers accompanied by a resolution of their Boards of Directors authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Issuers in the execution of such amended or supplemental indenture unless such amended or supplemental indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such amended or supplemental Indenture.

It is not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it is sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuers will mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuers to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of at least a majority in aggregate principal amount of the Notes then-outstanding voting as a single class may waive compliance in a particular instance by the Issuers with any provision of this Indenture or the Notes or the Note Guarantees. However, without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes; *provided* , *however* , that any purchase or repurchase of Notes, including pursuant to Sections 4.10 or 4.15 hereof, shall not be deemed a redemption of the Notes;

(3) reduce the rate of or change the time for payment of interest on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in currency other than that stated in the Notes;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the contractual rights of Holders of outstanding Notes to institute suit for the enforcement of any payments of principal of, or interest or premium, if any, on, such Holder's Notes on or after the due dates expressed in such outstanding Notes (other than as permitted by clause (7) below);

(7) waive a redemption payment with respect to any Note (other than a payment required by Sections 4.10 or 4.15 hereof);

(8) release any Guarantor that is a Significant Subsidiary with respect to its Note Guarantee of Notes from any of its obligations under its Note Guarantee or this Indenture, except in accordance with the terms of this Indenture and so long as such Guarantor released is also released from the Existing Notes; or

(9) make any change in the preceding amendment and waiver provisions.

Section 9.03 *Compliance with Trust Indenture Act* .

Every amendment or supplement to this Indenture or the Notes will be set forth in an amended or supplemental indenture that complies with the TIA as then in effect.

Section 9.04 *Revocation and Effect of Consents* .

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms (except as provided in the second succeeding paragraph) and thereafter binds every Holder.

The Issuers may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then notwithstanding the second to last sentence of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies) and only those Persons, shall be entitled to consent to such amendment or waiver or revoke any consent previously given, whether or not such Persons continue to be Holders after such record date.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it makes a change described in any of the clauses (1) through (9) of Section 9.02 , in which case, the amendment, supplement or waiver shall bind only each Holder of a note who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same indebtedness as the consenting Holder's Note.

Section 9.05 *Notation on or Exchange of Notes* .

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Issuers in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note will not affect the validity and effect of such amendment, supplement or waiver.

Section 9.06 *Trustee to Sign Amendments, etc.*

The Trustee will sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Issuers may not sign an amended or supplemental indenture until the Boards of Directors of each of the Issuers approves it. In executing any amended or supplemental indenture, the Trustee will be entitled to receive and (subject to Section 7.01 hereof) will be fully protected in relying upon, in addition to the documents required by Section 12.04 hereof, an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture. Notwithstanding the foregoing, neither an Opinion of Counsel nor an Officers' Certificate, nor a board resolution, shall be required for the Trustee to execute any supplemental indenture to this Indenture, the form of which is attached as Exhibit B hereto, adding a new Guarantor under this Indenture.

ARTICLE 10

NOTE GUARANTEES

Section 10.01 *Guarantee* .

(a) Subject to this Article 10 , each of the Guarantors hereby, jointly and severally, unconditionally guarantees, on an unsecured senior basis, to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuers hereunder or thereunder, that:

(1) the principal of, premium, if any, and interest on, the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(2) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Guarantors hereby agree that their obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance (other than complete performance) which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each Guarantor further, to the extent permitted by law, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of an Issuer, any right to require a proceeding first against an Issuer, protest, notice and all demands whatsoever and covenants that its Note Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Indenture.

(c) If any Holder or the Trustee is required by any court or otherwise to return to an Issuer, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to any of the Issuers or the Guarantors, any amount paid by an Issuer or any Guarantor to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(d) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 hereof for the purposes of its Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed thereby, and (2) in the event of any declaration of acceleration of such obligations as provided in Article 6 hereof, such obligations (whether or not due and payable) will forthwith become due and payable by the Guarantors for the purpose of this Note Guarantee. The Guarantors will have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

Section 10.02 *Limitation on Guarantor Liability* .

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Note Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 10 , result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent transfer or conveyance.

Section 10.03 *Note Guarantee*

The Note Guarantee of any Guarantor shall be evidenced solely by its execution and delivery of this Indenture (or, in the case of any Guarantor that is not party to this Indenture on the date of this Indenture, a supplemental indenture hereto) and not by an endorsement on, or attachment to, any Note of any Note Guarantee or notation thereof. To effect any Note Guarantee of any Guarantor not party to this Indenture on the date of this Indenture, such future Guarantor shall execute and deliver a supplemental indenture substantially in the form attached as Exhibit B hereto, which supplemental indenture shall be executed and delivered on behalf of such Guarantor by an Officer of such Guarantor.

Section 10.04 *Evidenced by Indenture; No Notation of Subsidiary Guarantee.*

Each Guarantor hereby agrees that its Note Guarantee set forth in Section 10.01 hereof will remain in full force and effect notwithstanding any failure to endorse on any Note a notation of such Note Guarantee.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, will constitute due delivery of the Note Guarantee set forth in this Indenture on behalf of each of the Guarantors.

Section 10.05 *Guarantors May Consolidate, etc., on Certain Terms* .

Except as otherwise provided in Section 10.05 hereof, no Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Issuers or another Guarantor, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(2) either:

(a) subject to Section 10.05 hereof, the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger is a Guarantor, or unconditionally assumes all the obligations of that Guarantor under this Indenture and its Note Guarantee on the terms set forth herein or therein, pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture, including without limitation, Section 4.10 hereof.

In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Note Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person will succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed any or all of the Note Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Issuers and delivered to the Trustee. All the Note Guarantees so issued will in all respects have the same legal rank and benefit under this Indenture as the Note Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Note Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5 hereof, and notwithstanding clauses 2(a) and (b) above, nothing contained in this Indenture or in any of the Notes will prevent any consolidation or merger of a Guarantor with or into the Issuers or another Guarantor, or will prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Issuers or another Guarantor.

Section 10.06 *Releases* .

The Note Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) TLLP or a Restricted Subsidiary of TLLP, if the sale or other disposition is not prohibited by Section 4.10 hereof;

(2) in connection with any sale or other disposition of the Capital Stock of that Guarantor after which the applicable Guarantor is no longer a Restricted Subsidiary of TLLP, if the sale or other disposition is not prohibited by Section 4.10 hereof;

(3) if TLLP designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with Section 4.17 hereof;

(4) upon the release or discharge of the guarantee by such Guarantor with respect to the Indebtedness under the Credit Agreements or the guarantee that resulted in the creation of such Guarantee; *provided* , *however* , that release or discharge of the guarantee by such Guarantor with respect to Indebtedness under the Existing Notes occurs prior to or contemporaneously therewith; *provided* , *further* , *however* , that if, at any time following such release, that Guarantor later guarantees Indebtedness of any Issuer under the Credit Agreements, then such Guarantor shall provide a Note Guarantee at such time if required in accordance with Section 4.16 hereof;

(5) upon the merger, amalgamation or consolidation of such Guarantor with and into an Issuer or another Guarantor that is the surviving Person in such merger, amalgamation or consolidation, or upon the liquidation or dissolution of such Guarantor;

(6) upon Legal Defeasance or Covenant Defeasance in accordance with Article 8 hereof or upon satisfaction and discharge in accordance with Article 11 hereof; or

(7) in accordance with Article 9 hereof.

Any Guarantor not released from its obligations under its Note Guarantee as provided in this Section 10.06 will remain liable for the full amount of principal of and interest and premium, if any, on the Notes and for the other obligations of any Guarantor under this Indenture as provided in this Article 10 .

ARTICLE 11

SATISFACTION AND DISCHARGE

Section 11.01 *Satisfaction and Discharge* .

This Indenture will be discharged and will cease to be of further effect as to all Notes issued hereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Issuers, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuers or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the applicable Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default with respect to the Notes has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and such deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which any Issuer or any Guarantor is a party or by which any Issuer or any Guarantor is bound;

(3) the Issuers or any Guarantor has paid or caused to be paid all sums payable by it with respect to the Notes under this Indenture; and

(4) the Issuers have delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of such Notes at maturity or on the Redemption Date, as the case may be.

In addition, the Issuers must deliver (a) an Officers' Certificate stating that all conditions precedent set forth in clauses (1) through (4) above have been satisfied and (b) an Opinion of Counsel to the Trustee (which Opinion of Counsel may be subject to customary assumptions and qualifications), stating that all conditions precedent to satisfaction and discharge set forth in Section 11.01(2) and (4) have been satisfied; *provided* that the Opinion of Counsel with respect to Section 11.01(2) above may be to the knowledge of such counsel.

Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to subclause (b) of clause (1) of this Section 11.01 , the provisions of Sections 11.02 and 8.06 hereof will survive. In addition, nothing in this Section 11.01 will be deemed to discharge those provisions of Section 7.07 hereof, that, by their terms, survive the satisfaction and discharge of this Indenture.

Section 11.02 *Application of Trust Money* .

Subject to the provisions of Section 8.06 hereof, all money deposited with the Trustee pursuant to Section 11.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including either Issuer acting as Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 11.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuers' and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 11.01 hereof; *provided* that if the Issuers have made any payment of principal of, premium, if any, or interest on, any such Notes because of the reinstatement of its obligations, the Issuers shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

ARTICLE 12

MISCELLANEOUS

Section 12.01 *Trust Indenture Act Controls* .

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA §318(c), the imposed duties will control.

Section 12.02 *Notices* .

Any notice or communication by the Issuers, any Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or by first class mail (registered or certified, return receipt requested), facsimile transmission or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Issuers and/or any Guarantor:

Tesoro Logistics LP
Tesoro Logistics Finance Corp.
19100 Ridgewood Parkway
San Antonio, Texas 78259-1828
Facsimile No.: 844-711-9189
Attention: Chief Financial Officer

With a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Facsimile No.: 212-455-2000
Attention: Kenneth B. Wallach

If to the Trustee:

U.S. Bank National Association
535 Griswold Street
Suite 550
Detroit, Michigan 48226
Facsimile No.: 313-963-9428
Attention: Global Corporate Trust Services

The Issuers, any Guarantor or the Trustee, by notice to the others, may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five calendar days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if transmitted by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder will be electronically delivered, mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication will also be so delivered or mailed to any Person described in TIA § 313(c), to the extent required by the TIA. Failure to deliver a notice or communication to a Holder or any defect in it will not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed or otherwise delivered in the manner provided above within the time prescribed, such notice or communication shall be deemed duly given, whether or not the addressee receives it.

If the Issuers deliver or mail a notice or communication to Holders, they will deliver or mail a copy to the Trustee and each Agent at the same time.

Section 12.03 *Communication by Holders of Notes with Other Holders of Notes* .

Holders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Issuers, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Where this Indenture provides for notice of any event to a Holder of a Global Note, such notice shall be sufficiently given if given to the Depository for such Note (or its designee), pursuant to its Applicable Procedures, not later than the latest date, if any, and not earlier than the earliest date, if any, prescribed for the giving of such notice.

Section 12.04 *Certificate and Opinion as to Conditions Precedent* .

Upon any request or application by the Issuers to the Trustee to take any action under this Indenture, the Issuers shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 12.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 12.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 12.05 *Statements Required in Certificate or Opinion* .

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA § 314(a)(4)) must comply with the provisions of TIA § 314(e) and must include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 12.06 *Rules by Trustee and Agents* .

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 12.07 *No Personal Liability of Directors, Officers, Employees and Unitholders* .

No past, present or future director, officer, partner, member, employee, incorporator, manager or unitholder or other owner of Equity Interest of the Issuers, the General Partner or any of their Subsidiaries, as such, will have any liability for any obligations of the Issuers or any Guarantor under the Notes, this Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes and the Note Guarantees.

Section 12.08 *Governing Law* .

THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 12.09 *No Adverse Interpretation of Other Agreements* .

This Indenture may not be used to interpret any other indenture, loan or debt agreement of TLLP or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 12.10 *Successors* .

All agreements of the Issuers and the Guarantors in this Indenture and the Notes will bind their successors. All agreements of the Trustee in this Indenture will bind its successors. All agreements of each Guarantor in this Indenture will bind its successors, except as otherwise provided in Section 10.05 hereof.

Section 12.11 *Severability* .

In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any *way* be affected or impaired thereby.

Section 12.12 *Counterpart Originals* .

The parties may sign any number of copies of this Indenture. Each signed copy will be an original, but all of them together represent the same agreement. This Indenture may be executed in multiple counterparts which, when taken together, shall constitute one instrument. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmissions shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 12.13 *Table of Contents, Headings, etc.*

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and will in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

SIGNATURES

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLC its general partner

By: /s/ PHILLIP M. ANDERSON

Name: Phillip M. Anderson

Title: President

TESORO LOGISTICS FINANCE CORP.

GREEN RIVER PROCESSING, LLC

QEP FIELD SERVICES, LLC

QEP MIDSTREAM PARTNERS GP, LLC

QEP MIDSTREAM PARTNERS OPERATING, LLC

QEPM GATHERING I, LLC

RENDEZVOUS PIPELINE COMPANY, LLC

TESORO ALASKA PIPELINE COMPANY LLC

TESORO ALASKA TERMINALS LLC

TESORO HIGH PLAINS PIPELINE COMPANY LLC

TESORO LOGISTICS NORTHWEST PIPELINES LLC

TESORO LOGISTICS OPERATIONS LLC

TESORO LOGISTICS PIPELINES LLC

TESORO SOCAL PIPELINE COMPANY LLC

By: /s/ PHILLIP M. ANDERSON

Name: Phillip M. Anderson

Title: President

QEP MIDSTREAM PARTNERS, LP

By: QEP Midstream Partners GP, LLC its general partner

By: /s/ PHILLIP M. ANDERSON

Name: Phillip M. Anderson
Title: President

[SIGNATURE PAGE TO THE INDENTURE]

U.S. BANK NATIONAL ASSOCIATION

By: /s/ JAMES KOWALSKI
Name: James Kowalski
Title: Vice President

[SIGNATURE PAGE TO THE INDENTURE]

EXHIBIT A

[*Insert the Global Note Legends, if applicable, pursuant to the provisions of the Indenture*]

[THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO ARTICLE II OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF TESORO LOGISTICS LP AND TESORO LOGISTICS FINANCE CORP. OR ANY SUCCESSOR THERETO.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE), TO TESORO LOGISTICS LP AND TESORO LOGISTICS FINANCE CORP. OR ANY SUCCESSOR THERETO OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[FACE OF NOTE]

CUSIP:
ISIN:

5.25% Senior Notes due 2025

No. Principal Amount at Maturity: U.S. $

TESORO LOGISTICS LP
and
TESORO LOGISTICS FINANCE CORP.

promise to pay to [Cede & Co] , or registered assigns, the principal sum of Dollars on January 15, 2025 [or such greater or lesser amount as may be indicated on Schedule A hereto].

Interest Payment Dates: January 15 and July 15, commencing on July 15, 2017.

Record Dates: January 1 and July 1.

Additional provisions of this Note are set forth on the other side of this Note.

Dated:

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLC,
its general partner

By: _____
Name:
Title:

TESORO LOGISTICS
FINANCE CORP.

By: _____
Name:
Title:

This is one of the Global Notes referred to in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____ Dated: _____
Authorized Signatory

[REVERSE OF NOTE]

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. *Interest* . Tesoro Logistics LP, a Delaware limited partnership (" TLLP ") and Tesoro Logistics Finance Corp., a Delaware corporation (" Finance Corp. " and, together with TLLP, the " Issuers "), promise to pay interest on the principal amount of this Note at 5.25% per annum from December 2, 2016 until maturity. The Issuers will pay interest semi-annually in arrears on January 15 and July 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an " Interest Payment Date "). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; *provided* that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date, except in the case of the original issuance of Notes, in which case interest shall accrue from the date of authentication; *provided* , *further* , that the first Interest Payment Date shall be July 15, 2017. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. *Method of Payment* . The Issuers will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the January 1 and July 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium and interest at the office or agency of the Issuers maintained for such purpose within or without the City and State of New York, or, at the option of the Issuers, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of, and interest and premium, if any, on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Issuers or the Paying Agent to an account in the United States. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. *Paying Agent and Registrar* . Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. TLLP or any of its Subsidiaries may act in any such capacity.

4. *Indenture* . The Issuers issued the Notes under an Indenture dated as of December 2, 2016 (as amended, supplemented or otherwise modified from time to time, the " Indenture ") among the Issuers, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA. The Notes are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are unsecured obligations of the Issuers. The Indenture does not limit the aggregate principal amount of Notes that may be issued thereunder.

5. *Guarantee* . To guarantee the due and punctual payment of the principal, premium, if any, and interest (including post-petition interest in any proceeding under any Bankruptcy Law) on the Notes and all other amounts payable by the Issuers under the Indenture and the Notes when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Notes and the Indenture, the Guarantors have unconditionally guaranteed (and future guarantors, together with the Guarantors, shall unconditionally Guarantee), jointly and severally, such obligations on an unsecured senior basis pursuant to the terms of the Indenture.

6. *Optional Redemption* .

(a) On or after January 15, 2021, the Issuers may redeem all or a part of the Notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest on the Notes redeemed, to, but excluding, the applicable Redemption Date, if redeemed during the twelve-month period beginning on January 15 of each year indicated below, subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant Interest Payment Date:

Year	Percentage
2021	102.625 %
2022	101.313 %
2023 and thereafter	100.000 %

(b) Notwithstanding the provisions of subparagraph (a) of this Paragraph 6, at any time prior to January 15, 2020, the Issuers may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes (including any Additional Notes) issued under this Indenture at a redemption price of 105.250% of the principal amount with an amount not to exceed
the net cash proceeds of one or more Equity Offerings, plus accrued and unpaid interest to, but excluding, the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an Interest Payment Date that is on or prior to the Redemption Date); *provided that* at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (excluding Notes held by TLLP and its Subsidiaries and excluding any Additional Notes) remains outstanding immediately after the occurrence of such redemption; and the redemption occurs within 180 days of the date of the closing of such Equity Offering.

(c) Notwithstanding the provisions of subparagraph (a) of this Paragraph 6, at any time prior to January 15, 2021, the Issuers may redeem all or a part of the Notes at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium, and accrued and unpaid interest thereon to, but excluding, the Redemption Date, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date.

For purposes of this Paragraph 6, " Applicable Premium " means, with respect to any Note on any Redemption Date, the greater of (1) 1.0% of the principal amount of the Note; and (2) the excess of: (a) the present value at such Redemption Date of (i) the principal amount of the Notes plus (ii) all required interest payments due on the Note (excluding accrued and unpaid interest to, but excluding, the Redemption Date) through January 15, 2021, computed using a discount rate equal to the Treasury Rate as of such Redemption Date plus 50 basis points; over (b) the principal amount of the Note. " Treasury Rate " means, as of any Redemption Date, the yield to maturity as of such Redemption Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Redemption Date to January 15, 2021; *provided* , *however* , that if the period from the Redemption Date to January 15, 2021, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

7. *Mandatory Redemption* . Neither of the Issuers is required to make mandatory redemption or sinking fund payments with respect to the Notes.

8. *Repurchase at the Option of Holder* .

(a) If there is a Change of Control Triggering Event, the Issuers will be required to make an offer (a " Change of Control Offer ") to each Holder to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess thereof) of each Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount thereof (or such higher amount as the Issuers may determine), plus accrued and unpaid interest on the Notes repurchased to, but excluding, the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date (the " Change of Control Payment "). Within 30 days following any Change of Control Triggering Event, the Issuers will deliver a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Issuers or a Restricted Subsidiary of TLLP consummates any Asset Sales, within five days after the date on which the aggregate amount of Excess Proceeds exceeds $100.0 million (or, at the Issuers' option, any earlier date), the Issuers will commence an offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an " Asset Sale Offer ") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount (or accreted value) thereof plus accrued and unpaid interest to the date of purchase, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes and other *pari passu* Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the TLLP (or such Restricted Subsidiary) may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes (subject to applicable DTC procedures as to global notes) and TLLP or the representative of such other *pari passu* Indebtedness will select such other *pari passu* Indebtedness to be purchased, on a *pro rata* basis between the Notes and such other *pari passu* Indebtedness, with adjustments as necessary so that no Notes or *pari passu* Indebtedness, as the case may be, will be repurchased in part in an unauthorized denomination. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Issuers prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" attached to the Notes.

9. *Notice of Redemption* . Notice of redemption will be mailed at least 15 days but not more than 60 days before the Redemption Date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a Redemption Date if the notice is issued in connection with a defeasance of the Notes or a satisfaction or

discharge of the Indenture. Notes in denominations larger than $2,000 may be redeemed in part but only in whole multiples of $1,000 and in excess of $2,000, unless all of the Notes held by a Holder are to be redeemed.

10. *Denominations* , *Transfer* , *Exchange* . The Notes are in registered form without coupons in denominations of $2,000 and integral multiples of $1,000 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

11. *Persons Deemed Owners* . The registered Holder of a Note may be treated as its owner for all purposes. Only registered Holders shall have rights hereunder.

12. *Amendment* , *Supplement and Waiver* . Subject to certain exceptions, the Indenture, the Notes and the Note Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes including Additional Notes, if any, voting as a single class, and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes or the Note Guarantees may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the then-outstanding Notes including Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Note, the Indenture or the Notes or the Note Guarantees may be amended or supplemented to: cure any ambiguity, defect or inconsistency; to provide for uncertificated Notes in addition to or in place of certificated Notes; to provide for the assumption of the Issuers' or a Guarantor's obligations to Holders of the Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuers' or such Guarantor's assets, as applicable; to make any change that would provide any additional rights or benefits to the Holders of outstanding Notes or that does not adversely affect the legal rights under the Indenture of any such Holder; to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA; to conform the text of the Indenture or the Note Guarantees to any provision of the "Description of Notes" section of the Offering Memorandum to the extent that such provision was intended to be a verbatim recitation of a provision of the Indenture or Note Guarantees; to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture; to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes or to reflect the release of a Note Guarantee in accordance with this Indenture; to secure the Notes and/or the Note Guarantees; to comply with the rules of any applicable securities depository; to provide for the reorganization of TLLP as any other form of entity, in accordance with Section 5.01(c) of the Indenture; or to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee thereunder pursuant to the requirements thereof.

13. *Defaults and Remedies* . Events of Default include: (i) default for 30 days in the payment when due of interest on, with respect to the Notes; (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on the Notes; (iii) failure by TLLP or any of its Restricted Subsidiaries for 30 days after written notice to TLLP by the Trustee or Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class make a Change of Control Offer within the time periods set forth, or consummate a purchase of Notes when required pursuant to Sections 4.15 or 4.10 of the Indenture or to comply with Section 5.01 of the Indenture; (iv) failure by TLLP for 120 days after written notice to TLLP by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then-outstanding voting as a single class to comply with Section 4.03 of the Indenture, (v) failure by TLLP or any of its Restricted Subsidiaries for 60 days after written notice to TLLP by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then-outstanding voting as a single class to comply with any of the other agreements in the Indenture; (vi) default under certain other agreements relating to Indebtedness of the Issuers which default (A) is caused by a failure to pay principal on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (a " Payment Default ") or (B) results in the acceleration of such Indebtedness prior to its express maturity, in each case subject to a minimum threshold and cure period; (vii) certain final judgments for the payment of money that remain undischarged for a period of 60 days; (viii) certain events of bankruptcy or insolvency with respect to the Issuers or any of TLLP's Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; and (ix) except as permitted by the Indenture, any Note Guarantee from a Guarantor that is a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Guarantor that is a Significant Subsidiary or any Person acting on its behalf denies or disaffirms its obligations under such Guarantor's Note Guarantee. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then-outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to Finance Corp., TLLP or any Restricted Subsidiary of TLLP that is a Significant Subsidiary or any group of Restricted Subsidiaries of TLLP that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of at least a majority in aggregate principal amount of the then-outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or

Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium, if any. The Holders of at least a majority in aggregate principal amount of the then-outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium, if any, on, or the principal of, the Notes. The Issuers and the Guarantors are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers and the Guarantors are required, within ten Business Days of becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

14. *Trustee Dealings with the Issuers* . The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

15. *No Recourse Against Others* . No past, present or future director, officer, partner, member, employee, incorporator, manager or unitholder or other owner of Equity Interest of the Issuers, the General Partner or any of their Subsidiaries, as such, will have any liability for any obligations of the Issuers or any Guarantor under the Notes, the Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Note Guarantees.

16. *Authentication* . This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. *Abbreviations* . Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (=tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

18. *CUSIP Numbers* . Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. ***Governing Law* . THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to the Issuers at the following address:

TESORO LOGISTICS LP
TESORO LOGISTICS FINANCE CORP.
19100 Ridgewood Parkway
San Antonio, Texas 78259-1828
Attention: Chief Financial Officer

[*Remainder of Page Intentionally Left Blank*]

A SSIGNMENT F ORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____

(Insert assignee(s) legal name)

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

☐ Section 4.10 ☐ Section 4.15

If you want to elect to have only part of the Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount (in minimum denominations of $2,000 or integral multiples of $1,000 in excess thereof) you elect to have purchased:

Date: _____ $

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE A
EXCHANGES OF INTERESTS IN THE GLOBAL NOTE*

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized Trustee or Note Custodian

*** This Schedule should be included only if the Note is issued in global form.

EXHIBIT B

FORM OF SUPPLEMENTAL INDENTURE ADDITIONAL SUBSIDIARY GUARANTEES

SUPPLEMENTAL INDENTURE (this " Supplemental Indenture "), dated as of 20 , among [ ] (the " Guaranteeing Subsidiary "), Tesoro Logistics LP, a Delaware limited partnership (" TLLP "), Tesoro Logistics Finance Corp., a Delaware corporation (together with TLLP, the " Issuers "), and U.S. Bank National Association, as trustee under the Indenture referred to below (the " Trustee ") .

W I T N E S S E T H :

WHEREAS, the Issuers have heretofore executed and delivered to the Trustee an indenture (the " Indenture "), dated as of December 2, 2016 providing for the issuance of 5.25% Senior Notes due 2025 (the " Notes ");

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Issuers' Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the " Note Guarantee "); and

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

l. ***Capitalized Terms*** . Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. ***Agreement to Guarantee*** . The Guaranteeing Subsidiary acknowledges that it has received and reviewed a copy of the Indenture and all other documents it deems necessary to review in order to enter into this Supplemental Indenture, and acknowledges and agrees to (i) join and become a party to the Indenture as indicated by its signature below; (ii) be bound by the Indenture, as of the date hereof, as if made by, and with respect to, each signatory hereto; and (iii) perform all obligations and duties required of a Guarantor pursuant to the Indenture. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Note Guarantee on the terms and subject to the conditions set forth in the Indenture, including, but not limited to, Article 10 thereof.

3. ***Execution and Delivery*** . The Guaranteeing Subsidiary agrees that the Note Guarantee shall remain in full force and effect notwithstanding the absence of the endorsement of any notation of such Note Guarantee on the Notes.

4. ***No Recourse Against Others*** . No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Issuers or any Guaranteeing Subsidiary under the Notes, any Note Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

5. ***NEW YORK LAW TO GOVERN*** . THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

6. ***Counterparts*** . The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. This Supplemental Indenture may be executed in multiple counterparts which, when taken together, shall constitute one instrument. The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or PDF transmissions shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

7. ***Effect of Headings*** . The Section headings herein are for convenience only and shall not affect the construction hereof.

8. ***The Trustee*** . The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Issuers.

9. ***Benefits Acknowledged*** . The Guaranteeing Subsidiary's Guarantee is subject to the terms and conditions set forth in the Indenture. The Guaranteeing Subsidiary acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Indenture and this Supplemental Indenture and that the guarantee and waivers made by it pursuant to its Note Guarantee are knowingly made in contemplation of such benefits.

10. ***Successors*** . All agreements of the Guaranteeing Subsidiary in this Supplemental Indenture shall bind its Successors, except as otherwise provided in this Supplemental Indenture. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

Dated: , 20

GUARANTEEING SUBSIDIARY :

[GUARANTEEING SUBSIDIARY]

By: _____
Name:
Title:

ISSUERS :

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLP, its general partner

By: _____
Name:
Title:

TESORO LOGISTICS FINANCE CORP.

By: _____
Name:
Title:

TRUSTEE :

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT

This Contribution, Conveyance and Assumption Agreement (this " Agreement "), effective as of November 21, 2016 (the " Effective Date "), is by and among Tesoro Logistics LP, a Delaware limited partnership (the " Partnership "), Tesoro Logistics GP, LLC, a Delaware limited liability company and the general partner of the Partnership (the " General Partner "), Tesoro Logistics Operations LLC, a Delaware limited liability company (the " Operating Company "), Tesoro Corporation, a Delaware corporation (" Tesoro "), and Tesoro Refining & Marketing Company LLC, a Delaware limited liability company (" TRMC "). The above-named entities are sometimes referred to in this Agreement individually as a " Party " and collectively as the " Parties ."

RECITALS

WHEREAS , TRMC is the owner of approximately 2.6 million barrels of crude oil and other feedstock storage tankage and approximately 3.0 million barrels of refined product storage tankage located at TRMC's refinery near Martinez in Contra Costa County, California (the " Martinez Refinery "), together with all related equipment and ancillary facilities used for the operation thereof, and all permits and licenses related to such tankage, to the extent assignable and to the extent used in connection with the ownership and operation of the assets described above, which assets are listed in detail on Exhibit A-1 hereto (the " Tankage "), which is connected to the Avon Marine Terminal (as defined below) through the Avon Wharf Pipeway (as defined below);

WHEREAS , TRMC is also the owner of all of its leasehold interest in the Avon Marine Terminal Facility, a single berth dock that (i) serves as the main shipping and receiving point for the Martinez Refinery for the transfer of waterborne non-crude feedstocks, (ii) is the principal outbound marine delivery point for refined products, and (iii) is directly connected to the Martinez Refinery's refined products tankage (the " Avon Marine Terminal "); and

WHEREAS , TRMC desires to contribute the Assets (as defined below) to the General Partner, which the General Partner desires to contribute to the Partnership and the Partnership desires to contribute to the Operating Company, and concurrently with the contribution of the Assets, TRMC and the Operating Company desire to enter into the Contracts (as defined below), all on the terms and conditions set forth herein.

NOW, THEREFORE , in consideration of the mutual covenants, representations, warranties and agreements herein contained, the Parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Capitalized terms used herein have the respective meanings ascribed to such terms below:

" Affiliates " has the meaning set forth in the Partnership Agreement.

" Agreement " has the meaning set forth in the introduction to this Agreement.

" Assets " means (i) the Tankage and (ii) the Avon Wharf Pipeway.

" Avon Marine Terminal " has the meaning set forth in the Recitals.

" Avon Marine Terminal Assets " means certain assets located at the Avon Marine Terminal, as further described in Exhibit A-2 .

" Avon Marine Terminal Operating Agreement " means that certain Avon Marine Terminal Operating Agreement to be effective at the Effective Time by and between TRMC and the Operating Company pursuant to which the Operating Company will manage and operate the Avon Marine Terminal for TRMC on the terms and conditions included therein.

" Avon Marine Terminal Renovation " means each of the Avon Wharf Upgrade (MOTEMS) (AFE No. 077100030) and Pipeline Surge Protection Project (AFE No. 154100001) being undertaken by TRMC at the Avon Marine Terminal as of the Effective Date.

" Avon Marine Terminal Sublease Agreement " means that certain Sublease to be executed in accordance with Section 2.5 by and between the Operating Company and TRMC relating to the Avon Marine Terminal.

" Avon Marine Terminal Use and Throughput Agreement " or the " Avon MTUTA " means that certain Avon Marine Terminal Use and Throughput Agreement to be executed pursuant to Section 2.5 by and among the Operating Company, the General Partner, the Partnership and TRMC, pursuant to which the Operating Company will, effective as of the "Commencement Date" (as defined therein), manage and operate the Avon Marine Terminal.

" Avon Wharf Pipeway " means the three pipelines, a causeway and all ancillary equipment that connect Tract 3 (of the Tankage) to the Avon Marine Terminal, all as further described in Exhibit A-3 , as well as all associated easements, permits and licenses relating to the Avon Wharf Pipeway.

" Bill of Sale " means that certain Bill of Sale, Assignment and Assumption effective as of the Effective Time, among TRMC, the General Partner, the Partnership and the Operating Company, with respect to the Assets.

" Cash Consideration " has the meaning set forth in Section 2.3(b)(i) .

" CDFG " means the California Department of Fish and Game.

" Code " means the Internal Revenue Code of 1986, as amended.

" COFR " means the Certificate of Financial Responsibility issued by the CDFG in favor of the Operating Company with respect to oil spill contingency planning and financial responsibility with respect to operations in the State of California, including under the Avon Marine Terminal Sublease Agreement and Avon MTUTA.

" Common Unit " means a common unit representing a limited partner interest in the Partnership having the rights set forth in the Partnership Agreement.

" Conflicts Committee " has the meaning set forth in the Partnership Agreement.

" Contracts " means (i) the License Agreement, (ii) the Martinez Storage Services Agreement and (iii) the Avon Marine Terminal Operating Agreement.

" Credit Facility " means that certain Senior Secured Revolving Credit Agreement dated as of January 29, 2016, by and among the Partnership, as borrower, Bank of America, N.A., as administrative agent, and the other parties thereto.

" Debt-Financed Cash Consideration " has the meaning set forth in Section 2.3(c) .

" Effective Date " has the meaning set forth in the introduction to this Agreement.

" Effective Time " means 12:01 a.m. Central Time on the Effective Date.

" Equity Consideration " has the meaning set forth in Section 2.3(b)(ii) .

" Excluded Assets and Liabilities " means those certain assets and properties (including any and all petroleum and hydrocarbon inventory) and certain responsibilities, coverages and liabilities that might otherwise be considered as part of the Assets or the Contracts but are being retained by TRMC and are not being contributed, transferred or assumed to or by the General Partner, the Partnership or the Operating Company as part of the transactions contemplated by this Agreement, as set forth on Exhibit C to this Agreement.

" General Partner " has the meaning set forth in the introduction to this Agreement.

" General Partner Contribution " has the meaning set forth in Section 2.3(a) .

" General Partner Unit " means a general partner unit representing a general partner interest in the Partnership having the rights set forth in the Partnership Agreement.

" Intended Tax Treatment " has the meaning set forth in Section 4.2(a) .

" License Agreement " means the License Agreement with respect to the Tankage and the Avon Wharf Pipeway between TRMC and the Operating Company.

" Martinez Refinery " has the meaning set forth in the Recitals.

" Martinez Storage Services Agreement " means the Martinez Storage Services Agreement with respect to the Tankage among TRMC, the Operating Company, the General Partner and the Partnership.

" Master Lease " means that General Lease – Industrial Use, dated January 1, 2015, between TRMC and the State of California, acting by and through the California State Lands Commission,

covering the property in Contra Costa County, California described in Exhibit A to the Master Lease, as such lease (and the Exhibits thereto) exists as of the Effective Date.

" Material Adverse Effect " has the meaning set forth in Section 3.5(a) .

" Omnibus Agreement " means that certain Third Amended and Restated Omnibus Agreement dated as of July 1, 2014, among Tesoro, TRMC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, the General Partner and the Partnership, as such agreement (and the Schedules thereto) may be amended, supplemented or restated from time to time.

" Operating Company " has the meaning set forth in the introduction to this Agreement.

" Partnership " has the meaning set forth in the introduction to this Agreement.

" Partnership Agreement " means the First Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of April 26, 2011, as such agreement may be amended, supplemented or restated from time to time.

" Partnership Contribution " has the meaning set forth in Section 2.3 .

" Partnership Group " has the meaning set forth in the Omnibus Agreement.

" Party " or " Parties " have the meanings given to those terms in the introduction to this Agreement.

" Permitted Liens " has the meaning set forth in Section 2.1(a) .

" Purchase Price " means $400,000,000.

" Real Property Assets " means the real property assets underlying the Tankage.

" Rescission Event " has the meaning set forth in Section 5.1 .

" Secondment and Logistics Services Agreement " means that certain Secondment and Logistics Services Agreement dated as of July 1, 2014, as may be amended, modified or supplemented from time to time, among Tesoro, TRMC, the General Partner, the Partnership, Tesoro Logistics Pipeline LLC, Tesoro High Plains Pipeline Company LLC, Tesoro Alaska Company LLC, QEP Field Services, LLC, QEP Midstream Partners Operating, LLC, QEP Midstream Partners GP, LLC and QEPM Gathering I, LLC.

" Tankage " has the meaning set forth in the Recitals.

" Tesoro " has the meaning set forth in the introduction to this Agreement.

" Transaction Documents " has the meaning set forth in Section 3.4(a) .

" Treasury Regulations " means the regulations (including temporary regulations) promulgated by the United States Department of the Treasury pursuant to and in respect of provisions

of the Code. All references herein to sections of the Treasury Regulations shall include any corresponding provision or provisions of succeeding, similar or substitute, temporary or final Treasury Regulations.

" TRMC " has the meaning set forth in the introduction to this Agreement.

" TRMC Contribution " has the meaning set forth in Section 2.1(a) .

ARTICLE II
CONTRIBUTIONS AND ACKNOWLEDGEMENTS

Section 2.1 Conveyance by TRMC to the General Partner .

(a) Effective as of immediately prior to the Effective Time, TRMC hereby assigns, transfers, contributes, grants, bargains, conveys, sets over and delivers to the General Partner, its successors and its assigns, for its and their own use forever, the entire right, title, interest, responsibilities, coverages and liabilities of TRMC in and to the Assets, including any responsibilities, coverages and liabilities under any permit or license included in the Assets, free and clear of all liens and encumbrances of any kind or nature, other than as set forth on Exhibit B to this Agreement (the " Permitted Liens "). In addition, concurrently with the contribution of the Assets, TRMC is also executing and delivering the Contracts. The contribution of the Assets and execution and delivery of the Contracts described in this Section 2.1(a) shall be referred to in this Agreement as the " TRMC Contribution ."

(b) TRMC makes the TRMC Contribution in exchange for the issuance as of the Effective Date of an additional membership interest in the General Partner equal to the percentage increase in the capital of the General Partner based on the value of the TRMC Contribution as a contribution to the capital of the General Partner.

(c) The General Partner hereby accepts the TRMC Contribution as a contribution to the capital of the General Partner.

(d) The Parties hereby acknowledge that the Excluded Assets and Liabilities are being retained by TRMC and are not being contributed or transferred as part of the TRMC Contribution.

Section 2.2 Conveyance by the General Partner to the Partnership .

(a) Effective as of the Effective Time, the General Partner hereby assigns, transfers, contributes, grants, bargains, conveys, sets over and delivers to the Partnership, its successors and its assigns, for its and their own use forever, the entire right, title, interest, responsibilities, coverages and liabilities of the General Partner in and to the Assets, including any responsibilities, coverages and liabilities under any permit or license included in the Assets, free and clear of all liens and encumbrances of any kind or nature, other than the Permitted Liens. In addition, concurrently with the contribution of the Assets, TRMC is also executing and delivering

the Contracts. The contribution of the Assets and execution and delivery of the Contracts described in this Section 2.2(a) shall be referred to in this Agreement as the " General Partner Contribution ."

(b) The General Partner shall make the General Partner Contribution in exchange for the distribution or issuance by the Partnership of the following as of the Effective Time in consideration of the conveyance and transfer of the Assets:

(i) a distribution of cash equal to ninety percent (90%) of the value of the Purchase Price (the " Cash Consideration "); and

(ii) the issuance to the General Partner of such number of General Partner Units and Common Units with an aggregate value equal to ten percent (10%) of the Purchase Price (the " Equity Consideration "):

(1) which number of General Partner Units, rounded up to the next highest number of whole units, shall be the amount having an aggregate dollar value of the Equity Consideration necessary to restore and maintain the General Partner's two percent (2%) general partner interest in the Partnership; and

(2) which number of Common Units, rounded down to the next lowest number of whole units, shall be the amount equal to (A) the remainder of (I) the amount of the Equity Consideration, less (II) an amount equal to the value of the General Partner Units issued pursuant to Section 2.2(b)(ii)(1) , divided by (B) the average closing price of the Common Units for the last ten (10) trading days prior to the Effective Date.

(c) To effect the distribution of the Cash Consideration, the Partnership shall borrow an amount equal to the Cash Consideration (the " Debt-Financed Cash Consideration ") under indebtedness for which no partner of the Partnership or any related person other than Tesoro bears the economic risk of loss (as defined by Treasury Regulations Section 1.752-2) and the Partnership shall cause the proceeds of such indebtedness to be wire transferred to the General Partner on behalf of the Partnership directly from the applicable lender to an account designated by the General Partner.

(d) After the distribution of the Cash Consideration to the General Partner by the Partnership, the General Partner shall provide a loan of up to that amount to Tesoro and Tesoro shall execute and deliver a ten-year promissory note in favor of the General Partner to evidence the funds loaned by the General Partner to Tesoro.

(e) The Partnership hereby accepts the General Partner Contribution as a contribution to the capital of the Partnership.

Section 2.3 Conveyance by the Partnership to the Operating Company . Effective immediately after the General Partner Contribution, the Partnership hereby assigns, transfers, contributes, grants, bargains, conveys, sets over and delivers to the Operating Company, its

successors and its assigns, for its and their own use forever, the entire right, title, interest, responsibilities, coverages and liabilities of the Partnership in and to the Assets, including any responsibilities, coverages and liabilities under any permit or license included in the Assets, free and clear of all liens and encumbrances of any kind or nature, other than the Permitted Liens. In addition, concurrently with the contribution of the Assets, TRMC is also executing and delivering the Contracts. The contribution of the Assets and execution and delivery of the Contracts described in this Section 2.3 shall be referred to in this Agreement as the " Partnership Contribution ." The Partnership hereby makes the Partnership Contribution as a capital contribution to the capital of the Operating Company and the Operating Company hereby accepts the Partnership Contribution as a contribution to the capital of the Operating Company.

Section 2.4 **Actions and Deliveries on the Effective Date** . The Parties acknowledge that the following actions and deliveries have occurred:

(a) receipt by the Parties of all permits, consents, approvals, authorizations, orders, registrations, filings or qualifications of or with any court, governmental agency or body having jurisdiction over the Parties required in connection with the execution, delivery and performance of the Transaction Documents;

(b) the execution and delivery by the respective parties thereto of the following documents:

(i) the Bill of Sale, substantially in the form attached hereto as Exhibit D , pursuant to which TRMC, the General Partner and the Partnership assign and convey the Assets;

(ii) the Martinez Storage Services Agreement, substantially in the form attached hereto as Exhibit E, and the service order related thereto;

(iii) the License Agreement, substantially in the form attached hereto as Exhibit F , pursuant to which TRMC grants the Operating Company a license to operate and maintain the Assets;

(iv) the Avon Marine Terminal Operating Agreement, substantially in the form attached hereto as Exhibit G ;

(v) Amendment to the Secondment and Logistics Services Agreement, substantially in the form attached hereto as Exhibit H-1, and the service orders related thereto, substantially in the form attached hereto as Exhibit H-2 ;

(vi) Fourth Amended and Restated Schedules to the Omnibus Agreement among Tesoro, TRMC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, the General Partner and the Partnership, substantially in the form attached hereto as Exhibit I ;

(vii) Amendment No. 5 to the Second Amended and Restated Limited Liability Company Agreement of the General Partner among the General Partner, Tesoro, TRMC and Tesoro Alaska Company LLC, substantially in the form attached hereto as Exhibit J ;

(viii) a ten-year promissory note, substantially in the form attached hereto as Exhibit K , by Tesoro in favor of the General Partner to evidence the funds loaned by the General Partner to Tesoro pursuant to Section 2.2(d) ;

(ix) a debt indemnification agreement, substantially in the form attached hereto as Exhibit L ;

(x) a closing escrow agreement, substantially in the form attached hereto as Exhibit M , to effect the closing into escrow with McGuireWoods LLP of all the Transaction Documents related to the contribution of the Assets; and

(xi) all other documents and instruments necessary or appropriate to convey the Assets to the Operating Company.

(c) the Conflicts Committee of the General Partner has received a fairness opinion by Evercore Group, L.L.C., the financial advisor to the Conflicts Committee.

Section 2.5 Commencement of Avon Marine Terminal Sublease Agreement and Avon MTUTA; Conveyance of Avon Marine Terminal Assets; Related Actions and Deliveries .

(a) TRMC agrees to use its reasonable commercial efforts (i) to complete the Avon Marine Terminal Renovations in accordance with Schedule VI to the Omnibus Agreement and (ii) to assist the Operating Company in obtaining the COFR from the CDFG as required under the Avon Marine Terminal Sublease Agreement and the Avon MTUTA as well as any other written consents necessary for the Operating Company and TRMC to enter into the Avon Marine Terminal Sublease Agreement and the Avon MTUTA and for TRMC to convey the Avon Marine Terminal Assets to the Operating Company. TRMC shall cooperate with the Operating Company in such manner as may be reasonably requested in connection therewith, including without limitation, active participation in visits to and meetings, discussions and negotiations with all persons or entities with the authority to grant or withhold consent.

(b) During the period before the Avon Marine Terminal Sublease Agreement and the Avon MTUTA become effective, the Operating Company shall provide operating services with respect to the Avon Marine Terminal pursuant to the Avon Marine Terminal Operating Agreement and in such instance, TRMC and the Operating Company will use their reasonable commercial efforts to take such actions to effectively grant the Operating Company the economic benefits of, and impose upon the Operating Company the economic burdens of, the Avon Marine Terminal, subject to and in accordance with, the Avon Marine Terminal Operating Agreement.

(c) In the event that the COFR has been obtained prior to the completion of the Avon Marine Terminal Renovations, the Operating Company shall have the right, but not the

obligation, to require upon five (5) days' written notice that TRMC execute and deliver the Avon Marine Terminal Sublease Agreement, substantially in the form attached hereto as Exhibit N , and the Avon MTUTA, substantially in the form attached hereto as Exhibit O , and to cause the conveyance of the Avon Marine Terminal Assets pursuant to Section 2.5(f) and the terms of the Avon Marine Terminal Sublease Agreement.

(d) If the Operating Company has not exercised its rights under Section 2.5(c) above, then within ten (10) business days or such other time as mutually agreed upon after the completion of the Avon Marine Terminal Renovations and the issuance of the COFR, the Parties will take any and all actions necessary or advisable to execute and deliver the Avon Marine Terminal Sublease Agreement and the Avon MTUTA, and to complete the conveyance and transfer of the Avon Marine Terminal Assets pursuant to Section 2.5(f) hereof and the terms of the Avon Marine Terminal Sublease Agreement.

(e) Prior to the execution and delivery of the Avon Marine Terminal Sublease Agreement and the Avon MTUTA and the conveyance of the Avon Marine Terminal Assets pursuant to the terms of the Avon Marine Terminal Sublease Agreement, TRMC shall to the extent not otherwise provided in the Avon Marine Terminal Operating Agreement:

(i) file on a timely basis all notices, reports or other filings necessary or required for the continuing operation of the Avon Marine Terminal to be filed with or reported to any governmental authority;

(ii) file on a timely basis all complete and correct applications or other documents necessary to maintain, renew or extend any permit, variance or any other approval required by any governmental authority necessary or required for the continuing operation of the Avon Marine Terminal whether or not such approval would expire before or after the execution and delivery of the Avon Marine Terminal Sublease Agreement;

(iii) not permit any lien or other encumbrance to be imposed on the Avon Marine Terminal Assets, other than Permitted Liens;

(iv) not sell, lease or otherwise dispose of any Avon Marine Terminal Asset; and

(v) not agree to do any of the actions set forth in subsections (iii) and (iv) above.

(f) At the time of the conveyance of the Avon Marine Terminal Assets pursuant to the terms of the Avon Marine Terminal Sublease Agreement:

(i) the Parties shall reaffirm the representations and warranties set forth in ARTICLE III with respect to the Avon Marine Terminal and the Avon Marine Terminal Assets and will confirm receipt by the Parties of all permits, consents, approvals, authorizations, orders, registrations, filings or qualifications of or with

any court, governmental agency or body having jurisdiction over the Parties required in connection with the conveyance of the Avon Marine Terminal Assets and/or execution, delivery or performance of the Avon Marine Terminal Sublease Agreement or the Avon MTUTA;

(ii) the applicable Parties shall execute and deliver:

(1) the Avon Marine Terminal Sublease Agreement, substantially in the form attached hereto as Exhibit N ; and

(2) the Avon Marine Terminal Use and Throughput Agreement, substantially in the form attached hereto as Exhibit O ; and

(iii) the following contributions, conveyances and transfers will occur in the following order:

(1) TRMC shall assign, transfer, contribute, grant, bargain, convey, set over and deliver to the General Partner, its successor and its assigns, for its and their own use forever, TRMC's entire right, title, interest, responsibilities, coverages and liabilities in and to the Avon Marine Terminal Assets, including any responsibilities, coverages and liabilities under any permit or license included in the Avon Marine Terminal Assets, free and clear of all liens and encumbrances of any kind or nature, other than the Permitted Liens. This contribution shall be made for no additional consideration and the General Partner shall accept the Avon Marine Terminal Assets from TRMC as a contribution to the capital of the General Partner.

(2) The General Partner shall then assign, transfer, contribute, grant, bargain, convey, set over and deliver to the Partnership, its successor and its assigns, for its and their own use forever, the General Partner's entire right, title, interest, responsibilities, coverages and liabilities in and to the Avon Marine Terminal Assets, including any responsibilities, coverages and liabilities under any permit or license included in the Avon Marine Terminal Assets, free and clear of all liens and encumbrances of any kind or nature, other than the Permitted Liens. This contribution shall be made for no additional consideration and the Partnership shall accept the Avon Marine Terminal Assets from the General Partner as a contribution to the capital of the Partnership.

(3) The Partnership shall assign, transfer, contribute, grant, bargain, convey, set over and deliver to the Operating Company, its successor and its assigns, for its and their own use forever, the Partnership's entire right, title, interest, responsibilities, coverages and liabilities in and to the Avon Marine Terminal Assets, including any responsibilities, coverages and liabilities under any permit or license included in the Avon Marine Terminal Assets, free and clear of all liens and encumbrances of any kind or nature,

other than the Permitted Liens. This contribution shall be made for no additional consideration and the Operating Company shall accept the Avon Marine Terminal Assets from the Partnership as a contribution to the capital of the Operating Company.

(4) TRMC, the General Partner, the Partnership and the Operating Company will execute and deliver such additional documents, instruments and certifications necessary or advisable in connection with the conveyance of the Avon Marine Terminal Assets pursuant to this Section 2.5 and the Avon Marine Terminal Sublease Agreement.

ARTICLE III
REPRESENTATIONS

Section 3.1 Representations of TRMC. TRMC hereby represents and warrants to the General Partner, the Partnership and the Operating Company as follows:

(a) The Tankage, the Avon Wharf Pipeway and the Avon Marine Terminal are each in good working condition, suitable for the purposes for which they are being used in accordance with accepted industry standards and all applicable laws and regulations, subject, in the case of the Avon Marine Terminal, to the completion of the Avon Marine Terminal Renovation.

(b) TRMC has title to each of the Tankage, the Avon Wharf Pipeway and the Avon Marine Terminal Assets free and clear of all liens and encumbrances of any kind or nature, other than the Permitted Liens. TRMC has title to each of the Tankage, the Avon Wharf Pipeway, the Real Property Assets and the Avon Marine Terminal Assets that is sufficient to operate each such Asset in accordance with its intended and historical use, subject to all recorded matters and all physical conditions in existence.

(c) To TRMC's knowledge, after reasonable investigation, there are no terms in any agreements included in the Assets, the Contracts or the Avon Marine Terminal Assets that would materially impair the rights granted to the General Partner and Partnership Group pursuant to the transactions contemplated by this Agreement.

(d) TRMC has previously delivered a true, correct and complete copy of the Master Lease (and any amendments to the Master Lease) to the General Partner, the Partnership and the Operating Company. The Master Lease is in full force and effect and no defaults exist nor do any conditions exist that may result in any default under the Master Lease.

Section 3.2 Representation of the General Partner. The General Partner hereby represents and warrants to TRMC that the General Partner has full power and authority to act as general partner of the Partnership in all material respects.

Section 3.3 Representation of the Partnership. The Partnership hereby represents and warrants to the General Partner and Tesoro that the Common Units and the General Partner Units of the Partnership issued to the General Partner pursuant to Section 2.2(b) have been duly authorized

for issuance and sale to the General Partner and, when issued and delivered by the Partnership pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued and fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in Sections 17-607 and 17-804 of the Delaware Limited Partnership Act).

Section 3.4 **Representations of the Parties** . Each Party represents and warrants, severally as to only itself and not jointly, to the other Parties as follows:

(a) The applicable Party has been duly formed or incorporated and is validly existing as a limited partnership, limited liability company or corporation, as applicable, in good standing under the laws of its jurisdiction of organization with full power and authority to enter into and perform its obligations under this Agreement and the other documents contemplated herein (the " Transaction Documents ") to which it is a party, to own or lease and to operate its properties currently owned or leased or to be owned or leased and to conduct its business. The applicable Party is duly qualified to do business as a foreign corporation, limited liability company or limited partnership, as applicable, and is in good standing under the laws of each jurisdiction which requires such qualification, except where the failure to be so qualified or registered would not have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties, taken as a whole, whether or not arising from transactions in the ordinary course of business, of such Party (a " Material Adverse Effect ").

(b) The applicable Party has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and perform its respective obligations thereunder. All corporate, partnership and limited liability company action, as the case may be, required to be taken by the applicable Party or any of its stockholders, members or partners for the execution and delivery by the applicable Party of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby has been validly taken.

(c) For the applicable Party, each of the Transaction Documents to which it is a party is a valid and legally binding agreement of such Party, enforceable against such Party in accordance with its terms, except (i) as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (ii) that the indemnity, contribution and exoneration provisions contained in any of the Transaction Documents may be limited by applicable laws and public policy.

(d) Neither the execution, delivery and performance of the Transaction Documents by the applicable Party that is a party thereto nor the consummation of the transactions contemplated by the Transaction Documents conflict or will conflict with, or result or will result in, a breach or violation of or a default under (or an event that, with notice or lapse of time or both would constitute such an event), or imposition of any lien, charge or encumbrance upon any property or assets of any of the applicable Party pursuant to (i) the partnership agreement, limited liability company agreement, certificate of limited partnership, certificate of formation or conversion, certificate or articles of incorporation, bylaws or other constituent document of the applicable Party,

(ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the applicable Party is a party or bound or to which its property is subject or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the applicable Party of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over such Party or any of its properties in a proceeding to which it or its property is a party, except in the case of clause (ii) , liens, charges or encumbrances arising under security documents for the collateral pledged under such Party's applicable credit agreements and except in the case of clause (iii) , where such breach or violation would not reasonably be expected to have a Material Adverse Effect.

(e) No permit, consent, approval, authorization, order, registration, filing or qualification of or with any court, governmental agency or body having jurisdiction over the applicable Party or any of its properties or assets is required in connection with the execution, delivery and performance of the Transaction Documents by the applicable Party, the execution, delivery and performance by the applicable Party that is a party thereto of its respective obligations under the Transaction Documents or the consummation of the transactions contemplated by the Transaction Documents other than (i) any filing related to the sale of the Common Units under this Agreement with federal or state securities laws authorities, (ii) consents that have been obtained and (iii) consents where the failure to obtain such consent would not reasonably be expected to have a Material Adverse Effect.

(f) No action, suit, proceeding, inquiry or investigation by or before any court or governmental or other regulatory or administrative agency, authority or body or any arbitrator involving the applicable Party or its property is pending or, to the knowledge of the applicable Party, threatened or contemplated that (i) would individually or in the aggregate reasonably be expected to have a material adverse effect on the performance of the Transaction Documents or the consummation of any of the transactions contemplated therein, or (ii) would individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

ARTICLE IV
COVENANTS

Section 4.1 Further Assurances .

(a) From time to time after the Effective Time, and without any further consideration, the Parties agree to execute, acknowledge and deliver all such additional deeds, assignments, bills of sale, conveyances, instruments, notices, releases, acquittances and other documents, and to do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate (i) more fully to assure that the applicable Parties own all of the properties, rights, titles, interests, estates, remedies, powers and privileges granted by this Agreement, or which are intended to be so granted, (ii) more fully and effectively to vest in the applicable Parties and their respective successors and assigns beneficial and record title to the interests contributed and assigned by this Agreement or intended to be so contributed and assigned (including any actions required to effect the assignment and conveyance of the Assets, the Contracts

and the Avon Marine Terminal Assets as contemplated herein), and (iii) more fully and effectively to carry out the purposes and intent of this Agreement.

(b) To the extent any permits related to the Assets or the Contracts may not be assigned or transferred without the consent of a third party that has not been obtained at the Effective Time despite the exercise by TRMC of its reasonable best efforts, this Agreement shall not constitute an agreement to assign or transfer such permit if an attempted assignment or transfer would constitute a breach thereof or be unlawful. In that case, TRMC, to the maximum extent permitted by law, (a) shall act after the Effective Time as the Operating Company's agent to obtain for the Operating Company the benefits thereunder, and (b) shall cooperate, to the maximum extent permitted by applicable law, with the Operating Company in any other reasonable arrangement designed to provide those benefits to the Operating Company, including by agreeing to remain liable under any applicable permit. Nothing contained in this Section 4.1(b) shall relieve TRMC of its obligations under any other provisions of this Agreement.

Section 4.2 Tax Covenants .

(a) The Parties intend that for U.S. federal income tax purposes (the " Intended Tax Treatment "):

(i) the TRMC Contribution shall be disregarded as a result of TRMC and the General Partner each being disregarded as an entity separate from Tesoro for U.S. federal income tax purposes;

(ii) the General Partner Contribution shall be treated as a contribution by Tesoro (as a result of the General Partner being disregarded as an entity separate from Tesoro for U.S. federal income tax purposes) pursuant to Section 721(a) of the Code, subject to Section 707 of the Code, with the distribution of the Debt-Financed Cash Consideration qualifying as a "debt-financed transfer" under Treasury Regulations Section 1.707-5(b);

(iii) any Cash Consideration in excess of the amount properly treated as a "debt-financed transfer" shall be treated (1) as a reimbursement of preformation expenditures within the meaning of Treasury Regulations Sections 1.707-4(d) to the greatest extent applicable, and (2) in a transaction subject to treatment under Section 707(a) of the Code, and its implementing Treasury Regulations, as in part a sale, and in part a contribution, by Tesoro of the Assets; and

(iv) the Avon Marine Terminal Operating Agreement is intended for U.S. federal income tax purposes (and, where applicable, state and local income tax purposes) to be treated as a contribution of the Avon Marine Terminal Assets by Tesoro (as a result of TRMC and General Partner each being disregarded as entities separate from Tesoro) to the Partnership (as a result of Operating Company being disregarded as an entity separate from Partnership) in exchange for the applicable portion of the distribution and issuance described in Section 2.2(b) .

(b) Except with the prior written consent of the General Partner or as otherwise required by applicable law following a final determination by the U.S. Internal Revenue Service or a governmental authority with competent jurisdiction, the Parties agree to file all tax returns and otherwise act at all times in a manner consistent with the Intended Tax Treatment, including disclosing the distribution of the Debt-Financed Cash Consideration in accordance with the requirements of Treasury Regulations Section 1.707-3(c)(2).

ARTICLE V
RESCISSION OF ASSETS

Section 5.1 **Rescission**. A "Rescission Event" with respect to the Assets means (a) the determination by any court, regulatory body, administrative agency, governmental body, arbitrator or other authority agency or regulatory authority that the TRMC Contribution (i) is void or invalid or (ii) requires a governmental approval with respect to the transfer of the Tankage or the Avon Wharf Pipeway which was not obtained by TRMC prior to such determination, and, in case of either clause (i) or clause (ii), which TRMC fails to cure within twenty-four (24) months following such determination; or (b) the revocation, termination or TRMC's material breach of the License Agreement.

Section 5.2 **Notice of Rescission**. Upon the occurrence of a Rescission Event that has not been cured, regardless of the time period set forth in Section 5.1(a), the Operating Company shall have the right, but not the obligation, to rescind the Partnership Contribution, the General Partner Contribution and the TRMC Contribution by providing written notice to TRMC.

Section 5.3 **Effect of Rescission**. Upon receipt by TRMC of the Operating Company's written notice of rescission under Section 5.2:

(a) The General Partner will cause the Partnership to engage in a process to determine the fair market value of the Assets as of the date of the notice of rescission using the process for the determination of fair market value set forth in Section 2.3 of the Omnibus Agreement (with the notice of rescission delivered pursuant to Section 5.2 hereof triggering the time periods relating to such process under Section 2.3 of the Omnibus Agreement). The amount determined under Section 2.3 of the Omnibus Agreement will be the "Rescission Amount".

(b) Within 10 days after the determination of the Rescission Amount, (i) the General Partner will repay a portion of the purchase price with to the respect to the Assets previously paid pursuant to Section 2.2(b) equal to the Rescission Amount and (ii) Tesoro will repay the loan specified in Section 2.2(d) to the General Partner to the extent the consideration is repaid pursuant to Section 5.3(b)(i).

(c) The Parties shall file any documents or instruments necessary or appropriate with federal, state or local governmental authorities to cancel the transactions contemplated by this Agreement related to the Assets and the Contracts subject to the Rescission Event, including, but not limited to, conveyance documents related to the Assets and the Contracts subject to the Rescission Event to nullify the transactions that occurred on the Effective Date.

(d) The Parties shall amend or terminate, as applicable, and shall cause all their Affiliates to amend or terminate, as applicable, any agreements, including the License Agreement and the Martinez Storage Services Agreement (or portions of inter-company agreements), that were entered into or amended in connection with the transactions contemplated in this Agreement with respect to the Assets to be as such agreements existed prior to the Effective Date.

(e) Notwithstanding the foregoing in this Section 5.3 , (i) the Common Units and General Partner Units issued pursuant to Section 2.2(b) shall remain outstanding and (ii) any indemnities that existed in any applicable agreement related to the Tankage and the Avon Wharf Pipeway prior to the Effective Time and before the Operating Company's ownership and operation of such assets for the period between Effective Time and the date of rescission will survive the rescission.

(f) Any revenues earned and expenses incurred by any Party related to the Assets from the Effective Time through the date of rescission shall not be refunded or reimbursed.

(g) Upon the occurrence of a Rescission Event, the Parties agree to amend the Avon Marine Terminal Use and Throughput Agreement, as necessary or appropriate, to reflect the occurrence of such Rescission Event.

ARTICLE VI
MISCELLANEOUS

Section 6.1 **Costs** . Each Party shall pay its own costs and expenses with respect to the transactions contemplated by this Agreement; except as follows:

(a) the Partnership and TRMC shall each pay one-half of (i) the sales, use and similar transfer taxes arising out of the contributions, conveyances and deliveries to be made under ARTICLE II , (ii) all documentary, filing, recording, transfer, deed and conveyance taxes and fees required in connection therewith, (iii) legal fees and costs of McGuireWoods LLP, Norton Rose Fulbright US LLP and Pillsbury Winthrop Shaw Pittman LLP, and (iv) any other customary closing costs associated with the contributions of the Assets; and

(b) the Partnership shall pay all of the costs and expenses of the conflicts committee of the board of directors of the General Partner, including, but not limited to, the advisory and legal fees and costs of Andrews Kurth LLP and Evercore Group L.L.C.

Section 6.2 **Headings; References; Interpretation** . All Article and Section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof. The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole, including, without limitation, all Schedules and Exhibits attached hereto, and not to any particular provision of this Agreement. All references herein to Articles, Sections, Schedules and Exhibits shall, unless the context requires a different construction, be deemed to be references to the Articles and Sections of this Agreement and the Schedules and Exhibits attached hereto, and all such Schedules and Exhibits attached hereto are hereby incorporated herein and made a part hereof for

all purposes. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation," "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

Section 6.3 **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

Section 6.4 **No Third Party Rights**. The provisions of this Agreement are intended to bind the Parties as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies, and no person is or is intended to be a third party beneficiary of any of the provisions of this Agreement.

Section 6.5 **Counterparts**. This Agreement may be executed in any number of counterparts (including facsimile or .pdf copies) with the same effect as if all Parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

Section 6.6 **Applicable Law; Forum, Venue and Jurisdiction**. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas, without regard to the principles of conflicts of law. Each of the Parties (a) irrevocably agrees that any claims, suits, actions or proceedings arising out of or relating in any way to this Agreement shall be exclusively brought in any federal court of competent jurisdiction situated in the United States District Court for the Western District of Texas, San Antonio Division, or if such federal court declines to exercise or does not have jurisdiction, in the district court of Bexar County, Texas, in each case regardless of whether such claims, suits, actions or proceedings sound in contract, tort, fraud or otherwise, are based on common law, statutory, equitable, legal or other grounds, or are derivative or direct claims, (b) irrevocably submits to the exclusive jurisdiction of the United States District Court for the Western District of Texas, San Antonio Division, or if such federal court declines to exercise or does not have jurisdiction, of the district court of Bexar County, Texas in connection with any such claim, suit, action or proceeding, (c) agrees not to, and waives any right to, assert in any such claim, suit, action or proceeding that (i) it is not personally subject to the jurisdiction of the United States District Court for the Western District of Texas, San Antonio Division, or the district court of Bexar County, Texas, or of any other court to which proceedings in such courts may be appealed, (ii) such claim, suit, action or proceeding is brought in an inconvenient forum, or (iii) the venue of such claim, suit, action or proceeding is improper, (d) expressly waives any requirement for the posting of a bond by a party bringing such claim, suit, action or proceeding and (e) consents to process being served in any such claim, suit, action or proceeding by mailing, certified mail, return receipt requested, a copy thereof to such party at the address in effect for notices hereunder or by personal service within or without the State of Texas, and agrees that service in such forms shall constitute

good and sufficient service of process and notice thereof; provided, however, that nothing in clause (e) hereof shall affect or limit any right to serve process in any other manner permitted by law.

Section 6.7 **Severability**. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the Parties as expressed in this Agreement at the time of execution of this Agreement.

Section 6.8 **Amendment or Modification**. This Agreement may be amended or modified from time to time only by the written agreement of all the Parties. Each such instrument shall be reduced to writing and shall be designated on its face as an amendment to this Agreement. Notwithstanding anything in the foregoing to the contrary, any amendment executed by the Partnership or any of its subsidiaries shall not be effective unless and until the execution of such amendment has been approved by the Conflicts Committee.

Section 6.9 **Integration**. This Agreement, together with the Schedules and Exhibits referenced herein, constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.

Section 6.10 **Specific Performance**. The Parties agree that money damages may not be a sufficient remedy for any breach of this Agreement and that in addition to any other remedy available at law or equity, the Parties shall be entitled to seek specific performance and injunctive or other equitable relief as a remedy for any Party's breach of this Agreement. The Parties agree that no bond shall be required for any injunctive relief in connection with a breach of this Agreement.

Section 6.11 **Deed; Bill of Sale; Assignment**. To the extent required and permitted by applicable law, this Agreement shall also constitute a "deed," "bill of sale" or "assignment" of the Assets and interests referenced herein. For the avoidance of doubt, the conveyance of the Assets from TRMC, the General Partner or the Partnership to the General Partner, the Partnership or the Operating Company, all as applicable, is not intended to be treated as a sale for tax or any other purposes.

Section 6.12 **Notice** . All notices or requests or consents provided for by, or permitted to be given pursuant to, this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the person to be notified, postpaid, and registered or certified with return receipt requested or by delivering such notice in person or by facsimile to such Party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by facsimile shall be effective upon actual receipt if received during the recipient's normal business hours or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices to be sent to a Party pursuant to this Agreement shall be sent to or made at the address set forth below or at such other address as such Party may stipulate to the other Parties in the manner provided in this Section 6.12 .

If to Tesoro or TRMC:

Tesoro Corporation
19100 Ridgewood Parkway
San Antonio, Texas 78259-1828
Attn: General Counsel
Facsimile: (210) 745-4494

If to the General Partner, the Partnership or the Operating Company:

Tesoro Logistics LP
c/o Tesoro Logistics GP, LLC, its General Partner
19100 Ridgewood Parkway
San Antonio, Texas 78259-1828
Attn: General Counsel
Facsimile: (210) 745-4494

or to such other address or to such other person as either Party will have last designated by notice to the other Party.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties to this Agreement have caused it to be duly executed effective as of the Effective Time.

TESORO CORPORATION

By: /S/ GREGORY J. GOFF
Gregory J. Goff
President and Chief Executive Officer

TESORO REFINING & MARKETING COMPANY LLC

By: /S/ GREGORY J. GOFF
Gregory J. Goff
Chairman of the Board of Managers and President

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLC,
its general partner

By: /S/ PHILLIP M. ANDERSON
Phillip M. Anderson
President

TESORO LOGISTICS GP, LLC
TESORO LOGISTICS OPERATIONS LLC

By: /S/ PHILLIP M. ANDERSON
Phillip M. Anderson
President

EXHIBIT A-1

Assets (Tankage)

	Shell Capacity
Tank #	**(Barrels)**
TK003	71,100
TK026	97,900
TK033	97,900
TK037	53,688
TK038	53,678
TK217	97,800
TK270	75,400
TK272	75,500
TK274	75,500
TK601	14,600
TK612	10,400
TK613	10,400
TK631	122,700
TK637	71,600
TK638	71,600
TK639	71,600
TK640	71,600
TK641	71,600
TK664	116,500
TK690	283,000
TK691	222,100
TK692	66,000
TK694	283,000
TK696	13,616
TK697	13,500
TK698	13,500
TK701	283,000
TK702	117,300
TK705	210,000
TK706	113,000
TK707	113,000
TK708	283,000
TK709	113,000
TK710	80,000
TK711	80,000
TK777	6

TK778	6
TK849	112,000
TK866	218,400
TK867	218,400
TK868	86,700
TK869	86,700
TK870	119,171
TK871	283,000
TK872	218,400
TK893	114,300
TK894	113,300
TK904	115,600
TK905	126,700
TK932	86,700
TK933	127,000
TK961	190
TK981	190

53 crude and black-oils and petroleum product storage tanks with a total shell capacity of approximately 5,644,845 Barrels and pipelines and other appurtenances that allow the transport of crude oil and petroleum products to and from the nearby dock and to and from other facilities located at TRMC's refinery near Martinez in Contra Costa County, California.

EXHIBIT A-2

Avon Marine Terminal Assets

All machinery and equipment, mobile or otherwise, systems and other tangible personal property in each case presently owned by TRMC, located in or on the Avon Marine Terminal, including:

Cost Ctr	Asset	SNo.	Cap.date	Asset description
18004	100018779	0	12/31/2002	CARB 3 PROJECT - GASOLINE BLENDING FACILITIES
18004	100029031	0	8/15/2003	CARB 3 PROJECT - GASOLINE BLENDING FACILITIES
18004	100034399	0	5/17/2002	#1-247 WAREHOUSE,4000 SF, PRE-ENG METAL-1951
18004	100034417	0	5/17/2002	#3-129 SCALE OFFICE, 200 SF, PRE-ENG METAL-1951
18004	100034418	0	5/17/2002	#3-130 GAUGER'S OFC, 1500 SF, PRE-ENGMETAL-1951
18004	100034431	0	5/17/2002	BLENDING, TREATING & RACKS
18004	100034892	0	12/31/2002	CARB PHASE 3 - GASOLINE BLENDING
18004	100037036	0	5/27/2005	TR6 PIPING - PHA RECOMMENDATIONS 2004/05
18004	100052436	0	3/28/2013	LINE 68 DIESEL CONVERSION PIPING
18004	100052437	0	3/28/2013	LINE 68 DIESEL CONVERSION INSTRUMENTATION
18004	100052652	0	4/3/2013	DIESEL PUMP TIE-INS PIPING
18004	100052652	1	1/1/2014	DIESEL PUMP TIE-INS PIPING
18004	**Fixed Assets**			
18044	100034882	0	10/15/2002	FIREWATER IMPROVEMENTS - TR 4 / 6
18044	100036473	0	6/30/2004	TANK 38 WATER PUMP/TRACT 4 - FIREWATER SYS UPGRADE
18044				
18342	100018841	0	12/27/2002	GASOLINE BLENDER AIR COMPRESSOR & DRYER
18342	100018971	0	1/1/2003	GASOLINE BLENDER AIR COMPRESSOR & DRYER
18342	100034891	0	12/27/2002	GASOLINE BLENDER AIR COMPRESSOR & DRYER
18342	100036006	0	3/8/2004	GASOLINE BLENDING LOGISTICS - PIPING TKS 639 & 640
18342	100036470	0	11/5/2004	CORIOLIS FLOW METER - CHEVRON LACT METER SKID
18342	100036471	0	11/5/2004	6" FISHER ET VALVE - CHEVRON LACT METER SKID
18342	100036764	0	1/1/2005	CORIOLIS FLOW METER - CHEVRON LACT METER SKID
18342	100036765	0	1/1/2005	6" FISHER ET VALVE - CHEVRON LACT METER SKID
18342	100037587	0	12/8/2005	TRANSFORMER - TRACT 4 NEAR TANK 707
18342	100038448	0	9/13/2006	GAUGING - TR4 PUMP P-747 UPGRADE
18342	100038826	0	12/19/2006	TANK RECONSTRUCTION - PHASE 2 - PUMP P-10144
18342	100038827	0	12/19/2006	TANK RECONSTRUCTION - PHASE 2 - PUMP P-10147
18342	100038828	0	12/19/2006	TANK RECONSTRUCTION - PHASE 2 - PUMP P-10148

Cost Ctr	Asset	SNo.	Cap.date	Asset description
	18342	100038829	0	12/19/2006 TANK RECONSTRUCTION - PHASE 2 - EXCHANGER E-5150
	18342	100038830	0	12/19/2006 TANK RECONSTRUCTION-PHASE 2 - TR4 PIPING UPGRADES
	18342	100038831	0	12/19/2006 TANK RECONSTRUCTION - PHASE 2 - TR4 I/E UPGRADES
	18342	100038968	0	2/14/2007 GASOLINE BLENDING ANALYZER - FTIR
	18342	100039004	0	1/1/2007 GAUGING - TR4 PUMP P-747 UPGRADE
	18342	100039046	0	3/28/2007 SECONDARY CONTAINMENT/BERM SYSTEM UPGRADE-TANK 318
	18342	100039056	0	2/27/2007 PROCESS HAZARD ANALYSIS 2004/2005 - GAUGING
	18342	100039438	0	4/30/2007 CRUDE TRANSFER LINE EXTENSION - TRACK 4
	18342	100039439	0	4/30/2007 TANK PIPING CONNECTIONS - TRACK 4 CRUDE SYSTEM
	18342	100039440	0	4/30/2007 CRUDE BLENDING INSTRUMENTATION IMPROVEMENTS
	18342	100039441	0	6/3/2007 63 CRUDE OIL PIPELINE SECTION-TR3 SLOUGH-TR2 PUMP
	18342	100040405	0	1/1/2008 63 CRUDE OIL PIPELINE SECTION-TR3 SLOUGH-TR2 PUMP
	18342	100040581	0	1/1/2008 TRACT 4 - PIPELINE IMPR/ADD-CRUDE TRANSFERS
	18342	100040950	0	1/1/2008 CRUDE TRANSFER LINE EXTENSION - TRACK 4
	18342	100041047	0	1/1/2008 TANK RECON - TR4 PIPING UPGRADE - PUNCHLIST ITEMS
	18342	100044693	0	9/1/2009 OFFSITES SUITE - SOFTWARE
	18342	100044694	0	9/1/2009 OFFSITES SUITE - SERVER HARDWARE
	18342	100044761	0	9/2/2009 PHA - TRACT4 - #26 & #32
	18342	100044762	0	1/1/2010 PHA - PUMP 9829 MODIFICATIONS
	18342	100044763	0	1/7/2010 PHA - PUMPHOUSE 68 SUMP MODIFICATIONS
	18342	100044774	0	1/1/2010 TANK MONITORING EQUIPMENT (TANK #s 134,137, & 318)
	18342	100044775	0	1/1/2010 GAUGING/SHIPPING PIPELINE MONITORING EQPT
	18342	100045684	0	3/1/2010 TRACT 3 - POWER DISTRIBUTION CENTER - PDC-49
	18342	100046189	0	1/1/2011 TR6-DIESEL PIPING UPGRADES RE: TK270
	18342	100046190	0	1/1/2011 TR3-DIESEL PIPING UPGRADES RE: TK932
	18342	100046371	0	1/1/2011 PHA ASSETS - TR6 - REVISE 68 PUMP HOUSE SUMP#1
	18342	100046372	0	1/1/2011 PHA ASSETS - TR6 - REVISE 68 PUMP HOUSE SUMP#2
	18342	100048763	0	1/18/2012 PHA - TR4 - MISC VALVES AND PLATFORMS
	18342	100048765	0	1/1/2012 PHA - TR6 BLENDING
	18342	100048766	0	1/1/2012 PHA - TR6 BLENDING - ELECTRICAL CLASSIFICATION
	18342	100048767	0	1/1/2012 SULFUR ANALZER - TR6 GASOLINE BLENDING
	18342	100051411	0	11/13/2012 COMMUNICATION AND SECURITY SYSTEM
	18342	100051412	0	11/13/2012 FIRE & SAFETY SYSTEM - BAKKEN CRUDE OFFLOADING
	18342	100051413	0	11/13/2012 CONTAINMENT PAD AND PAVING
	18342	100051413	1	1/1/2013 CONTAINMENT PAD AND PAVING
	18342	100051414	0	11/13/2012 TANK TRUCK UNLOADING STATION
	18342	100051414	1	1/1/2013 TANK TRUCK UNLOADING STATION
	18342	100051415	0	11/13/2012 TRANSFER PIPING FROM UNLOADING STATION TO TK-707
	18342	100051415	1	1/1/2013 TRANSFER PIPING FROM UNLOADING STATION TO TK-707
	18342	300039718	0	6/30/2012 Permit Cost

Cost Ctr	Asset	SNo.	Cap.date	Asset description
	18342	300039719	0 7/31/2012	Contract Services
	18342	300062346	0 2/10/2016	Pipe, Valves and Fittings
	18342	300062347	0 12/31/2015	Other Machinery & Equipment
	18342	300062349	0 12/22/2015	Electrical/Instrument Components
	18342	300062353	0 2/26/2016	Equip Installation & Site Fabrication
	18342	300062354	0 1/19/2016	Pipe, Valves and Fittings - Installation
	18342	300062355	0 12/10/2015	Instrumentation & Automation
	18342	300062357	0 2/13/2016	Installation Support
	18342	300062360	0 5/24/2016	Survey and Study Costs
	18342	300062362	0 10/24/2015	Contract Services
	18342	950009345	0 3/19/2015	Repair Costs
	18342	950010756	0 2/13/2016	Repair Costs
	18342	950010757	0 2/29/2016	Engineering
	18342	950010760	0 3/29/2016	Tank Components
	18342	950010761	0 4/12/2016	Equipment Rentals
	18342	950010762	0 2/24/2016	Contract Services
	18342 **Gauging-Maint**			
	18343	100036016	0 3/22/2004	TANK 691 - BUTANE STORAGE CONTROLS
	18343	100036985	0 5/15/2005	PROPANE/OIL SEPARATOR - VESSEL - TANK 691
	18343	100036995	0 5/15/2005	MINIMUM-FLOW CONTROL VALVE STATION- TK691 BLENDING
	18343	100036996	0 5/10/2005	PILOT IGNITERS - TANK 691 FLARE
	18343	900002699	0 10/29/2015	TANK 691 TURNAROUND - 2015
	18343	900002699	1 1/1/2016	TANK 691 TURNAROUND - 2015
	18343	950009253	0 12/23/2014	INSTRUMENTATION
	18343 **LPG Storage-Maint**			
	18365	100034911	0 12/10/2003	AVON WHARF SLOPS TANK - VOC MITIGATION
	18365	100035091	0 1/1/2004	AVON WHARF SLOPS TANK - VOC MITIGATION
	18365	100040064	0 9/30/2007	AVON SLOP OIL SYSTEM - TANK 906 - BERTH 1
	18365	100040065	0 9/30/2007	AVON SLOP OIL SYSTEM - TANK 907 - BERTH 5/6
	18365	100040771	0 1/1/2008	ALLISON AVOIDANCE SYSTEM - AVON WHARF
	18365	100040772	0 1/1/2008	ALLISON AVOIDANCE SYSTEM - AVON WHARF SOFTWARE
	18365	100040953	0 1/1/2008	AVON SLOP OIL SYSTEM - TANK 907 - BERTH 1
	18365	100040954	0 1/1/2008	AVON SLOP OIL SYSTEM - TANK 907 - BERTH 5/6
	18365	100042602	0 1/1/2008	AVON WHARF - TURNING BASIS MARKERS
	18365	100043416	0 1/1/2009	FASB 143 ASSET RETIREMENT COST - AVON WHARF
	18365	100043416	1 12/1/2014	FASB 143 ASSET RETIREMENT COST - AVON WHARF
	18365	100044680	0 9/25/2009	AVON WHARF LIGHTING IMPROVEMENTS

Cost Ctr	Asset	SNo.	Cap.date	Asset description
18365	100044686	0	9/25/2009	AVON WHARF CALARP-BUILDING STRUCTURE ANCHORAGE
18365	100045144	0	1/1/2010	AVON WHARF LIGHTING IMPROVEMENTS
18365	100048224	0	9/14/2011	Avon Wharf Mooring Dolphin - B3
18365	100048224	1	9/14/2011	Avon Wharf Mooring Dolphin - B3
18365	100048224	2	1/1/2012	Avon Wharf Mooring Dolphin - B3
18365	100048225	0	9/14/2011	Avon Wharf Mooring Dolphin - B4
18365	100048225	1	9/14/2011	Avon Wharf Mooring Dolphin - B4
18365	100048225	2	1/1/2012	Avon Wharf Mooring Dolphin - B4
18365	100051839	0	1/23/2013	AVON WHARF MOORING LINES
18365	300028399	0	3/31/2016	Feasibility Study & Pre-Engineering
18365	300028402	0	1/24/2008	Other Machinery & Equipment
18365	300028404	0	3/20/2013	Electrical/Instrument Components
18365	300028405	0	1/24/2015	Other Materials
18365	300028406	0	11/20/2014	Concrete/Earth
18365	300028408	0	10/31/2015	Piling
18365	300028409	0	3/23/2008	Equip Installation & Site Fabrication
18365	300028411	0	2/28/2015	Instrumentation & Automation
18365	300028412	0	7/29/2011	Electrical
18365	300028413	0	10/20/2015	Installation Support
18365	300028414	0	7/31/2009	Demolition/Removal
18365	300028415	0	9/25/2014	Paint
18365	300028416	0	2/23/2008	Permit Cost
18365	300028417	0	8/31/2007	Contract Services
18365	300040465	0	4/15/2015	Professional Services - Equipment
18365	300040466	0	6/30/2016	In-House Engineering - Equipment
18365	300050691	0	3/31/2015	Contract Services
18365	300059858	0	11/25/2015	Permit Cost
18365	300062440	0	2/10/2016	Vessels
18365	300062443	0	12/31/2015	Pipe, Valves and Fittings - Installation
18365	**Avon Wharf_Maint**			
18816	100034822	0	5/17/2002	SHIPPING REFINED OIL-TRUCKS & TANK CARS
18816	**LHP Trtng&tank-OPS**			
18965	100034856	0	5/17/2002	AVON WHARF
18965	100034856	1	5/17/2002	AVON WHARF
18365	100042606	0	1/1/2008	AVON WHARF-PIPELINE/SUPPORTUPGRADE SOUTH LANDSEND

Cost Ctr	Asset	SNo.	Cap.date	Asset description
	Avon Wharf Slops Tanks			
				TK906 - 27 bbls
				TK907 – 27 bbls

EXHIBIT A-3

Avon Wharf Pipeway

Cost Ctr	Asset	SNo.	Cap.date	Asset description
18365	100037201	0	7/15/2005	AVON WHARF PIPING AND SUPPORT - UPGRADE
18365	100037920	0	1/1/2006	AVON WHARF PIPING AND SUPPORT - UPGRADE
18365	100048114	0	1/18/2011	Avon Wharf - Approach Trestle / Structural Pile
18365	1000481226	0	9/16/2011	Avon Wharf – Berth 1 – Piping Manifold
18365	100048226	1	1/1/2012	Avon Wharf – Berth 1 – Piping Manifold

EXHIBIT B

Permitted Liens

Liens, claims, charges, options, encumbrances, mortgages, pledges or security interests as follows:

(a) incurred and made in the ordinary course of business in connection with worker's compensation;

(b) that secure the performance of bids, tenders, leases, contracts (other than for the repayment of debt), statutory obligations, surety, customs and appeal bonds and other obligations of like nature, incurred as an incident to and in the ordinary course of business;

(c) imposed by law, such as carriers', warehouseman's, mechanics', materialmen's, landlords', laborers', suppliers' and vendors' liens, incurred in good faith in the ordinary course of business and that secure obligations that are not yet due or delinquent or which are being contested in good faith by appropriate proceedings as to which the TRMC has set aside on its books adequate reserves;

(d) that secure the payment of taxes, either not yet due or delinquent or being contested in good faith by appropriate legal or administrative proceedings and as to which TRMC has set aside on its books adequate reserves;

(e) zoning restrictions, easements, licenses, rights of way, declarations, reservations, provisions, covenants, conditions, waivers or restrictions on the use of property (and with respect to leasehold interests, mortgages, obligations and liens incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without consent of the lessee);

(f) on property existing at the time such property was acquired by TRMC (provided, that they were not created in contemplation of the acquisition of such property by TRMC);

(g) created by the Operating Company;

(h) pursuant to this Agreement, the Omnibus Agreement, the Secondment and Logistics Services Agreement, the Martinez Storage Services Agreement, the Avon Marine Terminal Sublease Agreement, the Avon Marine Terminal Use and Throughput Agreement and the License Agreement; and

(i) pursuant to the Master Lease.

EXHIBIT C

Excluded Assets and Liabilities

Excluded Assets and Liabilities related to the Avon Marine Terminal:

- Any and all inventory;
- Any liabilities with respect to the Avon Marine Terminal Renovation
- Any land on which the Avon Marine Terminal is located and any liabilities related thereto; and
- Any working capital of TRMC and its Affiliates (other than the General Partner and the Partnership Group) related to such assets.

Excluded Assets and Liabilities related to the Tankage:

- Any and all inventory;
- Any land on which the Tankage is located and any liabilities related thereto; and
- Any working capital of TRMC and its Affiliates (other than the General Partner and the Partnership Group) related to such assets.

EXHIBIT D

Bill of Sale

(See attached.)

EXHIBIT E

Martinez Storage Services Agreement

(See attached.)

EXHIBIT F

License Agreement

(See attached.)

EXHIBIT G

Avon Marine Terminal Operating Agreement

(See attached.)

EXHIBIT H-1 and H-2

Amendment and Service Orders to the Secondment Agreement

(See attached.)

EXHIBIT I

Fourth Amended and Restated Schedules to the Omnibus Agreement

(See attached.)

EXHIBIT J

Amendment No. 5 to Amended and Restated Limited Liability Company Agreement of the General Partner

(See attached.)

EXHIBIT K

Ten-Year Promissory Note

(See attached.)

EXHIBIT L

Debt Indemnification Agreement

(See attached.)

EXHIBIT M

Closing Escrow Agreement

(See attached.)

EXHIBIT N

Avon Marine Terminal Sublease Agreement

(See attached.)

EXHIBIT O

Avon Marine Terminal Use and Throughput Agreement

(See attached.)

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Tesoro Corporation is publicly held and has no parent. Certain omitted subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" at the end of the year ended December 31, 2016 .

Name of Subsidiary	Incorporated or Organized under Laws of
Tesoro Refining & Marketing Company LLC	Delaware
Tesoro Companies, Inc.	Delaware
Tesoro Alaska Company LLC	Delaware
Tesoro Logistics GP, LLC	Delaware
Tesoro High Plains Pipeline Company LLC	Delaware
Tesoro Logistics Operations LLC	Delaware
Tesoro Logistics LP	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-25379) pertaining to the Tesoro Corporation 1995 Non-Employee Director Stock Option Plan
(2) Registration Statement (Form S-8 No. 333-39070) pertaining to the Tesoro Corporation 1993 Long-Term Incentive Plan
(3) Registration Statement (Form S-8 No. 333-112427) pertaining to the Tesoro Corporation 1995 Non-Employee Director Stock Option Plan
(4) Registration Statement (Form S-8 No. 333-120716) pertaining to the Tesoro Corporation 1995 Non-Employee Director Stock Option Plan
(5) Registration Statement (Form S-8 No. 333-156268) pertaining to the Tesoro Corporation 2006 Long-Term Incentive Plan
(6) Registration Statement (Form S-8 No. 333-174132) pertaining to the Tesoro Corporation 2011 Long-Term Incentive Plan
(7) Registration Statement (Form S-8 No. 333-176132) pertaining to the Tesoro Corporation Thrift Plan
(8) Registration Statement (Form S-8 No. 333-176132) pertaining to the Tesoro Corporation Retail Savings Plan
(9) Registration Statement (Form S-8 No. 333-188405) pertaining to the Tesoro Corporation Amended and Restated 2011 Long-Term Incentive Plan
(10) Registration Statement (Form S-8 No. 333-207843) pertaining to the Tesoro Corporation Executive Deferred Compensation Plan
(11) Registration Statement (Form S-4 No. 333-215080) pertaining to the issuance of shares in connection with the Western Refining merger

of our reports dated February 21, 2017 , with respect to the consolidated financial statements of Tesoro Corporation, and the effectiveness of internal control over financial reporting of Tesoro Corporation included in this Annual Report (Form 10-K) of Tesoro Corporation for the year ended December 31, 2016 .

/s/ ERNST & YOUNG LLP

San Antonio, Texas
February 21, 2017

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Gregory J. Goff, certify that:

1. I have reviewed this annual Report on Form 10-K of Tesoro Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officer 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 15(d)-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 annual report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal controls 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   (d) Disclosed in this annual 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 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 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):

   (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: February 21, 2017

/s/ GREGORY J. GOFF

Gregory J. Goff

Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Steven M. Sterin, certify that:

1. I have reviewed this annual Report on Form 10-K of Tesoro Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officer 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 15(d)-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 annual report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal controls 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   (d) Disclosed in this annual 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 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 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):

   (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: February 21, 2017

/s/ STEVEN M. STERIN

Steven M. Sterin

Chief Financial Officer

Exhibit 32.1

CERTIFICATION 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 Annual Report of Tesoro Corporation (the "Company") on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory J. Goff, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GREGORY J. GOFF

Gregory J. Goff
Chief Executive Officer
February 21, 2017

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION 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 Annual Report of Tesoro Corporation (the "Company") on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven M. Sterin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEVEN M. STERIN

Steven M. Sterin

Chief Financial Officer

February 21, 2017

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.