



TESORO CORPORATION RETIREMENT PLAN

SUMMARY PLAN DESCRIPTION

As of March 1, 2016

INTRODUCTION	3	APPENDIX D – SHELL LAR PARTICIPANTS	52
PLAN HIGHLIGHTS.....	3	APPENDIX E – NLRB SETTLEMENT WITH USW LOCAL 10 RESPRESENTED EMPLOYEES	56
REVIEWING AND ESTIMATING YOUR BENEFIT	4	APPENDIX F –NLRB SETTLEMENT WITH USW LOCAL 675 RESPRESENTED EMPLOYEES	58
RECEIVING YOUR BENEFIT	4		
ELIGIBILITY.....	5		
PARTICIPATION AND VESTING	5		
SERVICE	6		
HOW YOUR BENEFIT IS CALCULATED	9		
FINAL AVERAGE PAY (FAP) BENEFIT COMPONENT (SERVICE THROUGH 12/31/2010)	9		
FINAL AVERAGE PAY (FAP) FORMULA EXAMPLE.....	12		
WHEN YOU CAN RECEIVE YOUR BENEFIT	15		
METHODS OF PAYMENT	18		
PENSION CALCULATION EXAMPLES	20		
DEATH BENEFITS.....	23		
NAMING OR CHANGING YOUR BENEFICIARY DESIGNATION	23		
DISABILITY BENEFIT	24		
RE-EMPLOYMENT WITH TESORO	24		
BREAK IN SERVICE.....	25		
LEAVES OF ABSENCE	25		
SOME IMPORTANT DEFINITIONS	26		
MISCELLANEOUS	27		
ACCRUED BENEFITS.....	27		
QUALIFIED DOMESTIC RELATIONS ORDERS (QDRO’s).....	27		
CASH OUTS.....	27		
STATUTORY LIMITATIONS	27		
TOP HEAVY RULES.....	27		
HOW BENEFITS CAN BE LOST OR DELAYED.....	27		
ADDITIONAL INFORMATION.....	28		
THE PENSION BENEFIT GUARANTY CORPORATION	30		
FUTURE OF THE PLAN	30		
INTERPRETATION OF THE PLAN	31		
IMPORTANT FACTS ABOUT THE PLAN.....	31		
TOLL-FREE NUMBERS.....	32		
APPENDIX A – SHELL ANACORTES REFINING COMPANY (SARC) PARTICIPANTS.....	33		
APPENDIX B – BP/AMOCO PARTICIPANTS	40		
APPENDIX C – GOLDEN EAGLE/ VALERO PARTICIPANTS.....	45		

This Summary Plan Description (SPD) outlines the major features of the Tesoro Corporation Retirement Plan but does not describe every detail. If you have specific questions regarding your benefit under the Tesoro Corporation Retirement Plan (the “Tesoro Retirement Plan” or the “Plan”), contact the Tesoro Pension Center at (866) 981-3039. If you wish to view your personal pension information or to run a benefit estimate, you can access the Pension Website at www.tsocorp.com/pension.

This document describes the provisions of the Tesoro Retirement Plan as of January 1, 2016. The information covered under the Plan SPD is required by the Employee Retirement Income Security Act of 1974 (ERISA). This information within the SPD does not cover every provision of the Plan. Some complex concepts may have been simplified or omitted in order to present a more understandable plan description. If this plan description is incomplete or if there’s any inconsistency between the information provided here and the official plan document texts, the provisions of the official plan texts will prevail in all cases.

INTRODUCTION

The Tesoro Retirement Plan is designed primarily to provide you monthly retirement income from the time of your retirement until your death. The Plan offers additional flexibility in that you can choose from various payment options for your pension benefit, including a lump sum. The Plan also provides a survivor benefit in case of your death.

Tesoro pays the full cost of the Plan – you are not required to make any contributions towards the Plan.

By reading this information carefully, you will see how the Plan is a vital part of the overall benefit program and can help you prepare financially for your retirement years.

Tesoro Pension Center

- Tesoro Pension Website – As an active employee, you may access your personal pension information or run pension estimates at any time by visiting the Tesoro Pension Website at www.tsocorp.com/pension. Login using your Tesoro network username and password. After you leave the Company, you will be mailed an access letter approximately 2 months following termination which contains your login information and how to access the system as an inactive employee.
- Tesoro Pension Center – Pension Center representatives are also available to discuss your Plan benefit or assist you with estimates of future benefits. You may contact a representative by calling the Pension Center toll-free at (866) 981-3039, Monday through Friday, between 9:00 am and 7:00 pm CT.

PLAN HIGHLIGHTS

- You automatically become a participant in the Plan as of the first day of the calendar month following your completion of one year of service with 1,000 hours.
- Tesoro pays the full cost of the Plan; no employee contributions are required under the Plan.
- The benefit you earn under the Plan is determined based on the sum of the following benefit components:
 1. A Final Average Pay (“FAP”) benefit formula for service performed through December 31, 2010.
 2. A Cash Balance benefit for service performed after 2010.
- Under the FAP benefit formula, you earn a percentage of your final average pay at termination for every year of service you worked through December 31, 2010. The result of the formula produces a pension benefit payable as a monthly annuity over your lifetime beginning at age 65.
- The Cash Balance benefit is a “notional account” to which you receive quarterly pay credits and quarterly interest credits. The quarterly pay credits are made while you continue employment with Tesoro, but the quarterly interest credits continue to be made following your termination of employment until the benefit is distributed to you.
- Your total pension benefit under the Plan will be equal to the sum of the FAP benefit component and the Cash Balance benefit component at the time of your commencement. You can elect to receive payment of your benefit as an annuity or in a lump sum.
- You become vested in your full benefit (FAP and Cash Balance) under the Plan after three years of service with Tesoro.
- You can elect to receive your benefit (FAP and Cash Balance) anytime following a separation from service in the form of an annuity or a lump sum. However, if you elect to receive your benefit prior to attaining age 65, the benefit earned under the FAP component may be reduced by an early retirement factor based on your age and service at termination.

The following pages describe the Plan in more detail.

REVIEWING AND ESTIMATING YOUR BENEFIT

The **Pension website** (www.tsocorp.com/pension for active employees) gives you access to your personal Tesoro pension benefit information 24-hours a day, seven days a week, and allows you to:

- Estimate your individual pension benefit under the Tesoro Retirement Plan, including the split between the Final Average Pay benefit component and the Cash Balance benefit component.
- Print a formal pension election kit outlining your payment options
- Model your projected total retirement income incorporating Social Security and other personal savings
- Review your Cash Balance benefit component for service performed after 2010

In addition, the Tesoro Pension Center has representatives available Monday through Friday, from 9 a.m. to 7 p.m., CT, at (866) 981-3039. You can call the center to:

- Obtain information about your pension plan benefits
- Request an estimate of your pension benefits
- Request a formal pension election kit outlining your payment options
- Talk with a representative for personal assistance

Calculation requests made through the Pension Center are normally processed within 10 business days. To ensure your privacy, representatives will ask for the last four digits of your Social Security number, mailing address and date of birth each time you call.

RECEIVING YOUR BENEFIT

- You can commence your vested benefit at any time after you leave the Company. You may elect to defer receipt of your vested pension up to age 65.
- Before you leave the Company, you may access the pension website at www.tsocorp.com/pension any time.
- After you leave the Company, you will have access to the pension system beginning approximately 2 months following termination. You will be mailed an access letter which contains your log-in information and how to access the system as an inactive employee.
- You may also request an estimate or pension election kit by phone.

To collect your pension, you may request a pension election kit 60-90 days prior to the day you want to receive your benefit. You have two options to request the package.

Option 1: Instantly download an election kit online by following these steps.

1. Go to www.tsocorp.com/pension, if active. Go to the website listed on your access letter, if terminated.
2. Log-in and click on the "Retirement Modeling" link
3. Click "Model My Pension" on the "Retirement Modeling" page. (Note: Only Active employees will see this page.)
4. On the "Pension Estimator" page, select "Election Kit" from the dropdown menu, and then enter in the required information, such as your last day worked (if Active), your requested payment date, and a beneficiary date of birth. Your paperwork will generate immediately.

Option 2: Contact the Tesoro Pension Center at (866) 981-3039. They will ask you for information such as your last day worked (if Active), your requested payment date, and who you would like to designate as a beneficiary. You will receive your kit within two to three weeks after you call.

Once you receive the pension election kit (online or by mail):

- A. Read through your kit carefully. Once you finish completing the forms, review the checklist included with the package and promptly return the required forms to:

Tesoro Pension Center
PO Box 14996
Cincinnati, OH 45250

- B. The Pension Center will review your forms for completeness and accuracy. If anything is incomplete, you will receive a letter in the mail, notifying you of any missing information.
- C. Once the required forms have been received in good order and you have separated from service from Tesoro, a final benefit calculation will be performed to ensure that all of your final pay is incorporated.
- D. Once your final benefit has been determined, your payment will be made with the next available payment cycle, which will generally be 45-60 days following your retirement date.

Be sure to read the Special Tax Notice (available in your Pension Election Kit or upon request) to understand the tax consequences of distributions from a qualified retirement plan.

ELIGIBILITY

Who Is Eligible

You are eligible to participate in the Plan if:

- You are a United States based employee of Tesoro Corporation, or one of its subsidiary companies which has adopted this Plan, and
- Not part of an employee group that is excluded from participation under the Plan as indicated below

Who is Not Eligible

You are not eligible to participate in the Plan if:

- You are a union employee whose collective bargaining agreements do not provide for participation in the Plan, or
- You are a retail store employee at a position level below Store Manager, such as Assistant Manager, Store Clerk, etc., who is eligible to participate in the Tesoro Retail Savings Plan. If you were employed by the Northstore retail group prior to January 1, 2001 and continued employment with Tesoro, you may be grandfathered for benefits under the Plan, or
- You are participating under a different qualified retirement plan sponsored by the Company or to which the Company contributes, excluding the Tesoro Corporation Thrift Plan or the Tesoro Corporation Retail Savings Plan.

PARTICIPATION AND VESTING

Participation

Each eligible employee will become a Participant in the Plan on the first day of the month coincident with or next following the date you:

- Complete 1,000 hours of service during the twelve month period commencing from your date of hire (your “initial eligibility period”), or
- If you fail to complete the required number of hours of service in your initial eligibility period, you complete 1,000 hours of service in a subsequent twelve month period commencing each January 1 through December 31, beginning with the first 12-month period that includes the anniversary of your date of hire,

If you terminate employment with Tesoro after becoming a Participant in the Plan, and you are subsequently rehired by Tesoro, you will enter the Plan as of your date of reemployment. If you terminate employment with Tesoro after you have met the participation requirements under the Plan but before you became a Participant in the Plan, and you are subsequently rehired, by Tesoro you will enter the Plan as of the first date of the month coincident with or next following the date of your reemployment.

Acquisition Employees

If you are an employee who continued service with Tesoro due to an acquisition described below, you become eligible to participate in the Plan as of the date of the acquisition if you had at least one year of vesting service with your previous employer, as of the acquisition date:

- BHP Petroleum America Refining Inc. and BHP Petroleum South Pacific, Inc. (BHP Hawaii) on the date of acquisition of June 1, 1998, (excluding employees of Gas Express), or
- Shell Anacortes Refining Company (SARC) on the date of acquisition of August 1, 1998, or,
- BP Marine Americas, a division of BP Exploration & Oil Inc., operations at Pt. Angeles and Edmunds on the date of acquisition of June 17, 1999, or
- Equilon Enterprises LLC Anchorage terminal operations, as a loaned employee from Texaco Inc., on the date of acquisition of August 14, 1999, or
- BP p.l.c., on the date of acquisition of September 6, 2001 or November 1, 2001, or
- Valero Energy Corporation on the date of acquisition of May 17, 2002, or
- USA Petroleum on the date of acquisition of May 1, 2007, or
- Shell Oil Company on the date of acquisition of the Los Angeles Refinery of May 10, 2007, or
- British Petroleum on June 1, 2013, or
- Chevron Pipe Line Co. and Northwest Terminalling Co. on June 19, 2013, or
- QEP Field Services (QEPFS) on December 2, 2014, or
- Great Northern Midstream LLC on February 21, 2016.

Vesting

Your right to a non-forfeitable ownership of your pension benefit is known as vesting. You become 100% vested in your Plan benefit when:

- You have completed at least three years of Vesting Service (see “Service” section for detail) with Tesoro. The vesting requirements changed from five years to three years for those individuals employed by Tesoro on January 1, 2011. The vested benefits of individuals whose employment terminated prior to January 1, 2011 will be determined under the prior 5-year vesting schedule.

If you leave Tesoro for any reason and you are not 100% vested (i.e. for persons employed by Tesoro on January 1, 2011 and after, you have not completed at least 3 years of Vesting Service), you will not receive any benefit under the Plan.

SERVICE

Vesting Service

Your Vesting Service is used to determine:

- Whether you will be entitled to a benefit under the Plan when you leave the Company (see “Participation and Vesting” section for vesting requirement).
- Eligibility for Early Retirement status (55 with 5 years of service or 50 with 80 points at termination) used to determine the value of the early adjustment factor applied to your Final Average Pay (FAP) benefit component if you commence your pension prior to age 65.

In general, your Vesting Service is equal to the total period of elapsed time (in completed years and months) from your original hire date recognized by Tesoro and ending on the earlier of the date you terminate employment or the first anniversary of the date you are absent from work for any other reason. Special rules apply if you terminate and are later reemployed. These rules are summarized in “Re-Employment with Tesoro” section.

Acquisition Employees

There are special provisions that provide for the recognition of your service with your prior employer for purposes of Vesting Service in the Plan if you are an employee who continued service with Tesoro due to an acquisition from:

- BHP Petroleum America Refining Inc. and BHP South Pacific Inc. (BHP Hawaii) on June 1, 1998 (excluding employees of Gas Express), or
- Shell Anacortes Refining Company on August 1, 1998, or
- BP Marine Americas, a division of BP Exploration & Oil Inc., operations at Pt. Angeles and Edmunds on June 17, 1999, or
- Equilon Enterprises LLC Anchorage terminal operations, as a loaned employee from Texaco Inc., on August 1, 1999, or
- BP p.l.c. on September 6, 2001 or November 1, 2001, or
- Ultramar, Inc. (Valero Energy Corporation) on May 17, 2002, or
- USA Petroleum on the date of acquisition on May 1, 2007, or
- Shell Oil Company on the date of acquisition of the Los Angeles Refinery on May 10, 2007, or
- British Petroleum on June 1, 2013, or
- Chevron Pipe Line Co. and Northwest Terminalling Co. on June 19, 2013, or
- QEP Field Services (QEPFS) on December 2, 2014, or
- Great Northern Midstream LLC on February 21, 2016.

Benefit Service

Your Benefit Service is a component used to calculate your benefit under the Final Average Pay (FAP) formula (see the “How your Benefit is Calculated” section).

In general, your Benefit Service is calculated through December 31, 2010 and is equal to the total period of elapsed time (in completed years and months) while in an eligible status for participating in the Plan measured from your original hire date recognized by Tesoro and ending on the earlier of the following dates:

- Date you terminate employment
- The first anniversary of the date you are absent from work for any other reason
- December 31, 2010

Special rules apply if you terminate and are later reemployed. These rules are summarized in “Re-Employment with Tesoro” section.

NOTE – Benefit Service is calculated through December 31, 2010 for purposes of calculating your FAP benefit. No Benefit Service is earned after December 31, 2010. However, you will earn a Cash Balance benefit for periods of eligible employment after 2010.

Employees in an Ineligible Classification for Participation in Plan

For periods of time where you are in a position that is not eligible for participation in the Plan (such as a Retail store employee under the position of Store Manager), you will not earn any Benefit Service under this Plan. As long as you remain employed by Tesoro but in a position not eligible to participate in the Plan, you will earn Vesting Service but not Benefit Service. You will receive Benefit Service credit only during the period you were in an eligible position to participate in this Plan, but only through December 31, 2010. For specifics on Plan eligibility, reference the “Eligibility” section.

Acquisition Employees

For employees who became employees of Tesoro who were part of an acquisition, special plan provisions may apply that incorporate the Benefit Service you earned under a prior employer’s pension plan when determining your benefit under the FAP benefit component of this Plan. Please reference the applicable Appendix section of this SPD for specific details on

those special provisions. If an Appendix does not address your acquisition group, the general provisions of this Plan will apply.

HOW YOUR BENEFIT IS CALCULATED

Beginning January 1, 2011, your Benefit is made up of two components which are calculated separately and then added together to determine your full pension benefit under the Plan:

1. **A Final Average Pay (“FAP”) benefit** for service performed through December 31, 2010 (See “Final Average Pay (FAP) Benefit Section)

plus

2. **A Cash Balance benefit** for service performed after 2010 (See “Cash Balance” section).

Eligible employees hired on before December 31, 2010:

- Your benefit will be made up of the sum of the FAP benefit and the Cash Balance benefit.

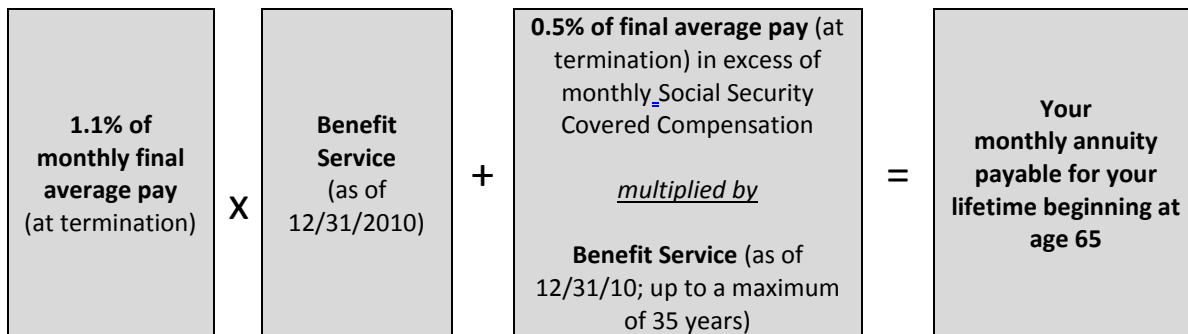
Eligible employees hired after December 31, 2010:

- Your benefit will consist of the Cash Balance benefit only.

FINAL AVERAGE PAY (FAP) BENEFIT COMPONENT (FOR SERVICE THROUGH 12/31/2010)

The FAP benefit component is calculated using a formula based on your Benefit Service as of December 31, 2010, and your final average pay and Social Security Covered Compensation (a 35-year average of the Social Security Wage Base) at retirement.

Your FAP benefit component is determined using the following formula:



The result of this formula produces a monthly annuity payable over your lifetime starting at age 65, which is the Plan’s normal retirement date.

Your payment will be adjusted if you choose a different payment option or elect to commence your benefit prior to age 65 (see “Receiving your Benefit” section for details on early commencement adjustments).

Employees who were part of an acquisition – For employees who were part of an acquisition, special plan provisions may apply when determining your benefit under the FAP benefit component. Please reference the applicable Appendix section of this SPD for specific details on those special provisions. Otherwise, the general provisions of the Plan will apply in determining your FAP benefit.

FAP Formula Components:

- **Benefit Service** – you earn Benefit Service for each whole month you work. As of December 31, 2010, Benefit Service will no longer increase for the purposes of calculating your benefit under the Final Average Pay formula. Refer to the “Service” section for details on how it’s determined.
- Your **final average pay** is your highest average monthly eligible compensation during a 36 consecutive calendar month period that occurs during the last 120 consecutive months (10 years) of your employment with Tesoro.

Eligible compensation used to determine your final average pay (and Pay Credits for the Cash Balance benefit component) generally includes, but is not limited to:

- base pay
- overtime, and
- normal bonuses

Eligible compensation does not include other types of compensation including, but not limited to, special bonuses that are not part of a normal annual incentive bonus, expense allowances or reimbursements, special recognition awards and all other extraordinary compensation.

In addition, eligible pay is limited to regular compensation received up to 30 days following your termination date to allow for any final pay to be received. Any compensation received after 30 days following your termination date will be excluded when determining your benefit.

Note – Eligible compensation that may be taken into account in determining your benefits under the Plan is limited to the annual limit imposed by the IRS (\$265,000 for 2016). This limit is adjusted by the IRS from time to time as required by federal law.

Social Security Covered Compensation is the rounded average of the annual maximum amount of wages used to determine contributions and benefits for social security during the 35-year period ending with the year in which you attain or will attain social security retirement age. Social security retirement age ranges from ages 65 to 67, depending on your year of birth.

The following lists the social security covered compensation amounts in effect as of 2016 (these amounts are taken from a table prepared by the IRS and may be updated from year to year):

2016 SS Covered Compensation Table		
Year of Birth	Annual SS Covered Compensation	Monthly SS Covered Compensation
1937	\$39,000	\$3,250
1938 - 1939	\$45,000	\$3,750
1940	\$48,000	\$4,000
1941	\$51,000	\$4,250
1942	\$54,000	\$4,500
1943	\$57,000	\$4,750
1944	\$60,000	\$5,000
1945	\$63,000	\$5,250
1946 - 1947	\$66,000	\$5,500
1948	\$69,000	\$5,750
1949	\$72,000	\$6,000
1950	\$75,000	\$6,250
1951	\$78,000	\$6,500
1952 - 1953	\$81,000	\$6,750
1954	\$84,000	\$7,000
1955 - 1956	\$90,000	\$7,500
1957	\$93,000	\$7,750
1958-1959	\$96,000	\$8,000
1960 – 1961	\$99,000	\$8,250
1962	\$102,000	\$8,500
1963 – 1964	\$105,000	\$8,750
1965 – 1967	\$108,000	\$9,000
1968 – 1969	\$111,000	\$9,250
1970 – 1973	\$114,000	\$9,500
1974 – 1978	\$117,000	\$9,750
1979 and Later	\$118,500	\$9,875

To determine the Monthly Social Security Covered Compensation value to use in the FAP benefit formula, look-up the value associated with your year of birth in the appropriate Covered Compensation table. For example, if you were born in 1947, the Monthly SS Covered Compensation amount would be \$5,500 in the table above. This table will be adjusted annually by the IRS so projected SS Covered Compensation amounts will be used for pension estimates of benefits payable in the future.

FINAL AVERAGE PAY (FAP) FORMULA EXAMPLE

- Age: 65 Vesting Service at Termination: 26
- Benefit Service at 12/31/2010: 18
- Final Average Pay*: \$80,000 (\$6,666.67 monthly).
- SS Covered Compensation: \$66,000 (\$5,500 monthly)**

$$\begin{aligned}
 & (1.1\% \times \$6,666.67) \times 18 \\
 & \quad \text{plus} \\
 & 0.5\% \times (\$6,666.67 - \$5,500) \times 18 \\
 & \quad \text{equals} \\
 & \mathbf{\$1,425 \text{ per month payable at age 65} ***}
 \end{aligned}$$

* 36 months of consecutive pay that produces the highest average during the 10 year period ending on termination.

**The assumption of SS Covered Compensation in this example is based on prior SS Covered Compensation tables.

*** Payment shown is equal to a single life annuity paid over your lifetime starting at age 65 – other payment options are available, including a lump-sum.

Cash Balance Benefit Component (for service after 2010)

For employees who continue in eligible employment with the Company for years after 2010, you will earn a Cash Balance benefit under the Plan. The Cash Balance is a “notional account” that is set up in your name. You do not make any contributions to the account – Tesoro makes all contributions.

Tesoro keeps track of your account balance, expressed as a lump sum, so you can see how your Cash Balance account grows over time.

Under the Cash Balance, your account balance is credited with Pay Credits and Interest Credits on a quarterly basis. At any given time, the value of your Cash Balance benefit is equal to the sum of all your Pay Credits and Interest Credits.



Pay Credits

Pay credits will be credited to your Cash Balance account at the end of each calendar quarter based on a percentage of the eligible compensation you receive during each quarter.

Eligible compensation for determining Pay Credits uses the same definition of compensation as is used to determine your Final Average Pay benefit. Generally, this is inclusive of base pay, overtime and normal bonuses but excludes certain types of pay. Reference the compensation definition within the “Final Average Pay (FAP) Benefit Component” section for more detailed information on what is considered eligible compensation.

The percentage that will be used to determine your Pay Credits each quarter will be based on your age (in whole years) at the end of each calendar quarter as follows:

Age at End of Quarter	Percentage of Pay Contributed to Account
Less than 30	4.5%
30 to 39	5.5%
40 to 49	6.5%
50 to 59	7.5%
60 and over	8.5%

If you separate from Tesoro in the middle of a quarter, you will receive a Pay Credit for that quarter based on your eligible pay received through your last day with the Company.

Interest Credits

In addition to quarterly Pay Credits, Tesoro provides quarterly Interest Credits to your Cash Balance account. Effective with the first quarter of 2013, the Interest Credits are based on the greater of: the 10-year U.S. Treasury rate, or the 30-year U.S. Treasury rate, with a minimum interest crediting rate of 3%. Here is how the quarterly Interest Credit is determined:

1. First, you must determine the annual interest rate to use to calculate the quarterly Interest Credit. The quarterly Interest Credit is based on the average of the 10-year U.S. Treasury Bond interest rates or the 30-year U.S. Treasury Bond interest rates, whichever is higher, for the fourth month preceding the beginning of the calendar quarter for which you are receiving the credit (see “About the Interest Rate Used” for detail on looking up the applicable rate). The minimum annual interest rate is 3%.
2. Once you determine the annual interest rate to use, you must convert it to a quarterly interest crediting rate by using the following formula:

Quarterly Interest Crediting Rate = $((1 + \text{Annual Interest Rate})^{(1/4)} - 1$

For example, if the annual interest rate is 3.5%, the formula to convert to a quarterly rate = $(1.035)^{(1/4)} - 1 = 0.00864$

3. Once you have determined the Quarterly Interest Crediting Rate, you can determine the actual quarterly Interest Credit by multiplying the quarterly interest credit rate from # 2 above by your account balance as of end of the previous quarter. For example, to calculate the Interest Credit for the 3rd quarter (9/30), assuming the value of your Cash Balance account at the end of the prior quarter (6/30) is \$10,000, and the quarterly interest credit rate is 0.00864 (see above example), your 3rd quarter Interest Credit for Sept. 30 is \$86.37.

Quarterly Interest Credit Rate	x	The value of your Cash Balance as of the end of the previous quarter	=	Your Quarterly Interest Credit
0.00864	x	\$10,000	=	\$86.37

Interest is credited to your account effective on the last day of a calendar quarter. **Note that interest is not credited on Pay Credits allocated during the same quarter.**

Interest Credits after you terminate employment – If you terminate employment with a vested benefit but don’t elect to receive your pension, Interest Credits will continue to be credited to your Cash Balance until you elect to receive your benefit.

Interest Credits for partial quarters – If you elect to receive your benefit prior to the end of a calendar quarter, you will still be credited with interest for the number of months in the quarter up to the date you elect to commence your benefit divided by 3.

For example, if you elect to receive your benefit on September 1, you will receive interest for 2 of the 3 months in the quarter (July and August). To calculate the Interest Credit, take the interest formula result from #2 above and multiply the result by 2/3 to determine the prorated Interest Credit for the quarter. Similarly if you elected to receive your benefit on August 1, you would be credited with 1 month of interest so the result of the formula would be multiplied by 1/3.

About the Cash Balance Interest Rate Used

The interest crediting rate for Cash Balance Interest Credits is based on the 10-year Treasury bond rate or the 30-year Treasury bond rate which are published by the Federal Reserve. These rates can be found at the following link – <http://www.federalreserve.gov/releases/h15/data.htm>. Rates are generally published several days after the end of each month.

Interest Credits are based on the rate in effect for the fourth month preceding the beginning of the calendar quarter for which you are receiving the credit. To determine which rate is used for each quarter, refer to the following table:

Which Interest Rate is Used?	
To determine the interest rate for...	Use the rate from the previous...
1st Quarter – March 31	September
2nd Quarter – June 30	December
3rd Quarter – September 30	March
4th Quarter – December 31	June

* To find the applicable interest rate, on the Federal Reserve website, under “Historical Data”, scroll down towards the middle of the page and find the Treasury Constant Securities section and click on the “monthly” link within the 10-year row and the 30-year row. The link will open a spreadsheet with historical monthly rates. Scroll down the list of rates to find the one to use for the particular quarter – For example, to look up the rate in effect for the calendar quarter ending September 2013, you would need to find the 2013-09 row and select the rate specified for the previous March. Refer to the table above to determine what interest rate is used for a particular quarter.

Cash Balance Example

Below is an example of how the Cash Balance would be determined for 2012 and 2013 for a hypothetical employee based on the following assumptions:

- DOB – 7/15/1962
- Base pay – \$75,000 per year (\$18,750/quarter) effective 1/1/2012
- Pay Increase – 3% paid in March 2013
- Bonus – 10% target paid in March both years
- Interest Crediting rate – for illustration purposes, assume rates are equal to the ones listed in the table for each quarter. Actual interest crediting rates will vary based on the applicable 10-Year or 30-Year Treasury rates.

Quarter End	Pay Credit			Interest Credit				Cash Balance
	Age	Eligible Pay	%	Pay Credit	Annual Interest Rate	Quarterly Interest Rate	Interest Credit	
03/31/2012	49	\$26,250	6.5%	\$1,706	3.00%	0.00742	\$0	\$1,706
06/30/2012	49	\$18,750	6.5%	\$1,219	2.75%	0.00681	\$12	\$2,937
09/30/2012	50	\$18,750	7.5%	\$1,406	2.80%	0.00693	\$20	\$4,363
12/31/2012	50	\$18,750	7.5%	\$1,406	3.20%	0.00791	\$35	\$5,804
03/31/2013	50	\$27,038	7.5%	\$2,028	3.50%	0.00864	\$50	\$7,882
06/30/2013	50	\$19,313	7.5%	\$1,448	3.75%	0.00925	\$73	\$9,403
09/30/2013	51	\$19,313	7.5%	\$1,448	4.00%	0.00985	\$93	\$10,944
12/31/2013	51	\$19,313	7.5%	\$1,448	3.80%	0.00937	\$103	\$12,495

WHEN YOU CAN RECEIVE YOUR BENEFIT

When you terminate employment, you are eligible to receive your vested pension benefit (FAP and Cash Balance) as of the first day of any month following your termination date. You may defer receipt of your pension up to the later of normal retirement age or the first of the month immediately following your termination date.

Normal Retirement

If your employment ends on or after your 65th birthday (or, if later, the third anniversary of the date on which you commenced participation in the Plan)(i.e. your Normal Retirement Date), you must begin receiving your pension benefit on the first day of the month after your termination of employment subject to normal delays in completing and returning the required election paperwork.

Adjustments for Early Commencement Prior to Age 65

Final Average Pay (FAP) Benefit Component:

- The FAP benefit component formula as outlined in the “How your Benefit is Calculated” section produces an annuity payable over your lifetime starting at age 65. However, if you terminate employment and elect to receive your benefit prior to age 65, the FAP benefit component will need to be adjusted by an early commencement adjustment factor based on your age when you commence your benefit to account for the fact that you are receiving your benefit early (i.e. prior to the Plan’s normal retirement age of 65).
- **80 Point Early Retirement Eligible** – if at your termination date you are at least age 50 and the sum of your age and Vesting Service at termination is greater than or equal to 80, you qualify for 80 Point Early Retirement. Under this definition, you are eligible for an unreduced FAP benefit at age 60. If you commence your benefit prior to age 60, there is a 5% reduction for every year you commence your benefit prior to age 60.
- **55 & 5 Early Retirement Eligible** – if you are age 55 with at least 5 years of Vesting Service at termination but do not qualify for 80 Point Early Retirement, you are eligible for 55 & 5 Early Retirement. Under this definition you are eligible for an unreduced FAP benefit at age 62. If you commence prior to age 62, there is a reduction for every year you commence your benefit prior to age 62 down to age 55.
- **Term Vested Benefit Eligible** – if you terminate from service and are vested in your benefit (i.e. you have completed 3 years of Vesting Service) but do not meet the 80 Point Early Retirement or the 55 & 5 Retirement definitions, you are eligible for a Term Vested Benefit. Under this definition, you are eligible to commence your benefit but your FAP benefit will be reduced by an actuarial equivalent adjustment factor based on your age at the time you receive your benefit with no early retirement subsidy.

Below is a summary of the early adjustment factors applied to the FAP benefit component if you commence your pension benefit prior to age 65.

Age at Your Payment Date	Factors to Apply to the Result of FAP Benefit Formula		
	80 Point Early Retirement Eligible	55 & 5 Early Retirement Eligible	Term Vested Benefit Eligible
65	100.0%	100.0%	100.0%
64	100.0%	100.0%	90.1%
63	100.0%	100.0%	81.4%
62	100.0%	100.0%	73.6%
61	100.0%	92.8%	66.7%
60	100.0%	85.7%	60.6%
59	95.0%	78.6%	55.1%
58	90.0%	71.4%	50.2%
57	85.0%	64.3%	45.8%
56	80.0%	57.1%	41.8%
55	75.0%	50.0%	38.2%
54	70.0%	N/A	35.0%
53	65.0%	N/A	32.1%
52	60.0%	N/A	29.4%
51	55.0%	N/A	27.0%
50	50.0%	N/A	24.8%
< 50	N/A	N/A	Actuarial Equivalent Factor

* Age is calculated based on completed years and months at requested benefit commencement date (BCD). Factors for non-whole year ages are determined by interpolation between whole years. For example, the 80 Point Eligible factor for a person age 57 and 6 months would be 87.5%.

Cash Balance Benefit Component

There is no adjustment to your Cash Balance benefit component if you commence your benefit prior to age 65. You will receive the full value of your Cash Balance account as of the date of your requested commencement regardless of your age at termination.

Working Past Normal Retirement Age

If you terminate employment after you reach normal retirement age under the Plan (see preceding provisions of this Section "When You Receive Your Benefit"), your pension benefit will be determined using service, pay and all other components within the formulas as of your final termination date with the company. Since your service and pay after normal retirement age are taken into account, there is no other adjustment for working past normal retirement age.

Payment after Normal Retirement Age for Terminated Vested Participants

If you terminate employment prior to normal retirement age and do not receive your benefit by your normal retirement date (first of the month following your age 65 date), you will not be entitled to retroactive payments back to your normal retirement date. Instead, your benefit will be actuarially increased to take into account the later commencement of your payments.

Required Beginning Date

Once your employment ends with Tesoro, the Plan generally requires you to receive your benefit by the later of 1) your normal retirement date or 2) the first of the month following your termination date (subject to normal administrative delays for completing required paperwork).

In all circumstances, federal law requires that your benefit payments must begin no later than April 1 of the year after the later of the date you attain age 70-1/2, or your termination date.

For example, if you terminated from Tesoro at age 67, you must commence your benefit by the first day of the next month, subject to normal delays in completing and returning the required election. A delay may not, however, postpone commencement of your benefits beyond your required beginning date (as defined above). If you fail to commence your benefits in accordance with the required minimum distribution rules, a 50% excise tax may be imposed by the IRS.

Note the required minimum distribution rules may apply also to payments made to your beneficiaries following your death. Contact the Pension Center for additional detail.

METHODS OF PAYMENT

You may generally choose to have your retirement income paid under any one of seven different optional forms. Generally, the more protection provided to your designated beneficiary in the event of your death, the more of a reduction there will be in the value of the annuity paid during your lifetime. This is a direct result of the additional protection you are purchasing for your beneficiary. This adjustment makes the total value of your retirement benefits equivalent no matter what option you choose (see the Relative Value section below).

If you are married, the Plan is required to offer a Qualified Joint & Survivor Annuity (QJSA) as the normal payment option. A QJSA is a form of annuity payment that provides a benefit to you and your spouse. The QJSA under the Plan if you are married is the 50% Joint and Survivor Option with your spouse as beneficiary. If you are single, your qualified normal form of payment will be the Single Life Annuity. Listed below in this section are more detailed descriptions of all your available payment options.

If you are married, you may elect another form of payment other than the QJSA. In order to elect a form of payment other than the QJSA, federal law requires that you provide written and notarized spousal consent prior to your payment date. Spousal consent is required because your spouse must waive his/her right to the payments they could receive under the QJSA option. You also have the right to rescind your payment option election and elect the QJSA payment option, or any other payment option, at any time prior to the first payment. Specific details of these requirements will be provided in your Pension Election Kit once requested from the Pension Center.

Your seven payment options under the plan are:

Single Life Annuity Option (Lifetime Only Option)

Monthly retirement benefit to you for life with no benefits continuing after your death.

This form of payment is the **normal** form of payment for participants who are not married. It is an **optional** form of payment for married participants. You will receive monthly payments for as long as you live. After your death, all benefit payments will stop and no further benefit payments are due on your behalf.

10 Years Certain and Life Option

Monthly retirement benefit to you for life with a guaranteed payment period of 10 years (120 months).

This is an **optional** form of payment available to all participants. You will receive a reduced monthly retirement benefit for as long as you live. If you die prior to receiving the guaranteed payments, your designated beneficiary will receive the same monthly retirement benefit for the remainder of the guaranteed payment period. Upon the expiration of the guaranteed payment period, all benefits will stop and no further benefits will be due on your behalf. If both you and your designated beneficiary(ies) die before the end of the guaranteed period, the lump sum value of the remaining payments will be paid to the estate of the last to die of you and your designated beneficiary(ies). If you die after receiving the guaranteed payments, the benefit will cease and no benefit will be paid to anyone after your death. You can choose anyone as your beneficiary(ies) and can change your beneficiary(ies) at any time under this form of payment, even after you retire and begin receiving payments.

*Note, you are not permitted to elect this optional form of benefit if you are age 75 or older at the time of your benefit commencement date.

50% Joint and Survivor Option

Monthly retirement benefit to you for life with 50% of your benefit continuing to your beneficiary upon your death. You will receive a reduced monthly retirement benefit for as long as you live. Upon your death, your beneficiary (determined at the time of your benefit commencement) will receive 50% of your reduced monthly retirement benefit for life. If your beneficiary predeceases you, your retirement benefit will not be changed and no benefits will be payable after your death.

*Note, this form of payment is the **normal** form of payment for married participants.

75% Joint and Survivor Option

This is an **optional** form of payment available to all participants. You will receive a reduced monthly retirement benefit for as long as you live. Upon your death, 75% of the amount you were receiving will continue to your designated beneficiary upon your death.

Upon the death of your beneficiary, no further benefits will be payable to any other person. If your designated beneficiary predeceases you, your retirement benefit will not be changed and no benefits will be payable after your death.

66 2/3% Joint and Contingent Option

Reduced monthly pension benefit payable to you as long as both you and your designated joint pensioner are living, and upon the first death, 66 2/3% of this reduced retirement income will be continued to the survivor, for the lifetime of the survivor.

66 2/3% Joint and Contingent with 10 Years Certain Option

Reduced monthly pension benefit payable to you as long as both you and your designated joint pensioner are living, and upon the first death, 66 2/3% of this reduced retirement income will be continued to the survivor, for the lifetime of the survivor. If both you and your designated joint pensioner die before payments have been made for 10 years, the reduced retirement income will be paid to your contingent beneficiary for the remainder of the same 10-year period. Since the 10 Years Certain benefit permits other contingent beneficiaries, you may designate a new contingent beneficiary for the 10 Years Certain Option at any time during the first 10 years this option is being paid.

Lump Sum

In lieu of monthly benefits, you will receive your entire benefit in a single lump sum payment. After this payment is made, no additional benefits are payable to you. The value of your Lump Sum payment is based on your age and the current interest rate in effect during the year of your benefit commencement date.

Automatic Lump Sum – No Election

If the lump sum value of your benefit (FAP benefit + Cash Balance benefit) is less than \$1,000, you will automatically receive a lump sum distribution.

Rollover of Lump Sum Payments

In the event that your benefits are distributed in a lump sum payment, you will receive forms that will allow you to elect to rollover the distribution to another qualified retirement plan or individual retirement account.

PENSION CALCULATION EXAMPLES

Here are some examples that illustrate how the benefit is calculated under the Plan.

Example 1 – Normal Retirement

Ellen is retiring at age 65 with 25 years of Vesting Service on December 22, 2015. On December 31, 2010, she had 19 years of Benefit Service. Her Final Monthly Compensation is \$6,000, and her assumed Monthly Covered Compensation will be \$5,372. It is also assumed that Ellen also has a Cash Balance benefit in the amount specified below. Ellen's retirement benefit options will look like this:

1.	Final Average Pay Benefit Component (FAP):	
	1.1% x 19 years x \$6,000	\$1,254
	+ .5% x 19 years x \$628 (\$6,000 – \$5,372)	\$60
a.	Single Life Annuity at age 65	\$1,314
b.	Equivalent Lump Sum*	\$198,295
2.	Cash Balance Benefit Component:	
a.	Equivalent Single Life Annuity**	\$42
b.	Lump Sum	\$6,409
	Total Benefit Options at 1/1 (1 + 2):	
a.	Monthly Single Life Annuity*** (\$1,314+\$42)	\$1,356
b.	Lump Sum (\$198,295+\$6,409)	\$204,704

Ellen is eligible for a monthly annuity benefit of \$1,356 a month or she may elect a one-time lump sum payment of \$204,704.

* Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

**Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

***Other annuity options available.

Example 2 – 55 & 5 Early Retirement Eligible

George is retiring at age 55 with 10 years of Vesting Service on June 8. On December 31, 2010, he had 8.5 years of Benefit Service. His Final Monthly Compensation is \$4,044, and his assumed Covered Compensation is \$7,525. George is eligible for the regular early retirement by meeting the age 55 with 5 years of service requirements. At this age, he will receive 50% of the FAP benefit amount otherwise payable at age 65. It is also assumed that George also has a Cash Balance benefit in the amount specified below. George's retirement benefit will look like this:

1.	Final Average Pay Benefit Component (FAP):	
	1.1% x 8.5 years x \$4,044	\$378
	+ .5% x 8.5 years x \$0* (\$4,044 – \$7,525)	\$0
	Single Life Annuity payable at age 65	\$378
	x Early Retirement Factor	50%
a.	Single Life Annuity at age 55	\$189
b.	Equivalent Lump Sum**	\$34,359
2.	Cash Balance Benefit Component:	
a.	Equivalent Single Life Annuity***	\$31
b.	Lump Sum	\$5,614
	Total Benefit Options at 7/1 (1 + 2):	
a.	Single Life Annuity**** (\$189 + \$31)	\$220
b.	Lump Sum (\$34,359 + \$5,614)	\$39,973

George is eligible for an annuity benefit of \$220 a month or he may elect a one-time lump sum payment of \$39,973.

*The difference between Final Monthly Compensation and Covered Compensation may not be less than zero.

** Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

***Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

****Other annuity options available.

Example 3 – 80-Point Early Retirement Eligible

Michael is retiring at age 55 with 30 years of Vesting Service on April 30. On December 31, 2010, he had 25.66667 years of Benefit Service. His Final Monthly Compensation is \$8,414, and his assumed Covered Compensation will be \$8,269. Michael is eligible for the enhanced early retirement because he is older than age 50 at the time of his retirement and his service plus age totals more than 80 points (55+30=85). At this age, he will receive 75% of the FAP benefit that would otherwise be payable at age 65. It is also assumed that Michael also has a Cash Balance benefit in the amount specified below. Michael's early retirement benefit will look like this:

1. Final Average Pay Benefit Component (FAP):	
1.1% x 25.66667 years x \$8,414	\$2,376
+ .5% x 25.66667 years x \$145 (\$8,414 – \$8,269)	\$19
Single Life Annuity payable at age 65	\$2,395
x Early Retirement Factor	75%
a. Single Life Annuity at age 55	\$1,796
b. Equivalent Lump Sum*	\$326,736
2. Cash Balance Benefit Component:	
a. Equivalent Single Life Annuity**	\$186
b. Lump Sum	\$33,757
Total Benefit Options on 5/1 (1 + 2):	
a. Single Life Annuity*** (\$1,796 + \$186)	\$1,982
b. Lump Sum (\$326,736 + \$33,757)	\$360,493

Michael is eligible for an annuity benefit of \$1,982 a month or he may elect a one-time lump sum payment of \$360,493.

* Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

**Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

***Other annuity options available.

Example 4 – Term Vested Commencement Eligible

Tom is terminating at age 45 with 5.91667 years of Vesting Service on March 31. His Benefit Service as of December 31, 2010 was 4.66667 years. His Final Monthly Compensation is \$7,431, and his assumed Covered Compensation will be \$8,697. Tom does not qualify for any enhanced early retirement provisions but does have a vested benefit in the Plan. It is also assumed that Tom also has a Cash Balance benefit in the amount specified below. Tom's retirement benefit at age 45 will look like this:

1. Final Average Pay Benefit Component (FAP):	
1.1% x 4.66667 years x \$7,431	\$381
+ .5% x 4.66667 years x \$0* (\$7,431 – \$8,697)	\$0
Single Life Annuity payable at age 65	\$381
x Early Retirement Factor	16.439%
a. Single Life Annuity at age 45	\$63
b. Equivalent Lump Sum**	\$15,765
2. Cash Balance Benefit Component:	
a. Equivalent Single Life Annuity***	\$38
b. Lump Sum	\$7,768
Total Benefit Options at 4/1 (1 + 2):	
a. Single Life Annuity**** (\$63 + \$38)	\$101
b. Lump Sum (\$15,765 + \$7,768)	\$23,533

At age 45, Tom is eligible for an annuity benefit of \$101 a month or he may elect a one-time lump sum payment of \$23,533.

*The difference between Final Monthly Compensation and Covered Compensation may not be less than zero.

** Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

***Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

****Other annuity options available.

Example 5 – Cash Balance Only (Hired after 2010)

James is terminating at age 41 with 7 years of Vesting Service on July 31, 2019. He was hired on July 14, 2012, and so his benefit is determined under the Cash Balance Benefit Component only. His starting annual salary was \$65,000. Based on these assumptions and the assumed interest rates described in the table below, James' Cash Balance benefit payable from the Plan at age 41 will look like this:

Pay Credit				Interest Credit				Cash Balance
Quarter End	Age	Eligible Pay ¹	%	Pay Credit	Annual Interest Rate ²	Quarterly Interest Rate	Interest Credit	
9/30/2012	34	\$16,250	5.50%	\$894	2.80%	0.00693	\$0	\$894
12/31/2012	34	\$16,250	5.50%	\$894	3.20%	0.00791	\$7	\$1,795
3/31/2013	34	\$23,433	5.50%	\$1,289	3.50%	0.00864	\$16	\$3,099
6/30/2013	34	\$16,738	5.50%	\$921	3.75%	0.00925	\$29	\$4,048
9/30/2013	35	\$16,738	5.50%	\$921	4.00%	0.00985	\$40	\$5,009
12/31/2013	35	\$16,738	5.50%	\$921	3.80%	0.00937	\$47	\$5,976
3/31/2014	35	\$24,135	5.50%	\$1,327	3.00%	0.00742	\$44	\$7,348
6/30/2014	35	\$17,240	5.50%	\$948	2.75%	0.00681	\$50	\$8,346
9/30/2014	36	\$17,240	5.50%	\$948	2.80%	0.00693	\$58	\$9,352
12/31/2014	36	\$17,240	5.50%	\$948	3.20%	0.00791	\$74	\$10,374
3/31/2015	36	\$17,757	5.50%	\$977	3.50%	0.00864	\$90	\$11,440
6/30/2015	36	\$17,757	5.50%	\$977	3.75%	0.00925	\$106	\$12,523
9/30/2015	37	\$17,757	5.50%	\$977	4.00%	0.00985	\$123	\$13,623
12/31/2015	37	\$17,757	5.50%	\$977	3.80%	0.00937	\$128	\$14,727
3/31/2016	37	\$25,606	5.50%	\$1,408	3.00%	0.00742	\$109	\$16,245
6/30/2016	37	\$18,290	5.50%	\$1,006	2.75%	0.00681	\$111	\$17,361
9/30/2016	38	\$18,290	5.50%	\$1,006	2.80%	0.00693	\$120	\$18,488
12/31/2016	38	\$18,290	5.50%	\$1,006	3.20%	0.00791	\$146	\$19,640
3/31/2017	38	\$18,838	5.50%	\$1,036	3.50%	0.00864	\$170	\$20,846
6/30/2017	38	\$18,839	5.50%	\$1,036	3.75%	0.00925	\$193	\$22,075
9/30/2017	39	\$18,839	5.50%	\$1,036	4.00%	0.00985	\$217	\$23,328
12/31/2017	39	\$18,839	5.50%	\$1,036	3.80%	0.00937	\$219	\$24,583
3/31/2018	39	\$27,165	5.50%	\$1,494	3.00%	0.00742	\$182	\$26,259
6/30/2018	39	\$19,404	6.50%	\$1,261	2.75%	0.00681	\$179	\$27,699
9/30/2018	40	\$19,404	6.50%	\$1,261	2.80%	0.00693	\$192	\$29,153
12/31/2018	40	\$19,404	6.50%	\$1,261	3.20%	0.00791	\$231	\$30,644
3/31/2019	40	\$27,980	6.50%	\$1,819	3.50%	0.00864	\$265	\$32,728
6/30/2019	40	\$19,986	6.50%	\$1,299	3.75%	0.00925	\$303	\$34,330
9/30/2019	41	\$19,986	6.50%	\$1,299	4.00%	0.00985	\$338	\$35,967

Total Benefit Options at 8/1:

- a. Monthly Single Life Annuity* **\$173**
- b. Lump Sum **\$35,967**

At age 41, James is eligible for an annuity benefit of \$173 a month or he may elect a one-time lump sum payment of \$35,967. Note that if James was to wait to take a distribution of his Cash Balance benefit, he would continue to receive quarterly Interest Credits to his Cash Balance account.

Note: For illustration purposes, assumes base pay is \$65,000, 10% bonuses paid in March of 2013, 2014, 2016, 2018, and 2019, and annual pay increases of 3% starting in March. In addition, the calculation assumes Annual Interest Rates are equal to the rates listed in the table for illustration purposes only. Actual rates will vary based on the applicable Treasury rate in effect for the quarter.

*Other annuity options available.

DEATH BENEFITS

Death while an Active Employee

If while employed by Tesoro you die after you have completed three or more years of Vesting Service, the Plan provides a survivor benefit payable to your beneficiary equal to the following:

Survivor Pension Benefit = FAP Survivor Payment + Cash Balance

- **FAP Survivor Payment** – value of the monthly annuity that would have been payable had the participant terminated employment on the date immediately preceding the date of his death, elected a 100% Joint & Survivor annuity, and died the next day.
- **Cash Balance** – value of the full Cash Balance benefit as of the benefit commencement date.

Form of Payment

- For spouse beneficiaries, the payment can be made as either a lump sum or an annuity payable over the spouse's lifetime.
- For non-spouse beneficiaries, the form of payment will automatically be paid in the form of a lump sum (calculated as if the beneficiary was the same age as the Participant).

Death after Termination of Employment but Before Commencement of Benefits

If you die after terminating employment but prior to commencing your benefit, your beneficiary will be entitled to a survivor pension based on the same methodology as outlined in the above section "Death while an Active Employee" but based on the pension benefit you earned through your termination date.

Death after Commencement of Benefits

If you die after you have commenced your benefit, your spouse or other designated beneficiary may receive a benefit upon your death if you elected an annuity with a continuing payment following your death.

Reference the "*Methods of Payment*" section for more information on the various annuity options.

If you commenced your benefit in the form of a lump sum, no other benefit is payable after your death.

NAMING OR CHANGING YOUR BENEFICIARY DESIGNATION

Because the Plan may pay benefits following your death, you should designate a beneficiary. To initially designate a beneficiary or change a previously submitted designation, access the Pension Web Site at www.tsocorp.com/pension or contact the Pension Center and complete the Tesoro Retirement Plan Designation of Beneficiary form. If you are married and choose someone other than your spouse as a beneficiary of your pension benefit, this designation must include your spouse's approval of the beneficiary in writing (affixed spousal signature and notarized). If you fail to name a Beneficiary, the Plan provides for the beneficiary to be determined in accordance with the following priority:

1. Surviving spouse (if any)
2. Surviving children or children of deceased children (per stirpes, by right of representation)
3. Surviving parents
4. Surviving brothers and sisters, and nieces and nephews who are children of deceased brothers and sisters (per stirpes, by right of representation).
5. The Estate of the deceased participant

DISABILITY BENEFIT

If you become entitled to a benefit under Tesoro's Group Long Term Disability (LTD) Plan as a result of your total and permanent disability, you will continue to earn a benefit under the Tesoro Retirement Plan until the earlier of the date your LTD coverage expires and the date your employment with Tesoro is officially terminated.

The benefit you will earn while you are receiving LTD benefits will be determined in the same manner as it would normally be determined, but assumes you remain in active employment with Tesoro and assumes your rate of eligible compensation in place as of the date of your disability continues through your final termination date (or your LTD coverage expires, if applicable).

If it is determined at a later date that you are no longer disabled and you do not return to work at Tesoro, you will stop earning a benefit under the Plan.

Generally your disability benefit will be determined as of the date on which your employment from the company is officially terminated and is payable at your Normal Retirement Date or, if earlier, upon your election, any first of the month following your actual termination of employment with Tesoro.

Please contact the Pension Center for specific detail on this benefit.

RE-EMPLOYMENT WITH TESORO

Below are the general rules for how your benefit is impacted if you terminate from the Company and are subsequently rehired:

- Type of benefit to which you are entitled:
- If you are rehired on or after January 1, 2011, you will begin earning a Cash Balance benefit only for service performed after your rehire date. Your FAP benefit component (if applicable) will be determined as of your original termination date (based on the rules described below) and will not be recalculated at your final termination date. Remember, the FAP benefit will never include service performed after December 31, 2010. Your service used to determine whether you qualify for early retirement (80 Points and 55 & 5) for the FAP benefit component will also be determined according to the rules summarized in the section below.
- If you are rehired before January 1, 2011, your benefit will be calculated as normal (FAP for service through December 31, 2010 plus a Cash Balance for service after 2010) but your Benefit Service and Vesting Service used to determine those components will be adjusted based on the rules summarized in the section below.
- How your Benefit is determined following reemployment:

Non-Vested Participants

- If you are reemployed before you have incurred five (5) consecutive breaks in service, then, for purposes of your FAP benefit, you will be entitled to the Vesting and Benefit Service you had at your prior termination of employment. You will also be entitled to your Cash Balance benefit, if any, including any applicable Vesting Service, as of the date of your prior termination of employment, along with all Interest Credits made to your account through the date of your reemployment. Future accruals under the Plan will be based solely on Contribution Credits and Interest Credits to your Cash Balance account.
- If you are reemployed after you have incurred five (5) consecutive breaks in service, you will forfeit all Vesting and Benefit Service previously credited to you. In addition, you will forfeit your prior Cash Balance account (including any Interest Credits made to your account through your date of reemployment). Future benefits under the Plan will be based solely on Contribution Credits and Interest Credits to your Cash Balance account made following your reemployment.

Vested Participants

- You will be entitled to the Vesting Service you earned prior to your termination. As a result, you will continue to be vested in your prior benefits under the Plan and will be 100% vested in benefits earned following your reemployment.

- If you have not commenced payments of your Benefit under the Plan, you will remain entitled to your FAP benefit. You will also be entitled to your Cash Balance benefit, if any, as of the date of your prior termination of employment, along with all Interest Credits made to your account through the date of your reemployment. Future accruals under the Plan will be based solely on Contribution Credits and Interest Credits to your Cash Balance account following your reemployment.
 - If you have commenced receiving annuity payments of your Benefits under the Plan, you will continue to receive uninterrupted monthly annuity payments following your reemployment with the Company. Future accruals under the Plan will be based solely on Contribution Credits and Interest Credits to your Cash Balance account following your reemployment.
 - If you received a lump sum distribution of your Benefits under the Plan, future benefits under the Plan will be based solely on Contribution Credits and Interest Credits to your Cash Balance account following your reemployment.
- Timing of Participation Following Reemployment:
 - If you were a Participant on the date of your prior termination of employment, you will commence participation in the Plan immediately upon your reemployment.
 - If you were not a Participant on the date of your prior termination of employment, you will commence participation in the Plan upon your reemployment or, if later, the first entry date following your satisfaction of the applicable service requirements. (see “Participation and Vesting” section for more details)

BREAK IN SERVICE

A “break in service” refers to a 12-consecutive month period beginning on the date of your severance from employment during which you are not employed by the Company at any time. For example, a Participant who terminates employment on January 15, 2012 and who does not provide any services to the Company for the 12-month period beginning on such date will incur a one-year break in service on January 15, 2013. If such Participant continues to not provide any services for the Company, he will incur a five-year break in service as of January 15, 2017. If such Participant terminated employment prior to completing 3 years of Vesting Service, then special rules apply to determine his benefit and Service upon reemployment. (see “Re-Employment with Tesoro (Non-Vested Participants)”, above, for an explanation of these rules)

LEAVES OF ABSENCE

Generally, if you are on an approved leave of absence, you will continue to accrue Vesting Service during your absence and you will not be treated as having experienced a severance from employment until the first anniversary of the date on which your leave of absence began. If, however, you fail to return to work on or before the first anniversary of the date on which your leave of absence began, you will be treated as having incurred a severance from employment as of such date. For example, a Participant who takes an approved leave of absence beginning on January 15, 2012 and who returns to work on or before January 15, 2013 will be credited with Vesting Service under the Plan during such period. In addition, if your leave of absence was a paid leave of absence, then such Participant will be entitled to Contribution Credits to his Cash Balance account during such absence. If, however, the Participant failed to return to work by January 15, 2013, he will be treated as having experienced a severance from employment on January 15, 2013. Accordingly, if that Participant fails to return to work for the 12-month period beginning on January 15, 2013, he will incur a one-year break in service on January 15, 2014. If such Participant continues to not provide any services for the Company, he will incur a five-year break in service as of January 15, 2018.

Note, however, that special rules apply to leaves of absence for maternity or paternity reasons. Under such circumstances, you will not be treated as having experienced a severance from employment until the second anniversary of the date on which your leave of absence began. You will not, however, be credited with Service for the period between the first and second anniversary of the date on which your leave of absence began. Assuming the same facts in the example above, except that the Participant’s leave of absence was for maternity or paternity reasons, such Participant would not experience a severance from employment until January 15, 2014, will not have a one-year break in service until January 15, 2015, and will not have a five-year break in service until January 15, 2019. The Participant would be credited with Vesting Service for the period commencing on January 15, 2012 and ending on January 15, 2013.

SOME IMPORTANT DEFINITIONS

The Tesoro Corporation Retirement Plan is governed by a legal plan document. In describing the Plan, every effort was made to use non-legal terms and phrases that are in easy-to-understand language. The following are definitions of terms that are referenced within the Summary Plan Description (SPD):

Actuary

A business professional who works with the Company to establish values and overall obligations of the plan, including required contributions the company must contribute to the pension trust to meet federal requirements.

Alternate Payee

The spouse or former spouse of a Tesoro employee or former employee, as defined by federal law, who is eligible to receive pension payments from the Plan as the result of a Qualified Domestic Relations Order (QDRO).

Benefit Service

Benefit Service is used to calculate the Final Average Pay (FAP) benefit component with the plan. Reference the “Service” section for how benefit service is determined and used within the FAP formula.

Compensation

Compensation over your working career is used to calculate your benefit under the Plan for both the FAP and Cash Balance benefit components. Please reference the “How your Benefit is Calculated” section for detail on what makes up eligible compensation and how it’s used to determine your benefit.

Contributions to the Plan

Tesoro makes contributions to the Tesoro Corporation Retirement Plan Trust in order to pay benefits. The Plan’s actuary determines the contributions that must be made to the Plan to comply with applicable Federal pension law. In the event that contributions are not sufficient to satisfy required funding levels, you may be restricted from receiving a lump sum distribution of your benefits.

Tesoro Corporation Retirement Plan Trust

The assets within the Tesoro Corporation Retirement Plan Trust are used to pay benefits and hold assets used to fund future obligations under the Plan. Under the Trust Agreement, the funds are held and invested by the Trustee. Plan benefits are paid directly from the Trust Fund and are held separate and distinct from the overall assets of the Company. The trust is not subject to the creditors of the Company.

Amendment or Termination of the Plan

Tesoro Corporation sponsors the Plan to provide retirement benefits for Tesoro employees. Tesoro reserves the right to amend or terminate the Plan at any time and for any reason.

Social Security Covered Compensation

This is a benefit component used to determine your FAP benefit component. Please reference the “How your Benefit is Calculated” for detail.

Vesting Service

Your Vesting Service is used to determine whether or not you will be entitled to benefits when you leave the Company. It is also used to determine whether you are eligible for early retirement benefits. Please reference the “Service” section of the SPD for detail on how it’s calculated.

MISCELLANEOUS

Accrued Benefits

The Company reserves the right to amend all or any part of the Plan at any time. However, no change will deprive you of any rights guaranteed to you under Federal law. Accordingly, any benefits accrued by you under the Plan cannot be retroactively taken away or reduced by Plan amendments.

Qualified Domestic Relations Orders (QDRO's)

Your divorce decree may require you to split your Tesoro Retirement Plan benefit with your ex-spouse. Such settlements are called Domestic Relations Orders (DROs) and must be submitted to the Retirement Plan to determine if they qualify under Plan rules. DROs that qualify are then considered to be Qualified Domestic Relations Orders (QDROs).

For QDRO related information or questions, or to obtain a copy, free of charge, of the Plan's procedures for QDROs, call Tesoro's QDRO Services at (800) 349-5123.

Cash Outs

If the value of your vested retirement benefit is less than \$1,000 when you leave the company, you will automatically receive a lump sum distribution. Forms will be provided to you for your election to rollover the distribution or take it as a direct payment to you.

Statutory Limitations

The Internal Revenue Code, as amended, provides for certain limitations for the highly compensated participants of a qualified pension plan based on IRS rules. These limitations are constantly monitored by Tesoro to insure that these limits are not exceeded.

Top Heavy Rules

In the unlikely event that the Plan becomes "top heavy", certain non-key employees will receive a minimum contribution. The Plan is not considered Top Heavy.

How Benefits Can Be Lost or Delayed

This Plan has been put in place to provide benefits when you retire. However, you should realize that there are situations where no benefits will be paid or where they may be delayed. The most common situations are summarized as follows:

- No benefits will be paid if you terminate before you complete three years of Vesting Service.
- You will not receive benefits from the Plan until you (or your beneficiary) file an application for benefits through the Pension Center. The absence of an application for benefits will be treated as an election to defer payment of your benefits.
- Benefits will be delayed if you do not furnish information requested to complete or verify your application for benefits.
- Your benefit payments may be delayed or temporarily stopped if your address is not kept current.
- Benefits that may be due to your beneficiary can be lost or delayed if you do not provide their current name and address. The beneficiary's social security number will help locate the person if we do not have a current name and address.
- If the Plan is terminated, some benefits may not be paid. Trust assets will be allocated as provided by the Plan and applicable law.
- If a QDRO requires the Plan to set aside a portion of your benefit for payment to your ex-spouse or children, you (or your future spouse) will have no right to that portion of your benefit.

ADDITIONAL INFORMATION

This Plan is part of the compensation and benefits you receive from Tesoro for your contributions to the Company's continuing success. In addition to informing you about your employee benefits, this "Summary Plan Description" (SPD) is designed to meet disclosure requirements of a Federal law called the Employee Retirement Income Security Act of 1974 (ERISA). This SPD was written from the documents that legally govern the operations of the Plan. Although every attempt has been made to ensure that the SPD is accurate, the official documents will rule in case of any conflict in meaning.

As a participant in this Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.
- Receive a summary of the Plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtain a statement telling you whether you have a right to receive a pension at normal retirement age and if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing (unless otherwise stated in this SPD) and is not required to be given more than once every 12 months. There is no charge for this statement.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plans. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a State or Federal court but only if you have completed all of the steps necessary to request an appeal of your claim (see "General Claims Procedures"). In addition, if you disagree with a Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in Federal court but only if you have completed all of the steps necessary to request an appeal of your claim (see "General Claims Procedures"). If it should happen that plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

If you have any questions about the information presented here, you may also contact the Corporate Benefits Department or your local HR Service Team.

General Claims Procedures

A participant or beneficiary who feels he or she is being denied any benefit or right provided under the Plan shall have the right to file a written claim with the Plan Administrator. All such claims shall be submitted by the participant or beneficiary (or an authorized representative thereof) on a form provided by the Plan Administrator, which shall be signed by the claimant and shall be considered filed on the date the claim is received by the Plan Administrator.

In the event a claim for benefits is wholly or partially denied, the Plan Administrator shall notify the claimant of the Plan's adverse benefit determination within a reasonable period of time, but not later than ninety (90) days following receipt of the claim, unless the Plan Administrator determines that special circumstances require an extension of time for processing the claim and the Plan Administrator provides written notice to the claimant of such need for an extension prior to the termination of the initial 90-day period. Such notice shall indicate the special circumstances requiring an extension of time and the date (which can be no later than 90 days following the expiration of the initial 90-day period) on which the Plan Administrator expects to render the benefit determination.

Notice of an adverse benefit determination will be made in writing, and shall be delivered or mailed to the claimant by certified or registered mail to the claimant's last known address and shall contain the following:

- The specific reason or reasons for the denial of benefits;
- A specific reference to the pertinent provisions of the Plan upon which the denial is based;
- A description of any additional material or information which is necessary and an explanation of why such information is necessary; and
- An explanation of the review procedures and the time limits that apply; under these General Claims Procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

For these purposes, the period during which a benefit determination is required to be made is treated as having begun on the date the claim is filed in accordance with these General Claims Procedures, without regard to whether all information necessary to make a benefit determination has been included in the filing. In the event that a period for determining a claim has been extended in accordance with these General Claims Procedures due to the claimant's failure to submit information necessary to decide a claim, the period for making the benefit determination will be tolled from the date on which the notice of extension is sent to the claimant until the date on which the claimant responds to the request for additional information.

Within 60 days after receipt of notice of denial of benefits as provided above, the claimant (including any authorized representative) may appeal the initial benefit determination. Such appeal must be submitted in writing to the Plan Administrator. In conducting its review, the Plan Administrator shall consider all comments, documents and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Plan Administrator will give the claimant the opportunity to submit written documents, records and other information relating to the claim for benefits and will provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits.

Within a reasonable period of time following the Plan Administrator's receipt of an appeal, but not later than 60 days after such receipt (unless special circumstances require an extension and the claimant is timely notified of such extension), the Plan Administrator shall notify the claimant of its decision on review by delivery or by certified or registered mail to the claimant's last known address. If the Plan Administrator determines that an extension of time for processing the claim is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 60-day period. Such notice shall indicate the special circumstances requiring an extension of time and the date (which can be no later than 60 days following the expiration of the initial 60-day period) on which the Plan Administrator expects to render the benefit determination.

Notice of an adverse benefit determination on review will be made in writing, and shall be delivered or mailed to the claimant by certified or registered mail to the claimant's last known address and shall include the following:

- The specific reason or reasons for the denial of benefits;
- A specific reference to the pertinent provisions of the Plan upon which the denial is based;
- A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and
- A statement of the claimant's right to bring a civil action under Section 502(a) of ERISA.

The decision of the Plan Administrator shall be final and conclusive.

THE PENSION BENEFIT GUARANTY CORPORATION

Your pension benefits under this plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits.

The PBGC guarantee generally covers: (1) Normal and early retirement benefits; (2) disability benefits if you become disabled before the plan terminates; and (3) certain benefits for your survivors.

The PBGC guarantee generally does not cover: (1) Benefits greater than the maximum guaranteed amount set by law for the year in which the plan terminates; (2) some or all of benefit increases and new benefits based on plan provisions that have been in place for fewer than 5 years at the time the plan terminates; (3) benefits that are not vested because you have not worked long enough for the company; (4) benefits for which you have not met all of the requirements at the time the plan terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the plan's normal retirement age; and (6) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money your plan has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it guarantees, ask your plan administrator or contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000 (not a toll-free number). TTY/TTD users may call the federal relay service toll-free at 1 800-877-8339 and ask to be connected to 202-236-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's website on the Internet at <http://www.pbgc.gov>.

FUTURE OF THE PLAN

Tesoro expects and intends to continue sponsoring the employee benefits described in this Summary Plan Description, but reserves the right to amend or discontinue any or all parts at any time for any reason. In the event of termination of the Plan, your benefits under the Plan will become immediately 100% vested.

INTERPRETATION OF THE PLAN

Only the Plan Administrator is authorized to make administrative interpretations of the Plan and will do so only in writing. You should not rely on any representation, whether oral or in writing, which another person may make concerning provisions of the Plan and your entitlements under them.

IMPORTANT FACTS ABOUT THE PLAN

Plan Name

Tesoro Corporation Retirement Plan

Plan Sponsor

Tesoro Corporation
19100 Ridgewood Parkway
San Antonio, TX 78259
(210) 626-6000

Plan Administrator

Employee Benefits Committee
Tesoro Corporation
19100 Ridgewood Parkway
San Antonio, TX 78259
(210) 626-6000

The Committee has delegated its responsibility for the daily administration of the Plan to a third party administrator.

Tesoro Pension Center
c/o Buck Consultants
P.O. Box 14996
Cincinnati, OH 45250

Plan Funding

The plan is funded by employer contributions, which are held in a trust administered by the Plan Trustee.

Plan Trustee

The Northern Trust Company
50 South LaSalle St
Chicago, IL 60603

Other Employers Whose Employees Are Covered By The Plan

Upon written request to the Plan Administrator, a complete list of the employers participating in the Plan will be provided.

Collective Bargaining Agreements

The Plan permits employees covered by collective bargaining agreements to participate in the Plan in accordance with the terms of such agreements. The benefits provided to all Participants are determined in accordance with the terms of the Plan. A copy of the collective bargaining agreements may be obtained by participants and beneficiaries upon request and is available for inspection at the Plan Administrator's office.

Agent For Service Of Legal Process

General Counsel
Tesoro Corporation
19100 Ridgewood Parkway
San Antonio, TX 78259

Note: Legal process may also be served upon the Plan Trustee or Plan Administrator.

Plan Type

Defined benefit pension plan/cash balance plan.

Plan Number

The plan number is 001.

Employer Identification Number (EIN)

The EIN under which the documents and reports for this plan are filed with the U.S. Department of Labor is 95-0862768.

Plan Year

The plan year is a calendar year beginning January 1 and ending December 31.

TOLL-FREE NUMBERS

Tesoro Pension Center

If you have any questions about your Tesoro Retirement Plan benefits, you may call toll-free to speak to a Pension Center representative at (866) 981-3039 any Monday through Friday (excluding New York Stock Exchange holidays) between 9:00 am and 7:00 pm, Central time.

San Antonio Employee Benefits Department

Alternatively, if you have questions about your Tesoro Retirement Plan benefits, you may contact the Tesoro Employee Service Center at (866) 688-5465 or esc@tsocorp.com. You may also contact Human Resources, Thrift & Retirement Department at SAT-Thrift&Retirement@tsocorp.com.

APPENDIX A – SHELL ANACORTES REFINING COMPANY (SARC) PARTICIPANTS

This section applies only to SARC Participants.

A SARC is an employee or former employee of Tesoro who:

- as of August 1, 1998 (the date of the closing of Tesoro’s acquisition of the stock of SARC from Shell Oil Company) had five (5) or more years of vesting service credited under the Shell Pension Plan, and
- following the closing date, worked for Tesoro.

If you are a SARC Participant, the FAP benefit component of your retirement benefits will be determined in accordance with this Appendix. The Cash Balance Benefit component, if any, of your retirement benefit will be calculated in the same manner as other Tesoro employees. See “Cash Balance Benefit Component” Section for a detailed explanation on the Cash Balance benefit.

In this Appendix, you will find information about:

- **Eligibility for the TNC Mirror Benefit**
- **Calculation of the TNC Mirror Benefit**
- **Terms You Need to Know**
- **How You May Receive Your Benefit**
- **Example Calculations**

The generally applicable portion of the SPD continues to apply to SARC Participants, except with respect to the calculation of your FAP Benefit component, as further described in this Appendix A.

Eligibility for the Tesoro Northwest Company (TNC) Mirror Benefit

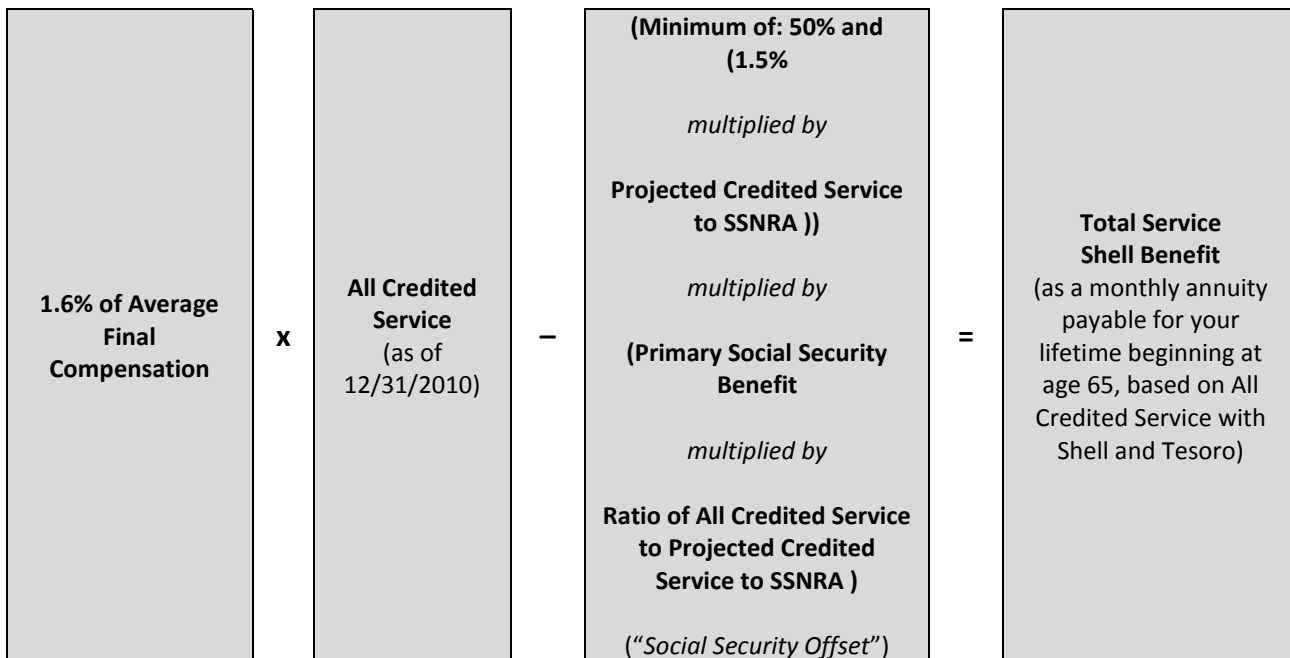
As a SARC Participant, you are automatically eligible for the TNC Mirror Benefit. The TNC Mirror Benefit is intended to provide you a benefit at least as favorable as the benefit you would have accrued under the Shell Pension Plan had you continued to work for Shell Oil Company using certain assumptions. Accordingly, the FAP Benefit component of your retirement benefits under the Tesoro Retirement Plan (your “SARC Benefit”) is equal to the greater of the TNC Mirror Benefit described under this Appendix and the Tesoro FAP Benefit that you would be entitled to under the general provisions of the Tesoro Retirement Plan. (See “Final Average Pay (FAP) Benefit Component” Section for a detailed explanation on the FAP benefit)

Note, however, that service performed after December 31, 2010 will not be taken into account in determining either the TNC Mirror Benefit or the Tesoro FAP Benefit.

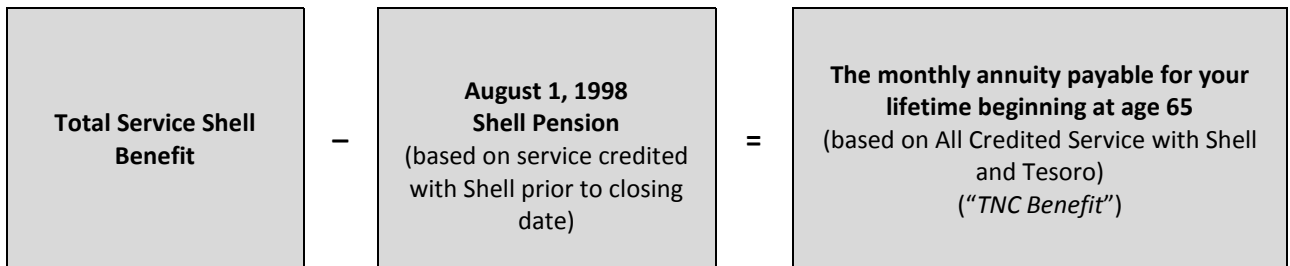
Additional Note: The SARC Benefit does not replace the benefit to which you may be entitled under the Shell Pension Plan or Social Security benefits. Those benefits are separate from the benefits you are eligible for under this Plan. You will need to apply to the Shell Pension Plan and/or the Social Security Administration for those benefits.

Calculation of the Tesoro Northwest Company (TNC) “Mirror” Benefit

The TNC Mirror Benefit is calculated first, by determining your “Total Service Shell Benefit,” as follows:



And, then by reducing such benefit by the amount of your Shell pension benefit, as follows:



Additional Explanations

1. Total Service Shell Benefit

Your Total Service Shell Benefit is calculated based on your benefit service under both the Tesoro Retirement Plan and the Shell Pension Plan. For each year of your combined benefit service, you accumulate a percentage of your Average Final Compensation (AFC), as described in the formula above.

Note: Although the formula calculates the monthly lifetime amount payable to you at age 65, you may be eligible to commence your pension benefits under this Plan earlier if you’ve met the age and service requirements. In such event, however, the amount of your pension benefits may be reduced.

2. All Credited Service

All Credited Service refers to your credited benefit service with both Shell and Tesoro. This means that your benefit is calculated by taking into account all benefit service credited under the Shell Pension Plan before August 1, 1998 and all Benefit Service credited under the Tesoro Retirement Plan until the earliest of the following dates:

- the date on which you commence receiving your benefits under the Shell Pension Plan;
- the date on which your employment with Tesoro is terminated; or

- December 31, 2010.

3. Average Final Compensation (AFC)

AFC is calculated as of the earlier of the date on which commence receiving your benefits under the Shell Pension Plan and the date on which your employment with Tesoro is terminated. AFC is determined by looking at the last 120 months (or the actual months, if you have worked or been credited with less time) of your service and averaging your monthly earnings for the 36 consecutive months that gives you the highest average monthly earnings.

AFC generally includes the following types of pay:

- Your base pay;
- The applicable straight-time portion of night shift bonus payments for up to 40 scheduled hours per workweek and such payments as calculated under shift supervisors' differential; and
- Certain shift premium payments for which you are generally eligible when you work overtime hours under an approved work schedule involving scheduled overtime hours.

AFC does not include such items as:

- Other overtime pay;
- Other premium pay;
- Bonus pay
- Pay in lieu of vacation, if any; or
- Any other extra compensation.

The Internal Revenue Service places limitations on compensation that may be used to calculate benefit accruals. For Plan Years commencing on or after January 1, 201, the compensation that may be taken into account under the Plan cannot exceed \$265,000. This dollar limitation may be adjusted by the IRS from time to time.

4. Social Security Offset to Calculate Total Service Shell Benefit

The Social Security Offset is applied as of the month in which you attain age 65

5. Ratio of All Credited Service to Projected Credited Service to SSNRA

This is a fraction determined by dividing your All Credited Service by the Projected Credited Service to your Social Security Normal Retirement Age (SSNRA), where your Projected Credited Service is equal to the number of years of All Credited Service you would have accumulated assuming you continued to work until you were eligible to receive full Social Security benefits. Current eligibility for full Social Security benefits ranges from ages 65 to 67, depending on your year of birth.

6. Primary Social Security Benefit

Your Primary Social Security Benefit is based on your pay history, which, prior to your termination, will be estimated based on your pay for the last calendar year of your employment with Shell or Tesoro and based upon assumptions about prior pay using "national average earnings tables" published by the federal government. The benefit generally assumes payment at age 62 and is calculated at the earlier of the date on which you commence receiving your benefits under the Shell Pension Plan and the date on which your employment with Tesoro is terminated.

7. August 1, 1998 Shell Benefit

The August 1, 1998 Shell Benefit is the benefit determined under the Shell Pension Plan based on upon your credited service with Shell as of August 1, 1998. This benefit was determined by Shell and provided to Tesoro at the time of the acquisition. If you have any questions regarding your Shell data, you should contact Shell's Benefit Department.

IMPORTANT: If you begin receiving a retirement distribution from the Shell Pension Plan while you are still a Tesoro employee, your TNC Mirror Benefit will be frozen as of such date. However, if you are an eligible Tesoro employee, you will continue to accrue a retirement benefit under the Tesoro Retirement Plan. Upon your termination from employment with Tesoro, you will be entitled to receive the SARC benefit (i.e. the greater of the TNC Mirror Benefit (calculated up to the date you began receiving your Shell pension) or the Tesoro FAP Benefit), plus any additional retirement benefit you have earned under the Tesoro Retirement Plan through your date of termination of employment with Tesoro.

Terms You Need to Know

- Normal Retirement Age
- Vested Benefits
- Early Retirement

Normal Retirement Age

The first day of the month in which you reach age 65. Unless you qualify for an unreduced early retirement benefit, as described below, you must generally wait until you have attained Normal Retirement Age under the Plan to receive an unreduced SARC Benefit.

This means:

- If you have terminated employment before you have attained age 65, you must begin receiving your SARC benefit at age 65;
- If you terminate employment after you attain age 65, you must begin receiving benefits immediately.

Vested Benefits

All SARC Participants are vested in the SARC Benefit. "Vested" means that you will not lose your SARC Benefit even if you terminate employment with Tesoro.

Early Retirement Benefits

You generally can begin to receive your SARC benefit after you have terminated employment with Tesoro. However, your TNC Mirror Benefit will be reduced to take into account the fact that your benefit is commencing earlier than your normal retirement date. If, however, you satisfy the 80-Point Eligibility Rule or the 70-Point Eligibility Rule, your TNC Mirror Benefit will be calculated by taking into account specified reduction factors.

- Eighty (80) Point Eligibility – As of the earlier of the date on which you terminated employment with Tesoro or the date you commenced receiving your Shell pension, you were age 50 or older and the sum of your age and number of years of credited service with Shell equaled or exceeded 80.
- Seventy (70) Point Eligibility – As of August 1, 1998, you were age 50 or older, and the sum of your age and credited service with Shell on such date equaled or exceeded 70.

The applicable reduction factors that are utilized to calculate your TNC Mirror Benefit will depend on which eligibility rule you satisfy.

For SARC Participants who satisfy the Eighty Point Eligibility rule, the TNC Mirror Benefit will be calculated by taking into the reduction factors described in the table below. Note, however, that if your benefit commences between age 60 and age 65, it will not be reduced. Partial years are prorated.

*Note: The early retirement reduction is applied separately for the Total Service Shell Benefit and the August 1, 1998 Shell Benefit depending upon eligibility.

TABLE 1

If you leave with at least 80 points and start your pension at age...	You will receive this percentage of an age 65 Pension(calculated before Social Security Offset)...
50	50%
51	55%
52	60%
53	65%
54	70%
55	75%
56	80%
57	85%
58	90%
59	95%
60 and older	100%

For SARC Participants who satisfy the Seventy Point Eligibility Rule but not the Eighty Point Rule, the TNC Mirror Benefit will be calculated by taking into account the early reduction factor prescribed under the Shell Pension Plan. Please contact the Pension Center for benefit estimates or questions regarding your benefit calculation.

For SARC Participants who do not satisfy either eligibility rule, the TNC Mirror Benefit will be calculated in accordance with the early reduction factors prescribed under the Tesoro Retirement Plan. (See “Adjustment for Early Commencement Prior to Age 65” section for more details)

Note, also, that your Tesoro FAP Benefit will be calculated to take into account the early commencement of your benefits under the Plan. However, if you are at least age 55 at the time of commencement of your benefit, such reduction will be calculated using the same factors applied to the FAP Benefit that is paid upon early retirement, instead of the factors applied to calculate a deferred vested benefit. (See “Adjustment for Early Commencement Prior to Age 65” section for more details)

Applying the Social Security Offset

The Social Security Offset is calculated at the time you terminate employment with Tesoro and it doesn’t change even if later increases in Social Security benefits occur. The reduction for the Social Security Offset is made following adjustment to the TNC Mirror Benefit, as described in the above table.

How You May Receive Your Benefit

Please refer to the general provisions of the SPD for an explanation of the optional forms of benefit available under the Plan. Note, however, if you have met the 80-Point Eligibility rule at the time your TNC Mirror Benefit commences, your survivor benefit under an annuity option is subsidized when you retire. This means that the monthly lifetime payments you receive will not be fully reduced to pay for your surviving spouse’s benefit.

Example Calculations

Example # 1 – SARC – 80 Point Eligibility Rule

You satisfy the 80 Point Eligibility Rule after August 1, 1998, you have not commenced receiving your benefits under the Shell Pension Plan prior to your retirement and you have a Cash Balance Benefit at termination equal to the amount specified below.

Participant Data

Age at Termination / Retirement:	57
Total Vesting Service:	28.66667
Points (57+28.66667):	85.66667
Total All Credited Service through 12/31/2010:	25.50769
Credited Service after Acquisition to 12/31/2010:	12.41667

Tesoro Final Average Monthly Compensation (FAP):	\$9,111
Shell Final Average Monthly Compensation (AFC):	\$8,553
Covered Compensation (Monthly):	\$7,705
Prior Benefit from Shell (Monthly):	\$897
Social Security Offset (Monthly):	\$604

Tesoro Early Retirement Factor (age 57):	85%
--	-----

1. Final Average Pay Benefit Component:

A. TNC Mirror Benefit:	
1.6% x AFC x Tot All-Credited Svc	\$3,490
x Early Retirement Factor (85%)	<u>\$2,967</u>
a. Annuity payable at age 57	\$2,967

Less Social Security Offset	\$604
Less Shell Pension Benefit	\$897
b. Annuity payable at age 65	\$1,466

B. Tesoro FAP Benefit:	
1.1% x \$9,111 x 12.41667 years	\$1,244
+ .5% x 12.41667 years x \$1,406 (\$9,111 - \$7,705)	<u>\$87</u>
Annuity without Reduction	\$1,331
x Early Retirement Factor	85%
a. Annuity payable at age 57	\$1,131

Winning Benefit=TNC Mirror Benefit

Single Life Annuity from age 57 to age 64	\$2,967
Single Life Annuity at age 65	\$1,466
Equivalent Lump Sum Amount*	\$383,448

2. Cash Balance Benefit Component:

a. Equivalent Single Life Annuity**	\$156
b. Lump Sum	\$27,613

Total Benefit Options (1 + 2):

a. Single Life Annuity to age 65*** (\$2,967+ \$156)	\$3,123
Single Life Annuity at age 65*** (\$1,466+ \$156)	\$1,622
b. Lump Sum (\$383,448 + \$27,613)	\$411,061

This participant is eligible for a monthly payment of \$3,123 a month until age 65 and then starting at age 65, his payment will change to \$1,622 a month; or, he may elect a one-time lump sum payment of \$411,061.

* Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

**Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

***Other annuity options available.

Example # 2 – SARC – Deferred Vested Calculation

You terminate employment without satisfying any early retirement eligibility provisions and you have a Cash Balance Benefit equal to the amount specified below.

Participant Data

Age at Termination / Retirement:	47
Total Vesting Service:	24
Total All Credited Service through 12/31/2010:	18.84615
Credited Service after Acquisition to 12/31/2010:	12.41667
Tesoro Final Average Monthly Compensation (FAP):	\$8,175
Shell Final Average Monthly Compensation (AFC):	\$6,983
Covered Compensation (Monthly):	\$9,586
Prior Benefit from Shell (Monthly):	\$331
Social Security Offset (Monthly):	\$336
Tesoro Deferred Vested Factor (age 57):	19.348%

1. Final Average Pay Benefit Component:

A. TNC Mirror Benefit:	
1.6% x AFC x Tot All-Credited Svc	\$2,106
Less Social Security Offset	\$336
<u>Less Heritage Shell Benefit</u>	<u>\$331</u>
b. Annuity before Early Commencement Reduction	\$1,439
B. Tesoro FAP Benefit:	
1.1% x \$8,175 x 12.41667 years	\$1,117
+ .5% x 12.41667 years x \$0* (\$8,175 - \$9,586)	<u>\$0</u>
Annuity before Early Commencement Reduction	\$1,117

Winning Benefit= TNC Mirror Benefit

Single Life Annuity before Reduction for Early Commencement	\$1,439
x Deferred Vested Factor	19.348%
Single Life Annuity at age 47	\$278
Equivalent Lump Sum Amount**	\$69,846

2. Cash Balance Benefit Component:

a. Equivalent Single Life Annuity***	\$152
b. Lump Sum	\$30,341

Total Benefit Options (1 + 2):

a. Single Life Annuity**** (\$278+ \$152)	\$430
b. Lump Sum (\$69,846 + \$30,341)	\$100,187

At age 47, this participant is eligible for a monthly annuity of \$430 a month, or he may elect a one-time lump sum payment of \$100,187.

*The difference between Final Monthly Compensation and Covered Compensation may not be less than zero.

** Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

***Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

****Other annuity options available.

APPENDIX B – BP/AMOCO PARTICIPANTS

This section applies only to BP/Amoco Participants. A BP/Amoco Participant is an employee or former employee of Tesoro who:

- as of the date of the closing of Tesoro’s acquisition of certain assets of British Petroleum, had five (5) or more years of vesting service, and
- immediately following the closing date (or upon a subsequent return from an approved leave of absence), worked for Tesoro.

The date of closing (Acquisition) is September 6, 2001 (for participants working at the Mandan refinery, Salt Lake City refinery, product pipeline operations, and Salt Lake City retail operations as a store manager or higher); November 1, 2001 (for participants working at the crude gathering operations); or other date subsequent to such dates if the participant returned from an approved leave of absence following such Acquisition.

If you are a BP/Amoco Participant, the FAP benefit component of your retirement benefits will be determined in accordance with this Appendix. The Cash Balance Benefit component, if any, of your retirement benefit will be calculated in the same manner as other Tesoro employees. See “Cash Balance Benefit Component” Section for a detailed explanation on the Cash Balance benefit.

In this Appendix, you will find information about:

- **Eligibility for the BP Benefit and TSS Supplement Benefit**
- **Calculation of Tesoro Benefit for BP/Amoco Participants (BP Benefit)**
- **Calculation of Tesoro Social Security Supplement (TSS Supplement Benefit)**
- **How You May Receive Your Benefit**
- **Example Calculations**

The generally applicable portion of the SPD continues to apply to BP/Amoco Participants, except with respect to the calculation of your FAP Benefit component, as further described in this Appendix B.

Eligibility for the BP Benefit and TSS Supplement Benefit

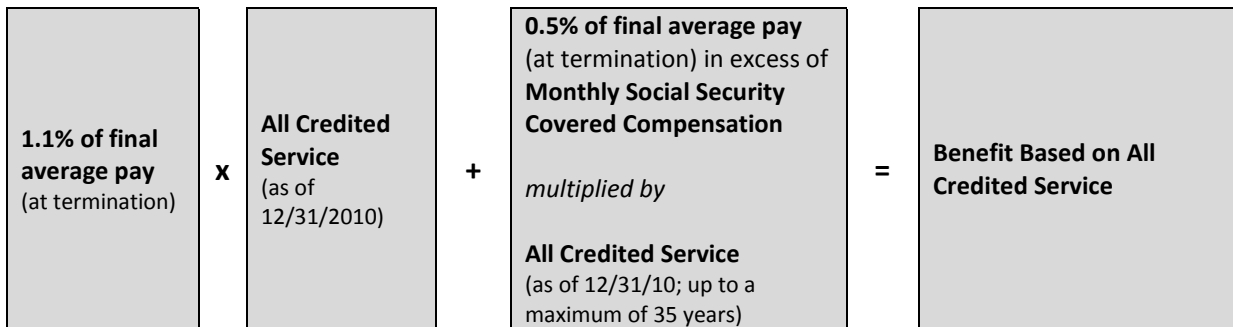
As a BP/Amoco Participant, you are automatically eligible to receive the BP Benefit. Accordingly, the FAP Benefit component of your retirement benefits under the Tesoro Retirement Plan is equal to the greater of the BP Benefit described under this Appendix and the Tesoro FAP Benefit that you would be entitled to under the general provisions of the Tesoro Retirement Plan. See “Final Average Pay (FAP) Benefit Component” Section for a detailed explanation on the FAP benefit). Note, however, that service performed after December 31, 2010 is not taken into account in calculating either the BP Benefit or the Tesoro FAP Benefit.

In addition, those BP/Amoco Participants who were at least age 40 as of the Acquisition and who ultimately satisfy the requirements for an early retirement benefit under the Tesoro Plan will also be eligible to participate in a special Tesoro Social Security Supplement. (See “When You Can Receive Your Benefit” section for a description of early retirement eligibility rules) However, any BP/Amoco Participant who was retirement eligible (i.e. at least age 50 with 15 years of benefit service) under the BP Pension Plan as of the Acquisition is not eligible to receive the TSS Supplement.

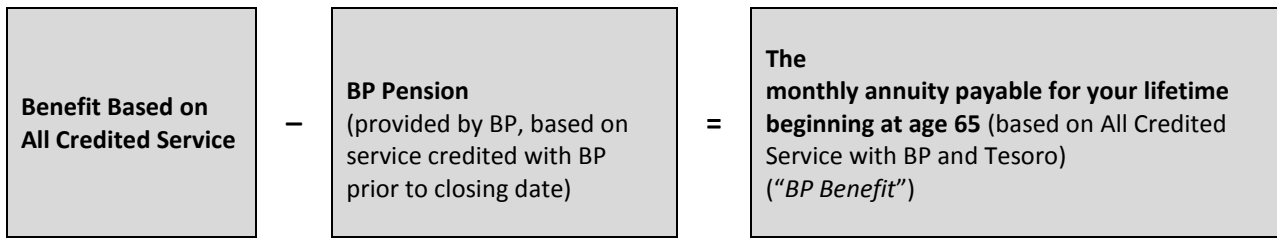
Note: Neither the BP Benefit nor the Tesoro Social Security Supplement replace the benefit to which you may be entitled under the BP Pension Plan or Social Security benefits. Those benefits are separate from the benefits you are eligible for under this Plan. You will need to apply to the BP Pension Plan and/or the Social Security Administration for those benefits.

Calculation of the BP Benefit

The BP Benefit is calculated, first, by calculating your FAP Benefit under the Tesoro Retirement Plan, taking into account All Credited Service with BP and Tesoro, as follows:



And, then, by reducing such by the amount of your BP pension benefit, as follows:



Tesoro Social Security Supplement (TSS)

If you qualify for the TSS Supplement, you will receive an additional monthly benefit. The TSS Supplement will be paid beginning in the month in which you become eligible for early retirement under the Tesoro Retirement Plan through the month in which you attain age 62. This supplement is payable during your lifetime only. In other words, this benefit will not be paid to any beneficiary in the event that you die prior to attaining age 62.

The monthly amount of the TSS benefit is:

\$50 x (Vesting Service up through 20 years)

plus

\$45 x (Vesting Service greater than 20 years),

*Note, Vesting Service is limited to your service with BP and Tesoro through December 31, 2010 and will not include any period of service performed on or after January 1, 2011.

This monthly amount is then multiplied by an early retirement factor as defined below:

Age at Retirement	If Age plus years of Vesting Service at Acquisition \geq 55 years	If Age plus years of Vesting Service at Acquisition $<$ 55 years
50	45%	N/A
51	53%	N/A
52	61%	N/A
53	69%	N/A
54	77%	10%
55	85%	25%
56	88%	40%
57	91%	55%
58	94%	70%
59	97%	85%
60	100%	100%
61	100%	100%
62	100%	100%

However, the amount of your TSS benefit after the application of this early retirement factor cannot be greater than the actual amount of the Social Security Primary Insurance Amount.

The Social Security Primary Insurance Amount is the amount of Social Security benefit you would receive if you elected to commence your Social Security benefit at your Social Security Normal Retirement Age. In such event, you will receive a TSS benefit equal to the Social Security Primary Insurance Amount.

How You May Receive Your Pension

Please refer to the general provisions of the SPD for an explanation of the optional forms of benefit available under the Plan. Note, however, that the form in which you elect to take your pension will also apply to your TSS Supplement benefit, if applicable. For example, if you elect a lump sum payment option of your pension benefit, your TSS Supplement Benefit will also be paid in a lump sum.

Example Calculations:

Example #1 – BP/Amoco Participant – Eligible for Early Retirement – Not Eligible for TSS Supplement

You satisfy the requirements for early retirement eligibility under the Tesoro Retirement Plan but you are not eligible for the TSS Supplement benefit because you were eligible to receive your early retirement benefit under the BP Pension Plan at the time of the Acquisition. Assumes that you have a Cash Balance Benefit in the amount stated below.

Participant Data

Age at Termination / Retirement:	61
Total Vesting Service:	29.083
Total All Credited Service through 12/31/2010:	27.5
Credited Service after Acquisition to 12/31/2010:	9.25

Final Average Monthly Compensation:	\$9,487
Covered Compensation (Monthly):	\$6,385
Prior Benefit from BP Amoco (Monthly):	\$2,215

Tesoro Early Retirement Factor	100%
--------------------------------	------

1. Final Average Pay Benefit Component (FAP): Greater of A or B

A. BP Benefit:	
1.1% x 27.5 years x \$9,487	\$2,870
+ .5% x 27.5 years x \$3,102 (\$9,487 - \$6,385)	\$427
Annuity payable at age 65	\$3,297
<u>-Less Benefit from Prior Company at 65</u>	<u>\$2,215</u>
Unreduced Benefit	\$1,082
x Early Retirement Factor at 61	100%
a. Annuity at age 61	\$1,082
B. Tesoro FAP Benefit:	
1.1% x 9.25 years x \$9,487	\$965
+ .5% x 9.25 years x \$3,102 (\$9,487 - \$6,385)	\$143
Annuity payable at age 65	\$1,108
<u>x Early Retirement Factor at 61</u>	<u>100%</u>
a. Annuity at age 61	\$1,108

Winning Benefit=FAP Benefit

Single Life Annuity	\$1,108
Equivalent Lump Sum Amount*	\$182,296

2. Cash Balance Benefit Component:

a. Equivalent Single Life Annuity**	\$88
b. Lump Sum	\$14,443

Total Benefit Options (1 + 2):

a. Single Life Annuity*** (\$1,108 + \$88)	\$1,196
b. Lump Sum (\$182,296 + \$14,443)	\$196,739

This participant is eligible for an annuity benefit of \$1,196 a month or he may elect a one-time lump sum payment of \$196,739.

* Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

**Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

***Other annuity options available.

Example #2 – BP/Amoco Participant – Eligible for Early Retirement and TSS Supplement

You satisfy the requirements for early retirement eligibility under the Tesoro Retirement Plan and you are eligible for the TSS Supplement benefit. Assumes that you have a Cash Balance Benefit in the amount stated below.

Participant Data

Age at Termination / Retirement:	56
Total Vesting Service:	22.66667
Total All Credited Service through 12/31/2010:	20.83333
Credited Service after Acquisition to 12/31/2010*:	9.25
Final Average Monthly Compensation:	\$7,373
Covered Compensation (Monthly):	\$7,377
Prior Benefit from BP Amoco (Monthly):	\$1,417
Tesoro Early Retirement Factor	57.1%
1. Final Average Pay Benefit Component (FAP): Greater of A or B	
A. BP Benefit:	
1.1% x 20.83333 years x \$7,373	\$1,690
+ .5% x 20.83333 years x \$0 (\$7,373 - \$7,377)	\$0
Annuity payable at age 65	\$1,690
–Less Benefit from Prior Company	\$1,417
Unreduced Benefit	\$273
x Early Retirement Factor at 56	.57.1%
Annuity at age 56	\$156
B. Tesoro FAP Benefit:	
1.1% x 9.25 years x \$7,373	\$750
+ .5% x 9.25 years x \$0 (\$7,373 - \$7,377)	\$0
Annuity payable at age 65	\$750
x Early Retirement Factor at 56	57.1%
Annuity at age 56	\$428
Winning Benefit=Tesoro FAP Benefit	
Single Life Annuity	\$428
Equivalent Lump Sum Amount**	\$76,717
2. Cash Balance Benefit Component:	
Equivalent Single Life Annuity***	\$67
Lump Sum	\$11,989
Total Benefit Options (1 + 2):	
a. Single Life Annuity**** (\$428 + \$67)	\$495
b. Lump Sum (\$76,717 + \$11,989)	\$88,706

This participant is eligible for an annuity benefit of \$495 a month or he may elect a one-time lump sum payment of \$88,706. He's also eligible for the Tesoro Social Security Supplement benefit.

Tesoro Social Security Supplement:

\$50 x 20 (Vesting Service up to 20 Years)	\$1,000
\$45 x .833333 (Vesting over 20 years to 12/31/2010)	\$37.50
Subtotal	\$1,037.50
x Early Retirement Factor at age 56*****	88%
Annuity payable to age 62	\$913
Equivalent Lump Sum	\$60,265

Under the Tesoro Social Security Supplement, this participant is eligible for an annuity benefit of \$913 a month or he may elect a one-time lump sum payment of \$60,265. Note that the election the participant makes for his normal Tesoro pension payment option also applies to his Social Security Supplement benefit. For example, if he selects the lump sum payment option, he must also take the lump sum payment option for his Social Security Supplement benefit.

* Credited Service for those employees also covered under Appendix E will be calculated to 1/31/2012 instead of 12/31/2010. In addition, the Cash Balance start date will be revised from 1/1/2011 to 2/1/2012.

**Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

***Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

****Other annuity options available.

*****Early Retirement Factor is based on TSS Supplement Early Retirement table, which is based on age at retirement plus employee's age and service at acquisition.

APPENDIX C – GOLDEN EAGLE/VALERO PARTICIPANTS

This section applies only to Golden Eagle Participants. A Golden Eagle Participant is an employee or former employee of Tesoro who:

- as of May 17, 2002 (the date of the closing of Tesoro’s acquisition of substantially all of the assets of the Golden Eagle Refinery and Beacon retain locations in Northern California), had one (1) year of service and was eligible to participate in the UDS Pension Plan, and
- immediately following the closing date (or upon a subsequent return from an approved leave of absence), worked for Tesoro.

If you are a Golden Eagle Participant, the FAP benefit component of your retirement benefits will be determined in accordance with this Appendix. The Cash Balance Benefit component, if any, of your retirement benefit will be calculated in the same manner as other Tesoro employees. See “Cash Balance Benefit Component” Section for a detailed explanation on the Cash Balance benefit.

In this Appendix, you will find information about:

- Eligibility for GE Benefit
- Calculation of GE Benefit
- Payment of the GE Benefit
- Retirement Factors for GE Benefit
- Example Calculations

The generally applicable portion of the SPD continues to apply to Golden Eagle Participants, except with respect to the calculation of your FAP Benefit component, as further described in this Appendix C.

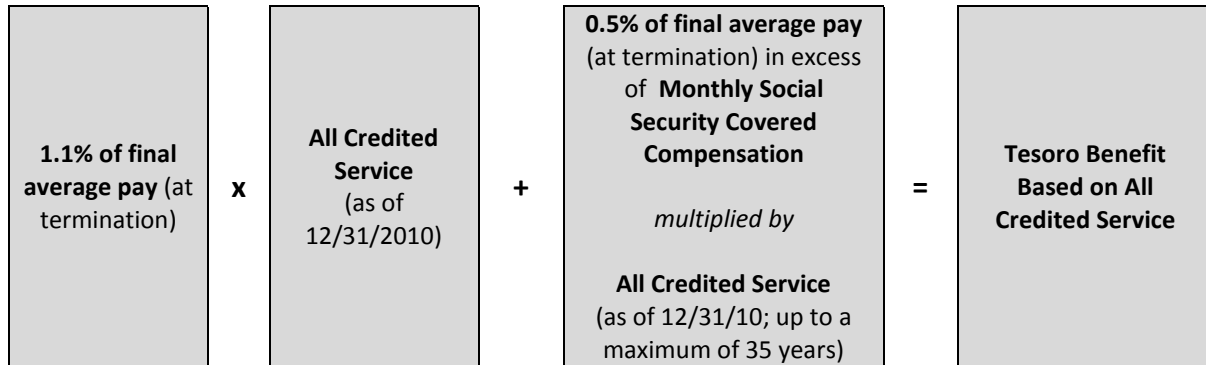
Eligibility for GE Benefit

As a Golden Eagle Participant, you are automatically eligible for the GE Benefit. Accordingly, the FAP Benefit component of your retirement benefits under the Tesoro Retirement Plan is equal to the greater of the GE Benefit described in this Appendix and the Tesoro FAP Benefit that you would be entitled under the general provisions of the Tesoro Retirement Plan. (See “Final Average Pay (FAP) Benefit Component” Section for a detailed explanation on the FAP benefit). Note, however, that service performed after December 31, 2010 is not taken into account in calculating either the GE Benefit or the Tesoro FAP Benefit.

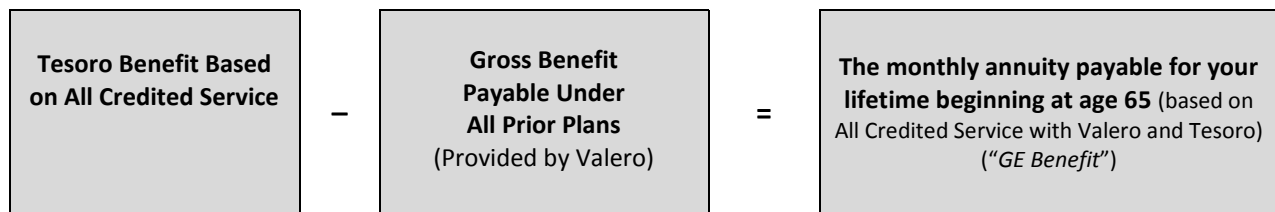
Note: The GE Benefit does not replace the benefit to which you may be entitled under the UDS Pension Plan or Social Security benefits. Those benefits are separate from the benefits you are eligible for under this Plan. You will need to apply to the UDS Pension Plan and/or the Social Security Administration for those benefits.

Calculation of GE Benefit

The GE Benefit is calculated, first, by calculating your FAP Benefit under the Tesoro Retirement Plan, taking into account All Credited Service with Valero and Tesoro, as follows:



And, then, by reducing such by the amount of your gross pension benefit payable under prior plans, as follows:

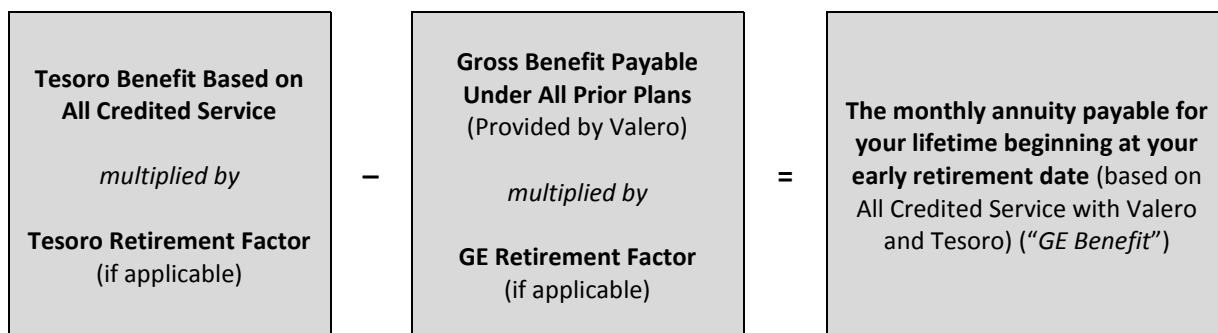


Gross Benefit Payable under All Prior Plans

This refers to the gross benefits to which you are entitled under all plans sponsored by prior employers, including Valero, Ultramar Diamond Shamrock (UDS), Ultramar, Phillips and TOSCO. This benefit was calculated by Valero as a single life annuity payable at age 65 and was provided to Tesoro in connection with the acquisition. It is not adjusted for any qualified domestic relations order or prior lump sum or other benefit payments.

Payment of the GE Benefit

If you terminate and commence receiving your benefits prior to your Normal Retirement Date, the GE benefit will be calculated, as described above, but will be reduced by applying certain factors to take into account the early commencement of your benefits, as follows.



Golden Eagle Retirement Factor

(Applies to Gross Benefit Payable under All Prior Plans)

The Golden Eagle Retirement Factor is applied to reduce the Gross Benefit payable from the prior plan based on the date the benefit payment commences. No adjustments are made for actual payment (i.e., lump sum, retirements) from the UDS Plan or other prior plans.

In general, the Golden Eagle Retirement Factor will be based upon the following table and status at Acquisition date. Note that if you are at least age 55 and the sum of your age and service equals or exceeds 85 at Acquisition date, you qualify for the Golden Eagle Rule of 85.

Age at Retirement	If service is less than ten years and age is less than 55 years at Acquisition	If service is ten years or more and age is less than 55 years at Acquisition	If service is ten years or more and age is at least 55 years at Acquisition	If at least age 55 with 85 points at Acquisition (Golden Eagle Rule of 85)
50*	25%	32%	N/A	N/A
51*	27%	35%	N/A	N/A
52*	29%	38%	N/A	N/A
53*	32%	42%	N/A	N/A
54*	35%	46%	N/A	N/A
55	38%	50%	67%	100%
56	42%	53%	73%	100%
57	46%	57%	80%	100%
58	50%	60%	87%	100%
59	55%	63%	93%	100%
60	61%	67%	100%	100%
61	67%	73%	100%	100%
62	74%	80%	100%	100%
63	82%	87%	100%	100%
64	90%	93%	100%	100%
65	100%	100%	100%	100%

*For Golden Eagle Participants who are ages 50 – 54 at retirement you will be eligible for early retirement if the sum of your age and service equals or exceeds 80 on your termination date.

Tesoro Retirement Factor

(Applies to Tesoro Benefit – All Credited Service)

The Tesoro Retirement Factor is applied to reduce the Tesoro Benefit – All Credited Service based on the date of retirement from Tesoro.

The Tesoro Retirement Factor is applied based on your status at termination date. Note that if you retire when you are at least age 55 and the sum of your age and service equals or exceeds 85, and you had at least five years of service as of the date of Acquisition, you will qualify for Tesoro Rule of 85 (described in the chart below).

Age at Retirement	If at least age 55 with five years of service at termination (Tesoro Early Retirement)	If at least age 50, with 80 points at termination (Tesoro Rule of 80)	If at least age 55 with 85 points at termination and five years of service at Acquisition (Tesoro Rule of 85)
50	N/A	50%	N/A
51	N/A	55%	N/A
52	N/A	60%	N/A
53	N/A	65%	N/A
54	N/A	70%	N/A
55	50.0%	75%	95%
56	57.1%	80%	95%
57	64.3%	85%	95%
58	71.4%	90%	95%
59	78.6%	95%	95%
60	85.7%	100%	100%
61	92.8%	100%	100%
62	100%	100%	100%
63	100%	100%	100%
64	100%	100%	100%
65	100%	100%	100%

Example Calculations:

Example #1 – GE Participant – Normal Retirement

You terminate employment and commence your benefits at age 65. Assumes that you have a Cash Balance Benefit at the time of your retirement in the amount described below.

Participant Data

Age at Termination / Retirement:	65
Total Vesting Service:	24.08333
Total All Credited Service through 12/31/2010:	23
Credited Service after Acquisition to 12/31/2010:	8.58333
Age at Acquisition:	55
Service at Acquisition:	14.416
Final Average Monthly Compensation:	\$7,276
Covered Compensation (Monthly):	\$5,600
Prior Benefit from Valero/Tosco (Monthly):	\$1,152
Tesoro Early Retirement Factor	100%
GE Early Retirement Factor	100%

1. Final Average Pay Benefit Component:

A. GE Benefit:	
1.1% x 23 years x \$7,276	\$1,841
+ .5% x 23 years x \$1,676 (\$7,276 - \$5,600)	\$193
Annuity payable at age 65	\$2,034
x Early Retirement Factor (100%)	\$2,034
Less Benefit from Prior Company at 65	\$1,152
Annuity at age 65	\$882
B. Tesoro FAP Benefit:	
1.1% x 8.58333 years x \$7,276	\$687
+ .5% x 8.58333 years x \$1,676 (\$7,276 - \$5,600)	\$72
Annuity payable at age 65	\$759
x Early Retirement Factor (100%)	0%
Annuity at age 65	\$759

Winning Benefit=GE Benefit

Single Life Annuity	\$882
Equivalent Lump Sum Amount*	\$133,095

2. Cash Balance Benefit Component:

Equivalent Single Life Annuity**	\$56
Lump Sum	\$8,431

Total Benefit Options (1 + 2):

a. Single Life Annuity*** (\$882 + \$56)	\$938
b. Lump Sum (\$133,095 + \$8,431)	\$141,526

This participant is eligible for an annuity benefit of \$938 a month or he may elect a one-time lump sum payment of \$141,526.

* Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

**Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

***Other annuity options available.

Example #2 – GE Participant – Eligibility for Rule of 85

You terminate employment at a time when you have satisfied the conditions for the Tesoro Rule of 85. Assumes that you have a Cash Balance Benefit at the time of your retirement in the amount described below.

Participant Data

Age at Termination / Retirement:	57
Total Vesting Service:	31.66666
Total All Credited Service through 12/31/2010:	30.66666
Credited Service after Acquisition to 12/31/2010:	8.58333
Age at Acquisition:	47
Service at Acquisition:	22.08333
Final Average Monthly Compensation:	\$6,698
Covered Compensation (Monthly):	\$7,222
Prior Benefit from Valero/Tosco (Monthly):	\$1,367
Tesoro Early Retirement Factor	95%
GE Early Retirement Factor	56.66667%

1. Final Average Pay Benefit Component:

A. GE Benefit:	
1.1% x 30.66667 years x \$6,698	\$2,259
+ .5% x 30.66667 years x \$0* (\$6,698 - \$7,222)	\$0
<u>Annuity payable at age 65</u>	<u>\$2,259</u>
<u>x Early Retirement Factor at 57 (95%)</u>	<u>\$2,146</u>
Less Benefit from Prior Company at 57	
(\$1,367 x 56.66667%)	\$775
Annuity at age 57	\$1,371

B. Tesoro FAP Benefit:	
1.1% x 8.58333 years x \$6,698	\$632
+ .5% x 8.58333 years x \$0* (\$6,698 - \$7,222)	\$0
<u>Annuity payable at age 65</u>	<u>\$632</u>
<u>x Early Retirement Factor at 57</u>	<u>95%</u>
Annuity at age 57	\$600

Winning Benefit=GE Benefit

Single Life Annuity	\$1,371
Equivalent Lump Sum Amount	\$241,964

2. Cash Balance Benefit Component:

Equivalent Single Life Annuity***	\$40
Lump Sum	\$7,115

Total Benefit Options (1 + 2):

a. Single Life Annuity**** (\$1,371 + \$40)	\$1,411
b. Lump Sum (\$241,964 + \$7,115)	\$249,079

This participant is eligible for an annuity benefit of \$1,411 a month or he may elect a one-time lump sum payment of \$249,079.

*The difference between Final Monthly Compensation and Covered Compensation may not be less than zero.

** Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

***Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

****Other annuity options available.

Example #3 – GE Participant – Early Retirement at Age 55 with 5 Years of Service

You terminate employment at a time when you have satisfied the general conditions for early retirement. Assumes that you have a Cash Balance Benefit at the time of your retirement in the amount described below.

Participant Data

Age at Termination / Retirement:	55
Total Vesting Service:	18.58333
Total All Credited Service through 12/31/2010:	17.25
Credited Service after Acquisition to 12/31/2010:	8.58333
Age at Acquisition:	45
Service at Acquisition:	8.6
Final Average Monthly Compensation:	\$9,475
Covered Compensation (Monthly):	\$7,525
Prior Benefit from Valero/Tosco (Monthly):	\$732
Tesoro Early Retirement Factor	50%
GE Early Retirement Factor	38.249%

1. Final Average Pay Benefit Component:

A. GE Benefit:	
1.1% x 17.25 years x \$9,475	\$1,798
+ .5% x 17.25 years x \$1,950 (\$9,475 - \$7,525)	\$168
Annuity payable at age 65	\$1,966
x Early Retirement Factor at 55 (50%)	\$983
Less Benefit from Prior Company at 55 (\$732 x 38.249%)	\$280
Annuity at age 55	\$703

B. Tesoro FAP Benefit:	
1.1% x 8.58333 years x \$9,475	\$895
+ .5% x 8.58333 years x \$1,950 (\$9,475 - \$7,525)	\$84
Annuity payable at age 65	\$979
x Early Retirement Factor at 55	50%
Annuity at age 55	\$490

Winning Benefit=GE Benefit

Single Life Annuity	\$703
Equivalent Lump Sum Amount*	\$127,790

2. Cash Balance Benefit Component:

Equivalent Single Life Annuity**	\$61
Lump Sum	\$10,996

Total Benefit Options (1 + 2):

a. Single Life Annuity*** (\$703 + \$61)	\$764
b. Lump Sum (\$127,790 + \$10,996)	\$138,786

This participant is eligible for an annuity benefit of \$764 a month or he may elect a one-time lump sum payment of \$138,786.

* Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

**Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

***Other annuity options available

APPENDIX D – SHELL LAR PARTICIPANTS

This section applies only to Shell Los Angeles Refinery (LAR) Participants. A Shell LAR Participant is an employee or former employee of Tesoro who:

- as of May 10, 2007 (the date of closing of Tesoro’s acquisition of substantially all of the assets of LAR),
- immediately following the closing date (or upon such later date on which the individual returned from an approved leave of absence), worked for Tesoro, and
- signed a release to provide Tesoro with his Shell Pension benefit amount.

If you are an LAR Participant, the FAP benefit component of your retirement benefits will be determined in accordance with this Appendix. The Cash Balance Benefit component, if any, of your retirement benefit will be calculated in the same manner as other Tesoro employees. See “Cash Balance Benefit Component” Section for a detailed explanation on the Cash Balance benefit.

In this Appendix, you will find information about:

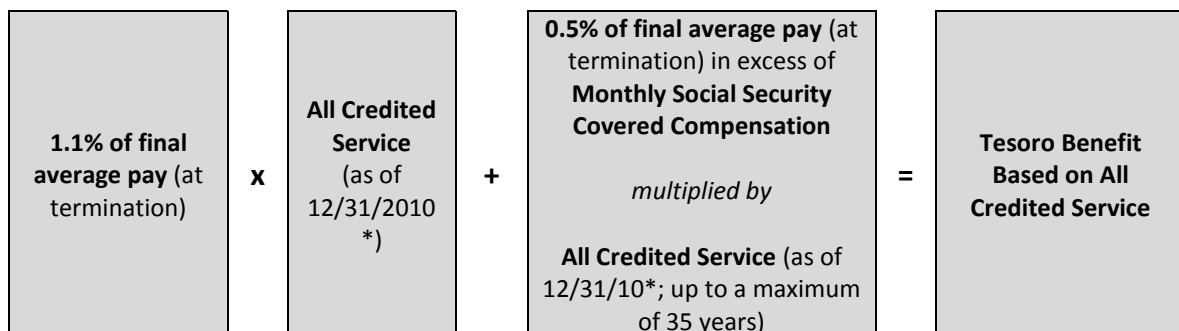
- Eligibility for the LAR Benefit
- Calculation of the LAR Benefit
- Terms You Need to Know
- Example Calculations
- Eligibility for the LAR Benefit

As a Shell LAR Participant, you are automatically eligible for the LAR Benefit. Accordingly, the FAP Benefit component of your retirement benefits under the Tesoro Retirement Plan is equal to the greater of the LAR Benefit described in this Appendix and the Tesoro FAP Benefit described in the general provisions of the SPD. Note, however, that service performed after December 31, 2010 will not be taken into account in calculating either the LAR Benefit or the Tesoro FAP Benefit.

Note: The LAR Benefit does not replace the benefit to which you may be entitled under the Shell Pension Plan or Social Security benefits. Those benefits are separate from the benefits you are eligible for under this Plan. You will need to apply to the Shell Pension Plan and/or the Social Security Administration for those benefits.

Calculation of LAR Benefit

The LAR Benefit is calculated, first, by calculating your FAP Benefit under the Tesoro Retirement Plan, taking into account All Credited Service with Shell and Tesoro, as follows:



And, then, by reducing such by the amount of your Shell Pension Equivalent, as follows:

Tesoro Benefit Based on All Credited Service	-	Shell Pension Equivalent Age 65 SLA (Provided by Shell)	=	The monthly annuity payable for your lifetime beginning at age 65 (based on All Credited Service with Shell and Tesoro) <i>("LAR Benefit")</i>
---	---	---	---	--

* Credited Service for those employees also covered under Appendix F will be calculated to 4/30/2012 instead of 12/31/2010. In addition, the Cash Balance start date will be revised from 1/1/2011 to 5/1/2012.

Terms You Need to Know

- All Credited Service – The benefit service from the Shell Pension Service Date through 12/31/2010 recognized by Tesoro.
- Shell Pension Service Date – This is the date that had been recognized by Shell for purposes of the Shell Pension Plan benefit. For most Shell LAR Participants, this will be January 1, 2003, but the date used will be the date provided to Tesoro by Shell.
- Shell Pension Equivalent Age 65 Single Life Annuity (SLA) – This is the benefit amount calculated by Shell and provided to Tesoro in connection with the Acquisition. It is your benefit under the Shell Pension Plan calculated as a single life annuity payable at age 65.

Payment of the LAR Benefit

If you terminate employment and commence your benefits prior to your Normal Retirement Date, the LAR benefit will be reduced, if applicable, based on the date the benefit payments commence and the factors for early retirement will be applied as indicated in the “When You Can Receive Your Benefit” section in the generally applicable provisions of the SPD.

Example Calculations

Example #1 – Shell LAR Participant – Normal Retirement

You terminate employment and commence benefit payments at age 65. Assumes that you have a Cash Balance Benefit at the time of your retirement in the amount described below.

Participant Data

Age at Termination / Retirement:	65	
Total Vesting Service:	39.6667	
Total All Credited Service through 12/31/2010*:	8	
Credited Service after Acquisition to 12/31/2010*:		3.58333
Final Average Monthly Compensation:	\$6,840	
Covered Compensation (Monthly):	\$6,047	
Prior Benefit from Shell (Monthly):	\$500	
Tesoro Early Retirement Factor	100%	

1. Final Average Pay Benefit Component:

A. LAR Benefit:	
1.1% x 8 years x \$6,840	\$602
+ .5% x 8 years x \$793 (\$6,840 - \$6,047)	\$32
Annuity payable at age 65	\$634
–Less Benefit from Prior Company at 65	\$500
Annuity at age 65	\$134

B. Tesoro FAP Benefit:	
1.1% x 3.58333 years x \$6,840	\$270
+ .5% x 3.58333 years x \$793 (\$6,840 - \$6,047)	\$14
Annuity at age 65	\$284

Winning Benefit=Tesoro FAP Benefit

Single Life Annuity	\$284
Equivalent Lump Sum Amount**	\$42,917

2. Cash Balance Benefit Component:

Equivalent Single Life Annuity***	\$154
Lump Sum	\$23,325

Total Benefit Options (1 + 2):

a. Single Life Annuity**** (\$284 + \$154)	\$438
b. Lump Sum (\$42,917 + \$23,325)	\$66,242

This participant is eligible for an annuity benefit of \$438 a month or he may elect a one-time lump sum payment of \$66,242.

* Credited Service for those employees also covered under Appendix F will be calculated to 4/30/2012 instead of 12/31/2010. In addition, the Cash Balance start date will be revised from 1/1/2011 to 5/1/2012.

**Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

***Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

****Other annuity options available.

Example #2 – Shell LAR Participant – Early Retirement

You terminate employment and commence benefit payments at a time when you satisfy the requirements for early retirement. Assumes that you have a Cash Balance Benefit at the time of your retirement in the amount described below.

Participant Data

Age at Termination / Retirement:	58	
Total Vesting Service:	21	
Total All Credited Service through 12/31/2010*:	8	
Credited Service after Acquisition to 12/31/2010*:		3.58333
Final Average Monthly Compensation:	\$5,155	
Covered Compensation (Monthly):	\$7,300	
Prior Benefit from Shell (Monthly):	\$400	
Tesoro Early Retirement Factor	90%	

1. Final Average Pay Benefit Component:

A. LAR Benefit:		
1.1% x 8 years x \$5,155		\$454
+ .5% x 8 years x \$0** (\$5,155 – \$7,300)		\$0
<u>Annuity payable at age 65</u>		<u>\$454</u>
<u>–Less Benefit from Prior Company at 65</u>		<u>\$400</u>
Unreduced Benefit		\$54
<u>x Early Retirement Factor at 58</u>		<u>90%</u>
Annuity at age 58		\$49

B. Tesoro FAP Benefit:		
1.1% x 3.58333 years x \$5,155		\$203
+ .5% x 3.58333 years x \$0* (\$5,155 – \$7,300)		\$0
<u>Annuity payable at age 65</u>		<u>\$203</u>
<u>x Early Retirement Factor at 58</u>		<u>90%</u>
Annuity at age 58		\$183

Winning Benefit=Tesoro FAP Benefit

Single Life Annuity	\$183
Equivalent Lump Sum Amount***	\$31,777

2. Cash Balance Benefit Component:

Equivalent Single Life Annuity****	\$81
Lump Sum	\$14,013

Total Benefit Options (1 + 2):

a. Single Life Annuity***** (\$183 + \$81)	\$264
b. Lump Sum (\$31,777 + \$14,013)	\$45,790

This participant is eligible for an annuity benefit of \$264 a month or he may elect a one-time lump sum payment of \$45,790.

* Credited Service for those employees also covered under Appendix F will be calculated to 4/30/2012 instead of 12/31/2010. In addition, the Cash Balance start date will be revised from 1/1/2011 to 5/1/2012.

**The difference between Final Monthly Compensation and Covered Compensation may not be less than zero.

*** Lump sum calculated by using an immediate lump sum factor based on actual data at the selected commencement date. In this example, sample segment rates are used for illustrative purposes only.

****Cash balance is in the form of a lump sum and is converted to an equivalent annuity by using an immediate lump sum factor based on actual data at the time of benefit commencement. In this example, sample segment rates are used for illustrative purposes only.

*****Other annuity options available.

APPENDIX E – NLRB SETTLEMENT WITH USW LOCAL 10 REPRESENTED EMPLOYEES

This section applies only to USW Local 10 represented employees who were employed at the Tesoro Mandan, ND refinery between January 1, 2011 and January 31, 2012.

The FAP benefit component and Cash Balance Benefit component of your retirement benefits will be determined in accordance with this Appendix.

In this Appendix, you will find information about:

- Eligibility for the Settlement Benefit
- Calculation of the FAP Benefit
- Calculation of the Cash Balance Benefit
- Minimum Benefit
- Payment of your Benefit

As a member of this group, your Benefit Service (Credited Service) or All Credited Service accrued as of 1/31/2012 will be used to calculate your FAP benefit, while your Cash Balance benefit will begin on 2/1/2012.

Eligibility for the Settlement Benefit

Members of USW Local 10 who were employed at the Tesoro Mandan, ND refinery between January 1, 2011 and January 31, 2012 are eligible for this settlement agreement.

Calculation of FAP Benefit

Your FAP benefit component is determined using the following formula:

1.1% of monthly final average pay (at termination)	X	Benefit Service (as of 1/31/2012)	+	0.5% of final average pay (at termination) in excess of monthly Social Security Covered Compensation <i>multiplied by</i> Benefit Service (as of 1/31/12; up to a maximum of 35 years)	=	Your monthly annuity payable for your lifetime beginning at age 65
---	---	--	---	--	---	---

The result of this formula produces a monthly annuity payable over your lifetime starting at age 65, which is the Plan’s normal retirement date.

Your payment will be adjusted if you choose a different payment option or elect to commence your benefit prior to age 65 (see “Receiving your Benefit” section for details on early commencement adjustments).

Employees who were part of an acquisition – For employees who were part of an acquisition, special plan provisions may apply when determining your benefit under the FAP benefit component. Please reference the applicable Appendix section of this SPD for specific details on those special provisions.

Cash Balance Benefit Component (for service after 1/31/2012)

For employees who continue in eligible employment with the Company after January 31, 2012, you will earn a Cash Balance benefit under the Plan. The Cash Balance is a “notional account” that is set up in your name. You do not make any contributions to the account – Tesoro makes all contributions.

Tesoro keeps track of your account balance, expressed as a lump sum, so you can see how your Cash Balance account grows over time.

Under the Cash Balance, your account balance is credited with Pay Credits and Interest Credits on a quarterly basis. At any given time, the value of your Cash Balance benefit is equal to the sum of all your Pay Credits and Interest Credits.

$$\begin{array}{|c|} \hline \text{Pay} \\ \text{Credits} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Interest} \\ \text{Credits} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Your Cash Balance} \\ \text{Benefit} \\ \hline \end{array}$$

Minimum Benefit

Your benefit under this settlement will never be less than your accrued benefit as of the date of the settlement agreement of October 24, 2014.

Payment of your Benefit

If you terminate employment and commence your benefits prior to your Normal Retirement Date, your benefit will be reduced, if applicable, based on the date the benefit payments commence and the factors for early retirement will be applied as indicated in the “When You Can Receive Your Benefit” section in the generally applicable provisions of the SPD.

APPENDIX F – NLRB SETTLEMENT WITH USW LOCAL 675 REPRESENTED EMPLOYEES

This section applies only to USW Local 10 represented employees who were employed at the Tesoro Los Angeles, CA refinery between January 1, 2011 and April 30, 2012.

The FAP benefit component and Cash Balance Benefit component of your retirement benefits will be determined in accordance with this Appendix.

In this Appendix, you will find information about:

- Eligibility for the Settlement Benefit
- Calculation of the FAP Benefit
- Calculation of the Cash Balance Benefit
- Minimum Benefit
- Payment of your Benefit

As a member of this group, your Benefit Service (Credited Service) or All Credited Service accrued as of 4/30/2012 will be used to calculate your FAP benefit, while your Cash Balance benefit will begin on 5/1/2012.

Eligibility for the Settlement Benefit

Members of USW Local 10 who were employed at the Tesoro Los Angeles, CA refinery between January 1, 2011 and April 30, 2012 are eligible for this settlement agreement.

Calculation of FAP Benefit

Your FAP benefit component is determined using the following formula:

1.1% of monthly final average pay (at termination)	X	Benefit Service (as of 4/30/2012)	+	0.5% of final average pay (at termination) in excess of monthly Social Security Covered Compensation <i>multiplied by</i> Benefit Service (as of 4/30/12; up to a maximum of 35 years)	=	Your monthly annuity payable for your lifetime beginning at age 65
---	---	--	---	--	---	---

The result of this formula produces a monthly annuity payable over your lifetime starting at age 65, which is the Plan’s normal retirement date.

Your payment will be adjusted if you choose a different payment option or elect to commence your benefit prior to age 65 (see “Receiving your Benefit” section for details on early commencement adjustments).

Employees who were part of an acquisition – For employees who were part of an acquisition, special plan provisions may apply when determining your benefit under the FAP benefit component. Please reference the applicable Appendix section of this SPD for specific details on those special provisions.

Cash Balance Benefit Component (for service after 4/30/2012)

For employees who continue in eligible employment with the Company after April 30, 2012, you will earn a Cash Balance benefit under the Plan. The Cash Balance is a “notional account” that is set up in your name. You do not make any contributions to the account – Tesoro makes all contributions.

Tesoro keeps track of your account balance, expressed as a lump sum, so you can see how your Cash Balance account grows over time.

Under the Cash Balance, your account balance is credited with Pay Credits and Interest Credits on a quarterly basis. At any given time, the value of your Cash Balance benefit is equal to the sum of all your Pay Credits and Interest Credits.

$$\begin{array}{|c|} \hline \text{Pay} \\ \text{Credits} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Interest} \\ \text{Credits} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Your Cash Balance} \\ \text{Benefit} \\ \hline \end{array}$$

Minimum Benefit

Your benefit under this settlement will never be less than your accrued benefit as of the date of the settlement agreement of December 5, 2014.

Payment of your Benefit

If you terminate employment and commence your benefits prior to your Normal Retirement Date, your benefit will be reduced, if applicable, based on the date the benefit payments commence and the factors for early retirement will be applied as indicated in the "When You Can Receive Your Benefit" section in the generally applicable provisions of the SPD.