TESORO CORPORATION FLEXIBLE SPENDING ACCOUNTS

SUMMARY PLAN DESCRIPTION

As of January 1, 2016

I. HEALTH CARE FLEX SPENDING ACCOUNT 3

Highlights 3
Participation 3
Enrollment 4
How the Health Care FSA Program Works 4
Who's an "Eligible Dependent"? 5
What Is a "Qualified Expense"? 5
How Much You Can Put Into Your Health Care Account 5
"Use It or Lose It" Rule 5
Tax Considerations 6
Continuation of Coverage – Health Care FSA 7

II. DEPENDENT CARE FLEX SPENDING ACCOUNT 8

Highlights 8
Participation 8
Enrollment 8
How the Dependent Care FSA Program Works 9
Who's an "Eligible Dependent"? 9
What Is a "Qualified Expense"? 10
How Much You Can Put Into Your Dependent Care Account 10
"Use It or Lose It" Rule 11
Tax Considerations 11

III. INFORMATION APPLICABLE TO HEALTH CARE AND DEPENDENT CARE FSAS 12

Events Affecting Participation 12
Exclusions and Limitations 13
Plan Amendment or Termination 13
Additional Information 14
General Claims Procedure 15
Future of the Plan 16
Interpretation of the Plan 16

IMPORTANT FACTS ABOUT THE PLAN 17

Plan Name 17
Plan Sponsor 17
Plan Administrator 17
Plan Funding 17
Other Employers Whose Employees Are Covered By the Plan 17
Agent for Service of Legal Process 17
Plan Type 17
Plan Number 17
Employer Identification Number (EIN) 17
Plan Year 17
Questions 17

This Summary Plan Description (SPD) outlines the major features of the Tesoro Flexible Spending Account Plan. If you have questions regarding your coverage under a Flexible Spending Account, contact the Tesoro Benefit Center at (866) 787-6314.

This document describes the Tesoro Flexible Spending Account Plan as of January 1, 2016. This Plan is available to eligible Tesoro employees on the U.S. payroll. This information comprises the SPD of this Plan as required by the Employee Retirement Income Security Act of 1974 (ERISA). This description doesn't 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 texts, the provisions of the official plan texts will prevail.

Tesoro offers Health Care and Dependent Care Flexible Spending Accounts as plan options to make health care and dependent care more affordable for employees. Funding your Flex Spending Account (FSA) with pre-tax contributions lowers your taxable income, thereby increasing your spendable income. Although participation does require some careful planning, you may find the financial savings are worth the effort.

I. HEALTH CARE FLEX SPENDING ACCOUNT

Highlights

The Health Care Flex Spending Account (Health Care FSA) can help you pay for certain health care expenses with before-tax dollars. The program is designed to reimburse you for qualified out-of-pocket medical, dental, vision and hearing expenses, including deductibles, co-insurance and co-payments, not covered by your health insurance plans. You and your eligible dependents' health-related expenses are reimbursable if they satisfy all of the following requirements:

- they are qualified health expenses under IRS Section 213(d);
- they are not reimbursed under a medical, dental, or vision care plan;
- they are incurred during the plan year in which you participate in the Health Care FSA; and
- you submit a claim for reimbursement within the timeframes designated by the Plan.

If you enroll, the amount of pre-tax contributions you authorize is deducted from your pay in equal amounts throughout the year and credited to your Health Care FSA. You can contribute up to $2,550 (contributed biweekly) into your account over the course of a plan (calendar) year. The minimum amount you may contribute is $5 per biweekly pay period. After you incur eligible health care expenses during the plan year, you, you claim reimbursement of your expenses via one of the various methods available. You may pay with your PayFlex debit card issued to you by Aetna, file a claim form for reimbursement of your expenses or you can submit an electronic claim to PayFlex online or by using the PayFlex mobile application.

The program operates under very strict provisions of the Internal Revenue Code; for example, if you don't have enough qualified expenses to use all of the money you put into your FSA, you'll forfeit money that's left over after the end of the plan year.

Participation

You are eligible to participate in the Health Care FSA Plan if you are a regular, full-time employee of one of Tesoro Corporation's participating subsidiary companies. You will be considered a full-time employee if you are regularly scheduled to work at least thirty (30) hours each week.

If you are a full-time employee, you generally may elect to participate as of your first day as an employee. If you are in a job covered by a collective bargaining agreement, you are not eligible for participation in the Health Care FSA Plan unless the provisions are included or incorporated in your collective bargaining agreement.

Special Rule for Health Savings Account (HSA) Participants

Participants in Tesoro's Value Plus Plan (VPP) or Traditional VPP, qualified High Deductible Health Plans (HDHPs), with HSA are prohibited under IRS regulations from having other medical coverage that is not a qualified HDHP. Tesoro's Health Care FSA is considered non-HDHP coverage because it could cover out-of-pocket medical expenses before the deductible is met. Therefore, VPP (with HSA) participants may not participate in Tesoro's Health Care FSA. Similarly, VPP (with HSA) participants may not be covered under their spouse's health FSA, if it covers any medical expenses before the VPP deductible is met.

Enrollment

If you are eligible to participate in the Plan, you must enroll within 31 days after your eligibility date. You may enroll by completing your Online Benefits Enrollment through the Tesoro Benefit Center at www.tsocorp.com/benefits or by calling (866) 787-6314. You must complete your benefit enrollment within 31 days of your date of eligibility. After you have completed your enrollment, you may print a Confirmation Form verifying your elections. Any payroll deductions covering your elections will be made automatically.

You may generally enroll and elect to contribute a specific amount to your Health Care FSA Plan once each year, for one calendar year at a time. During each annual open enrollment you must re-enroll to participate for the upcoming year. Your participation will end as of the end of the calendar year if you do not elect to participate at open enrollment for the following year.

If you enroll in the Health Care FSA during annual open enrollment, your participation begins the following January 1. If you enroll within your first 31 days of work at Tesoro, your participation begins on your eligibility date (normally your date of hire). If you enroll at any other time of the year because of a qualified family status change, your participation begins on the effective date of the change.

How the Health Care FSA Program Works

When you enroll, you authorize Tesoro to deduct money from your pay in equal amounts throughout the plan (calendar) year and credit the annual election to a Health Care FSA set up in your name. The money deducted from your pay and put into your account is tax-exempt. It's very important that you determine how much money you want deducted from your pay before you enroll, because IRS regulations governing the plan provide that you can't change or stop your deductions after they begin, unless you experience a qualified family status change during the plan year.

After you receive eligible health care services (and incur expenses), you can pay for eligible expenses with your PayFlex debit card issued by Aetna. If you pay expenses out of your pocket, you can file a claim for reimbursement by completing the claim submission process online (at www.payflex.com), by using the Aetna PayFlex mobile application or by submitting a Flexible Spending Account Claim Form to Aetna PayFlex with a copy of your bill or receipt for the health care expenses. The supporting documentation must include the dates of service, the provider's name, the name of the eligible person receiving the services (yourself or an eligible dependent), the services that were received, and the incurred cost. Claim forms are available at www.payflex.com, through HR Connect or through the Tesoro Benefits Center at www.tsocorp.com/benefits.

If you use the PayFlex debit card issue by Aetna, you may use it up to the amount you have elected to contribute during the year.

Also, the Internal Revenue Service (IRS) requires Aetna PayFlex to verify that all Health Care FSA debit card purchases are for eligible expenses. Beginning July 1, if you receive a request from Aetna PayFlex for additional documentation for your card purchase and do not respond within the time permitted, your card may be temporarily suspended until you provide the requested documentation. Failure to validate any expenses paid with the FSA debit card will require Tesoro to report the unsubstantiated amounts as taxable income on your W-2. Additionally, the value of the unsubstantiated amounts will be entered as FSA imputed income on your paycheck. To avoid this from happening, please take immediate action as required by the IRS and provide the requested documentation.

If you file for reimbursement for expense paid out of our pocket, eligible health care expenses may be reimbursed up to the full amount you have elected to contribute during the year. Reimbursements are made through direct deposit to your designated bank account on file with Aetna PayFlex or by check issued to you by PayFlex. You may review your claims and account balance at www.aetna.com (which will link you to the Aetna PayFlex system) or by directly logging in at www.payflex.com (separate registration required).

You must file your claims for reimbursement before March 31 of the year after the plan year in which you incur qualified health care expenses.

Who's an "Eligible Dependent"?

An eligible dependent whose qualified medical expenses can be reimbursed includes you and your spouse, all dependents you claim on your tax return and your children until age of 26. Federal tax law does not permit you to claim expenses for your domestic partner or your domestic partner's children, unless they qualify as dependents on your federal income tax return for the year.

Also, any person you could have claimed as your dependent excluding: a person that filed a joint return, a person that had gross income of $3,950 or more, or you or your spouse if filing jointly and could be claimed as a dependent on someone else's return.

What Is a "Qualified Expense"?

Qualified Health Care FSA expenses are those that are those that meet the requirements under IRC Section 213(d). Generally, these are out-of-pocket medical, dental, vision or hearing expenses, for you or an eligible dependent, of the type that would qualify for deduction on your federal income tax return. Only expenses for goods bought or services provided (incurred) during the plan year while you're a participant are eligible for reimbursement. These expenses include your deductibles, co-payments, and other out-of-pocket expenses under your group health plans.

Over-the-Counter (OTC) medicines require a doctor's prescription before purchase in order to submit the expense under your Health Care FSA. In addition, certain nonprescription, over-the-counter medications and medical care items are qualified for reimbursement under the Health Care FSA when directed by a doctor. Each calendar year, you must provide written documentation from your doctor stating your medical condition and indicating that the over-the-counter medication will treat or alleviate your condition. After you have provided the documentation from your doctor, you may submit claims for the medication for the rest of the calendar year.

For further information regarding qualified health care expenses, over-the-counter qualified expenses and other expenses that are reimbursable when supported by your doctor, visit www.aetna.com/fsa.

How Much You Can Put Into Your Health Care Account

The chart below shows the minimum and maximum amounts you can contribute to your Health Care FSA each calendar year:

Health Care FSA	Minimum Calendar-Year Contribution	Maximum Calendar Year Contribution
	$130	**$2,550**

If you and your spouse are both Tesoro employees, each of you can direct up to $2,550 to a Health Care FSA each calendar year. If your spouse has a health care FSA with another employer, you can still contribute up to $2,550 each year.

When you enroll in the plan, you must indicate how much you want to direct to the Health Care FSA. The choices you make when you enroll are irrevocable for the year, unless you experience a qualified family status change. You cannot redirect the amount designated on your enrollment form for the Health Care FSA to the Dependent Care FSA, or vice versa, for any reason during the year. In addition, funds in your Health Care FSA can't be used to pay for dependent care expenses. Similarly, funds in your Dependent Care FSA cannot be used to pay for health care expenses. If you have excess funds in either account at any time, you cannot transfer those funds from one account to the other.

"Use It or Lose It" Rule

If you don't use the entire balance in your Health Care FSA by the end of the year, or before your eligibility to participate in the plan ends, you forfeit the remaining funds. This money is not available for future expenses or a refund. Under certain circumstances if you terminate employment, you may be eligible for continued participation and reimbursement of qualified expenses through COBRA (see Events Affecting Coverage).

Tax Considerations

Your Social Security benefits may be lowered slightly at retirement if you participate in the Health Care FSA. This is because deductions under the program lower your taxable Social Security wages, and your Social Security benefits are based on your taxable wages. If you're earning less than the Social Security wage base, your future Social Security benefits will be reduced; however, the effect will usually be minimal. If your earnings are above the Social Security wage base after you subtract all pre-tax contributions for this program, the Dependent Care FSA, basic group life insurance, and medical and dental plan coverage, your Social Security benefits won't be affected.

The IRS does not allow you to take an income tax deduction for expenses reimbursed through your Health Care FSA. When you consider whether or not to enroll in the Health Care FSA, you need to consider whether you're eligible to take the federal income tax deduction for health care expenses on your income tax return. Under current tax laws, health care expenses are normally deductible on your federal income tax return only if they exceed 7.5 percent of your adjusted gross income. IRS Publication 502, available at www.irs.ustreas.gov, provides more information about expenses that are deductible for income tax purposes. Keep in mind that over-the-counter medications may be eligible for reimbursement under the Health Care FSA, but they are not tax-deductible.

If you are not eligible for the federal income tax deduction, the Health Care FSA will provide tax savings on your health care expenses. However, when you use your Health Care FSA to reimburse expenses, you give up the opportunity to take a tax deduction for these same items because, for tax purposes, they are considered paid by the Company rather than by you.

If you are eligible for the income tax deduction, either the Health Care FSA or the federal income tax deduction may provide greater tax savings, depending on your situation and the amount and type of your expenses. It's best to talk with a tax adviser to determine which approach provides the greatest tax savings for you.

An Example of How the Health Care FSA Can Help You Save

When you elect to contribute to the Health Care FSA, your taxable income is reduced. Here's an example of how a spending account could help you save. Assume all of the following:

- You are single.
- You have an annual income of $50,000.
- You contribute $2,550 to your Health Care FSA.

	With HCFSA	Without HCFSA
Your salary	$50,000	$50,000
Minus your contribution to the Health Care FSA	($2,550)	$0
Taxable pay	$47,450	$50,000
Estimated Taxes	($11,695)	($12,513)
After Tax Health Care Expenses	$0	($2,550)
Net Pay	$35,755	$34,937
Savings	**$818**	**$0**

In this example, you save $818 by paying for health care expenses using the Health Care FSA. Keep in mind that this is only an example. Your own tax savings will depend on your personal situation. Tax laws are complex and change frequently. Please see a tax adviser for the tax savings that apply to you.

Continuation of Coverage – Health Care FSA

COBRA

COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985, as amended) provides a way for you and your eligible dependents who lose group health plan coverage to continue coverage for a period of time. Under certain conditions, you may continue coverage if your eligibility terminated because of a reduction in hours of employment or if you terminated employment for reasons other than gross misconduct.

Your dependent may continue coverage if coverage is lost due to:

1. Your death;
2. Your termination of employment (for reasons other than gross misconduct) or a reduction in your hours of employment;
3. Your divorce or legal separation;
4. You become entitled to Medicare; or
5. Your dependent child ceases to meet the definition of a dependent child.

COBRA continuation for Health Care FSAs is a limited obligation and only available to those with "underspent" accounts as of the date of the qualifying event. If you (or your qualified dependents) have an "underspent" account and elect to continue coverage, you will be required to pay the full monthly contribution (on an after-tax basis) plus a 2% COBRA administration fee. Health Care FSA COBRA continuation eligibility will cease at the end of the year in which the qualifying event occurs.

COBRA continuation is not available for participants who have "spent or overspent" their health care flex spending account as of the date of the qualifying event.

You or your family member has the responsibility to inform the Tesoro Benefits Center of a divorce, legal separation, or child losing dependent status within 60 days of the event. The election to continue coverage must be made within 60 days of the date that you or your dependent was notified of the right to continue coverage. The monthly contribution required to make coverage retroactive to your date of ineligibility must be paid within 45 days of the date you elect to continue coverage.

Coverage under this provision will automatically terminate for any of the following reasons:

1. the Plan Sponsor no longer provides group coverage to any of its employees;
2. the monthly contribution is not paid on or before the date it is due;
3. the period during which COBRA was applied for ends.

II. DEPENDENT CARE FLEX SPENDING ACCOUNT

Highlights

The Dependent Care Flex Spending Account (Dependent Care FSA) can help you pay for dependent care expenses with before-tax dollars. The program is designed to reimburse you if you pay for the care of an eligible dependent so you and your spouse can work or look for work. Qualified expenses include charges for day care provided for your dependent children under age 13 or for a disabled child or adult who lives with you and depends on you financially.

If you enroll, the amount of pre-tax contributions you authorize is deducted from your pay in equal amounts throughout the year and credited to your Dependent Care FSA. Depending on your circumstances, you can contribute up to $5,000 (contributed biweekly) into your account over the course of a plan (calendar) year. The minimum amount you may contribute is $5 per biweekly pay period. After you pay qualified dependent care expenses, you file a claim form for reimbursement of your expenses, you claim reimbursement of your expenses via one of the various methods available. You may file a claim form for reimbursement of your expenses or you can submit an electronic claim to PayFlex online or by using the PayFlex mobile application.

The program operates under very strict provisions of the Internal Revenue Code; for example, if you don't have enough qualified expenses to use all of the money you put into your FSA, you'll forfeit money that's left over after the end of the plan year.

Participation

You are eligible to participate in the Dependent Care FSA if you're a regular full-time employee of Tesoro Corporation or one of its participating subsidiary companies . You will be considered a full-time employee if you are regularly scheduled to work at least thirty (30) hours each week. In order to participate, you must also provide day care for a qualified dependent so you can work, and one of the following must apply to you:

- You're single or legally separated;
- You're married and your spouse also works;
- You're married and your spouse attends school full-time outside the home at least five months during the year; or
- You're married and your spouse is mentally or physically incapable of caring for himself or herself because of a disability.

If you are a full-time employee, you generally may elect to participate as of your first day as an employee. If you are in a job covered by a collective bargaining agreement, you are not eligible for participation in this Dependent Care FSA Plan unless the provisions are included or incorporated in your collective bargaining agreement.

Enrollment

If you are eligible to participate in the Plan, you must enroll within 31 days after your eligibility date. You may enroll by completing your Online Benefits Enrollment through the Tesoro Benefit Center at www.tsocorp.com/benefits or by calling (866) 787-6314. You must complete your benefit enrollment within 31 days of your date of eligibility. After you have completed your enrollment, you may print a Confirmation Form verifying your elections. Any payroll deductions covering your elections will be made automatically.

You may generally enroll and elect to contribute a specific amount to your Dependent Care FSA Plan once each year, for one calendar year at a time. During each annual open enrollment you must re-enroll to participate for the upcoming year. Your participation will end as of the end of the calendar year if you do not elect to participate at open enrollment for the following year.

If you enroll in the Dependent Care FSA during annual open enrollment, your participation begins the following January 1. If you enroll within your first 31 days of work at Tesoro, your participation begins on your eligibility date (normally your date of hire). If you enroll at any other time of the year because of a qualified family status change, your participation begins on the effective date of the change.

How the Dependent Care FSA Program Works

When you enroll, you authorize Tesoro to deduct money from your pay in equal amounts throughout the plan (calendar) year and credit it to a Dependent Care FSA set up in your name. The money deducted from your pay and put into your account is tax-exempt. It's very important that you determine how much money you want deducted from your pay before you enroll, because IRS regulations governing the plan provide that you can't change or stop your deductions after they begin, unless you experience a qualified family status change during the plan year.

After you pay your eligible dependent care expenses, you can file a claim for reimbursement by completing the claim submission process online (at www.payflex.com), by using the Aetna PayFlex mobile application or by submitting a Flexible Spending Account Claim Form and a copy of your bill or receipt for the dependent care expenses incurred to Aetna PayFlex. The bill must show for whom the care was provided, when the care was provided, the day care provider's name and tax ID or social security number, and the amount paid. Canceled checks or credit card receipts are not acceptable as documentation for reimbursement. Claim forms are available at www.payflex.com, through HR Connect or through the Tesoro Benefits Center at www.tsocorp.com/benefits.

Each time you file a claim, you'll be reimbursed for your qualified expenses, up to the amount of money in your account. If your expenses are greater than the amount in your account, you'll be reimbursed for the remaining amount after additional before-tax contributions are credited to your account. Reimbursements are made through direct deposit to your designated bank account on file with Aetna or by check issued to you by Aetna. You may review your claims and account balance at www.aetna.com (which will link you to the Aetna PayFlex system) or by directly logging in at www.payflex.com (separate registration required).

You must file your claims for reimbursement by March 31 of the year after the plan year in which you incur qualified dependent care expenses.

Who's an "Eligible Dependent"?

You can take advantage of the tax savings offered by the Dependent Care FSA if you're an eligible employee and you have to pay someone to take care of a qualified dependent so you, and your spouse if you're married, can work or look for work.

Beginning in 2005, IRS regulations define a taxpayer's dependent for purposes of the Dependent Care FSA reimbursement as a "qualifying individual" who is:

- A qualifying child who has not attained age 13. (See definition of qualifying child under Health Flex Spending Account, Who's an "Eligible Dependent?")
- A qualifying child, qualifying relative, or spouse who is physically or mentally incapable of self-care and who has the same principal place of abode as you for more than half of the taxable year. (See definitions of qualifying child and qualifying relative under Health Flex Spending Account, Who's an "Eligible Dependent?")

There are 3 exceptions that apply:

- If you are a dependent (as defined above) of a taxpayer, then you are treated as having no dependents (e.g., your son or daughter cannot be your qualifying child if you are the dependent of another).
- If an individual files a joint return with his/her spouse, that individual cannot be another person's dependent (e.g., your married son who files a joint return cannot be your qualifying child).
- An individual cannot be a dependent unless he/she is a citizen or resident of the U.S. or resident of Canada or Mexico (except in the case of adopted children).

Special Rule for Divorced Parents

Even if you cannot claim your child as a dependent, he or she is treated as a qualifying individual if:

- The child is under age 13 or was not physically or mentally able to care for himself or herself,
- The child received over half of his or her support during the calendar year from one or both parents who are divorced or legally separated under a decree of divorce or separate maintenance, are separated under a written separation agreement, or lived apart at all times during the last 6 months of the calendar year,
- The child was in the custody of one or both parents for more than half the year, and
- You are the child's custodial parent. The custodial parent is the parent with whom the child lived for the greater number of nights in the year. If the child was with each parent for an equal number of nights, the custodial parent is the parent with the higher adjusted gross income. For details and an exception for a parent who works at night, see Pub. 501.

The noncustodial parent cannot treat the child as a qualifying individual even if that parent is entitled to claim the child as a dependent under the special rules for a child of divorced or separated parents.

What Is a "Qualified Expense"?

For information regarding qualified expenses, visit www.aetna.com/fsa or refer to IRS Publication 503, available at www.irs.ustreas.gov.

How Much You Can Put Into Your Dependent Care Account

Federal tax laws limit the amount of money you can contribute each year to the Dependent Care FSA. The limitations vary depending on your marital status, how you file your income tax return, and other factors as outlined below:

If you're:	You can contribute up to this amount:
Single	$5,000 a year
Married, you and your spouse file a joint tax return, and your spouse does not have access to a Dependent Care FSA	$5,000 a year, limited to your spouse's earned income for the year
Married, you and your spouse file a joint tax return, and your spouse has access to a Dependent Care FSA	You and your spouse can contribute up to $5,000 a year combined
Married, and you and your spouse file separate tax returns	You can each contribute up to $2,500 a year
If your spouse earns less than $5,000 a year	Your combined contributions are limited to an amount equal to your spouse's annual income. For example, if your spouse earns $4,000 a year, your contributions can't be more than $4,000.
Married, and your spouse doesn't work but is disabled or a full-time student for at least five months during the year	• $3,000 for one qualified dependent; • $5,000 for two or more dependents. (The federal dependent care tax credit allows up to $6,000. Consult with your personal tax adviser to determine which tax option is most advantageous for your personal tax situation.)

The minimum amount you can contribute each calendar year is $130 or $5 per pay period. If you're a new employee, you can have the maximum amount deducted from your pay during the year in which you join the company, no matter when you're hired. You should keep in mind that IRS contribution limits apply to all of the contributions you make to programs like this during the calendar year. If you contributed to a similar plan sponsored by your former employer, those contributions will count toward your annual limit under federal tax laws. When you enroll in the Plan, you must indicate how much you want to direct to the Dependent Care FSA. The choices you make when you enroll are irrevocable for the year, unless you experience a qualified family status change. You cannot redirect the amount designated on your enrollment form for the Dependent Care FSA to the Health Care FSA, or vice versa, for any reason during the year. In addition, funds in your Dependent Care FSA can't be used to pay for health care expenses. If you have excess funds in either account at any time, you can't transfer those funds from one account to the other.

"Use It or Lose It" Rule

If you don't use the entire balance in your Dependent Care FSA by the end of the year, or before your eligibility to participate in the plan ends, you forfeit the remaining funds. This money is not available for future expenses or a refund.

Tax Considerations

Your Social Security benefits may be lowered slightly at retirement if you participate in the Dependent Care FSA. This is because deductions under the program lower your taxable Social Security wages, and your Social Security benefits are based on your taxable wages. If you're earning less than the Social Security wage base, your future Social Security benefits will be reduced; however, the effect will usually be minimal. If your earnings are above the Social Security wage base after you subtract all pre-tax contributions for this program, the Health Care FSA, basic group life insurance, and medical and dental coverage, your Social Security benefits won't be affected.

You can save income taxes on dependent care costs in two ways: through the Tesoro Dependent Care FSA or by claiming a federal tax credit. The IRS permits you to take a federal income tax credit for dependent care expenses depending on your tax filing status and taxable income. This credit ranges from 20% to 35% of your eligible dependent care expenses.

Contributions you make to the Dependent Care FSA reduce, dollar-for-dollar, the dollar limit on expenses eligible for the dependent care tax credit. You can't take the tax credit and be reimbursed under Tesoro's Dependent Care FSA for the same expense. You have to decide which tax advantage is best for you — the Dependent Care FSA, the tax credit, or a combination of both. It's a good idea to consult with a tax adviser before making that decision.

III. INFORMATION APPLICABLE TO HEALTH CARE AND DEPENDENT CARE FSAS

Events Affecting Participation

Change in Family Status

The following life events could qualify you to make appropriate changes in your FSA elections. However, the change you request must be consistent with the life event. For example, if you become a parent, you can enroll in the Health Care and/or Dependent Care FSA or increase your contributions to provide health care or day care for the child.

- Marriage
- Divorce, legal separation, or annulment of your marriage
- Birth, adoption, or placement for adoption of a child
- Death of a spouse or child
- Loss or establishment of dependent eligibility
- Loss or establishment of Medicaid or Medicare coverage
- Transfer or relocation
- Employment or unemployment of your spouse or an eligible dependent
- Leave of absence under the Family and Medical Leave Act ("FMLA") or other approved leave of absence
- Strike or lockout
- Change in COBRA coverage for you, your spouse, or an eligible dependent
- Judgment, decree or order regarding coverage for an eligible dependent
- Change in part-time/full-time work schedule for you or your spouse
- Change in part-time/full-time school schedule for your spouse
- Change in day care providers
- Disability of you, your spouse, or another dependent
- Significant increase or decrease in benefit plan costs
- Significant reduction in plan coverage
- Significant change in plan benefits provided

If you experience a qualified change in family status and need to change your FSA election during the plan year, notify the Tesoro Benefit Center within 31 days after the event that necessitates the change. If you don't, you cannot make a change until the next annual open enrollment, unless you have another qualifying life event.

The rules related to a qualified change in family status are established by the IRS and are subject to revision. Because the rules are complex, you will need to check with Tesoro Benefit Center to determine if you have a qualifying event and what change, if any, you can make to your FSA election.

Disability

Your contributions to the Health Care or Dependent Care FSA continue while you receive salary continuation benefits from a Tesoro Short-Term Disability Plan. They'll stop if you begin to receive benefits from the Long-Term Disability Plan. Under certain circumstances, you may be able to continue making contributions to the Health Care FSA on an after-tax basis through COBRA for the remainder of the plan year. Contact the Corporate Benefits Department for additional information.

Leave of Absence

If you are on a Company approved leave of absence, your participation in the Health Care or Dependent Care FSA will continue to the extent that you are receiving Company pay for up to six months. If you are on leave without pay, your participation in the plan will end. Under certain circumstances, you may be able to continue making contributions to the Health Care FSA on an after-tax basis through COBRA for the remainder of the plan year. If you don't continue coverage while on leave, you can re-enroll when you return from leave - your participation does not automatically resume. Contact the Corporate Benefits Department for additional information.

If your leave of absence is taken under the Family and Medical Leave Act (FMLA), you may continue participation and can (1) prepay your contributions on a pre-tax basis (provided that your leave doesn't extend beyond the end of the current plan year); (2) make monthly contributions (pre-tax if you are receiving salary continuation, e.g. short-term disability or vacation pay, and after-tax if your leave is unpaid); or (3) catch-up on your pre-tax contributions when you return from FMLA leave. If your leave extends beyond the end of the current plan year, you must make a new FSA election when you return to work.

Note: If your spouse goes on a leave of absence, you should stop your contributions to the Dependent Care FSA because you can't be reimbursed for expenses incurred while your spouse isn't working, unless disabled or attending school.

Reduction in Number of Hours Worked

If your regularly scheduled hours are reduced to less than thirty (30) hours per week, your participation will end as of the date the schedule change is effective. Under certain circumstances, you, your spouse and your qualified dependents may be able to continue making contributions to the Health Care FSA on an after-tax basis through COBRA for the remainder of the plan year. Contact the Corporate Benefits Department for additional information. If your regularly scheduled hours later increase to at least thirty (30) hours per week, you'll once again be eligible to participate in the FSA plan.

Layoff or Termination of Employment

Participation ends when your employment terminates. When you leave the Company during the plan year, you have until March 31 of the next year to submit claims for expenses incurred before your termination of employment. Under certain circumstances, you, your spouse and your qualified dependents may be able to continue making Health Care FSA contributions on an after-tax basis through COBRA for the remainder of the plan year. Contact the Corporate Benefits Department for additional information.

Death

Participation ends as of the date of your death. Your survivors must file requests for reimbursement of qualified expenses, up to the full amount you have elected to contribute to the Health Care FSA and up to the amount available in your Dependent Care FSA no later than March 31st of the following year. Under certain circumstances, your spouse and qualified dependents may be able to continue making Health Care FSA contributions on an after-tax basis through COBRA for the remainder of the plan year. Contact the Corporate Benefits Department for additional information.

Exclusions and Limitations

Under certain circumstances, tax laws may require that your pre-tax contributions to the FSA plan be reduced or terminated. You will be notified if such adjustments are required.

Plan Amendment or Termination

Tesoro expects to continue the employee benefits described in this section, but reserves the right to amend or discontinue any or all parts at any time and for any reason. In no event will you become entitled to any vested rights under this FSA plan.

Additional Information

The Plans that comprise your Benefits Package are part of the pay 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.

In September 1974, the Employee Retirement Income Security Act (ERISA) was signed into law. The purpose of this law is to protect our rights as participants in employee benefit plans. Although the Tesoro Plans have always been written and administered to assure that each participant received his or her full benefits, we want you to be aware of the additional protection provided by this law.

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.

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. In addition, if you disagree with a Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. 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.

As Plan Sponsor, Tesoro Corporation prides itself on operating its Plans fairly and objectively and is also proud of its open lines of communication with its employees. If you have any questions about the information presented here, please contact the Corporate Benefits Department or your local HR Manager.

If you have any questions about your rights under ERISA, you should contact the nearest Area Office of the U.S. Labor Management Services Administration, Department of Labor.

General Claims Procedure

A participant or beneficiary who feels he or she is being denied any benefit or right provided under the Plans shall have the right to file a written claim with the Plan Administrator. All such claims shall be submitted 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.

Upon the receipt of such a claim and in the event the claim is denied, the Plan Administrator shall, within a reasonable period of time, provide such claimant a written statement which shall be delivered or mailed 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;
- An explanation of the review procedures and the time limits that apply; and
- In the case of a plan providing disability benefits, a copy of the internal rules, guidelines, other protocols or similar criteria will be provided free on request following an adverse benefit determination.

Within 90 days (180 days in the case of a claim for disability benefits) after receipt of notice of denial of benefits as provided above, the claimant or authorized representative may request, in writing, to appear before the Plan Administrator for a review of the claim. In conducting its review, the Plan Administrator shall consider any written statement or other evidence presented by the claimant or authorized representative in support of the claim. The Plan Administrator will give the claimant and/or authorized representative reasonable access to all pertinent documents necessary for the preparation of the claim.

Within 60 days after receipt by the Plan Administrator of a written request for review of the claim, unless special circumstances require an extension of time for processing such request for review, but not later than 120 days after receipt of such request, the Plan Administrator shall notify the claimant of its decision by delivery or by certified or registered mail to the claimant's last known address. In the case of a claim for disability benefits, the notification of the Plan Administrator's decision shall be made not later than 45 days after receipt of the claim, unless special circumstances require an extension of time for processing such request for review, and such extension shall require a decision not later than 105 days after receipt of such request and following appropriate notice of extension (limited to two 30 day extensions).

The decision of the Plan Administrator shall be in writing and shall include the specific reasons for the decision presented in a manner calculated to be understood by the claimant and shall contain references to all relevant Plan provisions on which the decision was based. The decision of the Plan Administrator shall be final and conclusive.

Future of the Plan

Tesoro expects and intends to continue the employee benefits described in this SPD indefinitely, but reserves the right to amend or discontinue any or all parts at any time.

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

The Tesoro Corporation Health Care Flexible Spending Account Plan is a Constituent Benefit Program of the Tesoro Corporation Omnibus Group Welfare Benefits Plan.

Plan Sponsor

Tesoro Corporation
19100 Ridgewood Parkway
San Antonio, TX 78259
(210) 828-8484

Plan Administrator

Tesoro Employee Benefit Committee
Tesoro Corporation
19100 Ridgewood Parkway
San Antonio, TX 78259

Plan Funding

The plan is funded by employee contributions.

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.

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 Administrator.

Plan Type

Welfare benefit plan.

Plan Number

The plan number is 501.

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.

Questions

If you have questions about your Tesoro employee benefits, contact the Tesoro Benefit Center at (866) 787-6314.