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

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 1, 2016

TESORO LOGISTICS LP
(Exact name of registrant as specified in its charter)

Delaware 1-35143 27-4151603
(State or other jurisdiction  (Commission  (IRS Employer
of incorporation) File Number) Identification No.)

19100 Ridgewood Pkwy 78259-1828
San Antonio, Texas 210) 626-6000
(Address of principal executive offices) (Registrant’s telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Entry into a Material Definitive Agreement.

On July 1, 2016, Tesoro Logistics LP (the “Partnership”) entered into a Contribution, Conveyance and Assumption Agreement (the “Contribution Agreement”) with Tesoro Corporation (“Tesoro”), Tesoro Logistics GP, LLC (the “General Partner”), Tesoro Logistics Operations LLC (the “Operating Company”) and Tesoro Alaska Company LLC (“TAC”). Pursuant to the Contribution Agreement, TAC has agreed to contribute, through the General Partner and the Partnership, to the Operating Company the assets described below (the “Assets”):

- Tankage with a shell capacity of approximately 3,500,000 barrels located at TAC’s refinery in Kenai, Alaska, related equipment and ancillary facilities used for the operation thereof (collectively, the “Kenai Tankage”);
- all of TAC’s limited liability company interests (the “TAT Units”) in Tesoro Alaska Terminals LLC, a wholly-owned subsidiary of TAC, which owns (a) a bulk tank farm and terminal facility located at the Port of Anchorage in Anchorage, Alaska with 580,000 barrels of in-service storage capacity for refined products and which facility includes a truck rack and a rail-loading facility, and (b) a terminal facility located at the Fairbanks International Airport in Fairbanks, Alaska, with 22,500 barrels of in-service capacity for refined products and which facility includes a truck rack; and
- certain related assets used in connection with the foregoing assets.

The consideration for the Assets will total approximately $444 million. The contribution pursuant to the Contribution Agreement will be made in two stages.

In the first stage, which closed on July 1, 2016, TAC contributed the Kenai Tankage to the General Partner in exchange for additional membership interests in the General Partner. The General Partner contributed such assets to the Partnership in consideration of the receipt by the General Partner of approximately $239 million from the Partnership in cash, financed with borrowings under the Partnership’s drop-down credit agreement, and the issuance of equity securities of the Partnership with a combined fair value of approximately $27 million. The equity was comprised of 162,375 general partner units sufficient to restore and maintain the General Partner’s 2% general partner interest in the Partnership and 390,282 common units. The Partnership then contributed such assets to the Operating Company.

In the second stage, upon the satisfaction of certain conditions precedent, TAC will contribute the TAT Units to the General Partner in exchange for additional membership interests in the General Partner. The General Partner will contribute such assets to the Partnership in consideration of approximately $160 million from the Partnership in cash, expected to be financed with borrowings under the Partnership’s drop-down credit agreement, and the issuance of equity securities of the Partnership with a combined fair value of approximately $18 million. The equity will be comprised of a sufficient number of general partner units to restore and maintain the General Partner’s 2% general partner interest in the Partnership and the remainder in common equity. The Partnership will then contribute the TAT Units to the Operating Company.

In connection with the Contribution Agreement, Tesoro, TAC, Tesoro Refining and Marketing Company LLC (“TRMC”), the General Partner, the Partnership and the Operating Company, as applicable, entered into the commercial agreements described below and agreed to enter into various additional commercial agreements on the closing date of the second stage of the contribution.

The foregoing description is not complete and is qualified in its entirety by reference to the Contribution Agreement, which is filed as Exhibit 2.1 to this Current Report on Form 8-K and incorporated herein by reference.
Effective on the first closing date, July 1, 2016, the Operating Company entered into a ground lease with TAC (the “Ground Lease”) under which TAC leases to the Operating Company the portion of TAC’s petrochemical refinery located at Kenai, Alaska on which the Kenai Tankage is located. The term of the Ground Lease is 99 years, ending on June 30, 2115, and the rent for the entire term was paid in full in advance by the Operating Company under the terms of the Contribution Agreement. The Operating Company is responsible for (i) the payment of real property taxes with respect to the portion of the premises on which the Kenai Tankage is located, (ii) the payment of all utility costs with respect such premises, (iii) maintaining the buildings and improvements located on such premises and (iv) keeping all buildings and improvements on such premises insured against loss or damage by fire. The Ground Lease is terminable upon condemnation or by TAC upon default by the Operating Company.

The foregoing description is not complete and is qualified in its entirety by reference to the Ground Lease, which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference.

Effective on the first closing date, July 1, 2016, the Operating Company entered into the Kenai Storage Services Agreement with TAC, the General Partner and the Partnership (the “Storage Services Agreement”) to govern the provision of storage services by the Operating Company to TAC with respect to the Kenai Tankage. The initial term of the Storage Services Agreement will be for ten years. TAC will have the option to extend the term for up to two renewal terms of five years each. Under the Storage Services Agreement, the Operating Company will provide storage and handling services for crude oil, refinery feedstocks, refined product and other materials owned by TAC and stored in one or more of the Operating Company’s tanks. TAC shall pay the fees specified in an applicable terminal service order to be executed by the Operating Company and TAC related to the dedication of such tanks and any ancillary services. All fees under the Storage Services that are to be set forth on terminal service orders will be indexed for inflation. For up to two years after the termination of the Storage Services Agreement, and provided the termination was not due to TAC’s default, TAC may exercise a right of first refusal on any new storage agreement the Operating Company offers to a third party.

The foregoing description is not complete and is qualified in its entirety by reference to the Storage Services Agreement, which is filed as Exhibit 10.2 to this Current Report on Form 8-K and incorporated herein by reference.

The Partnership entered into the Second Amended and Restated Schedules to the Third Amended and Restated Omnibus Agreement (“Amended Omnibus Schedules”) with the General Partner, Tesoro, TRMC, TAC and Tesoro Companies, Inc., which amend and restate the schedules to the third amended and restated omnibus agreement to include the Kenai Tankage subject to the Contribution Agreement. The Partnership expects to further amend and restate the Amended Omnibus Schedules in connection with the closing of the second stage of the contribution to include the assets owned by TAT subject to the Contribution Agreement.

The foregoing description is not complete and is qualified in its entirety by reference to the Amended Omnibus Schedules, which are filed as Exhibit 10.3 to this Current Report on Form 8-K and incorporated herein by reference.

Each of the Partnership, the General Partner, TRMC, TAC and the Operating Company is a direct or indirect subsidiary of Tesoro. As a result, certain individuals, including officers and directors of Tesoro and the General Partner, serve as officers and/or directors of more than one of such other entities. After the first closing date, the General Partner, as the general partner of
the Partnership, holds 2,062,890 general partner units of the Partnership, which represents a 2% general partner interest, and 8,424,405 common units of the Partnership, which represents an 8.17% limited partner interest in the Partnership. Tesoro, together with TRMC, TAC and the General Partner, holds 32,835,397 common units of the Partnership, which represent an approximate 31.8% limited partner interest, in addition to the 2% general partner interest in the Partnership discussed above.

**Item 2.01 Completion of Acquisition or Disposition of Assets.**

The description in Item 1.01 above of the closing of the contribution of the Assets by TAC, through the General Partner and the Partnership, to the Operating Company is incorporated into this Item 2.01 by reference.

**Item 3.02 Unregistered Sales of Equity Securities.**

The description in Item 1.01 above of (i) the issuance of common units by the Partnership on July 1, 2016, in connection with the consummation of the first stage of the transactions contemplated by the Contribution Agreement and (ii) the agreement of the Partnership to issue common units in connection with the consummation of the second stage of the transactions contemplated by the Contribution Agreement is incorporated into this Item 3.02 by reference. The foregoing transactions were undertaken in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”) afforded by Section 4(a)(2) thereof. The Partnership believes that exemptions other than the foregoing exemption may exist for these transactions.

**Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

On July 1, 2016, the General Partner, Tesoro, TRMC and TAC entered into Amendment No. 3 to the Second Amended and Restated Limited Liability Company Agreement of Tesoro Logistics GP, LLC (“Amendment No. 3”). Amendment No. 3 adjusts the membership interests of the owners of the General Partner to reflect the transactions contemplated by the Contribution Agreement by amending the Exhibit A to the Second Amended and Restated Limited Liability Company Agreement of the General Partner, dated as of July 1, 2014, as amended. The Partnership expects to further amend the Second Amended and Restated Limited Liability Company Agreement of Tesoro Logistics GP, LLC in connection with the closing of the second stage of the contribution to further adjust the membership interests of the owners of the General Partner.

The foregoing description is not complete and is qualified in its entirety by reference to Amendment No. 3, which is filed as Exhibit 3.1 to this Current Report on Form 8-K and is incorporated herein by reference.

**Item 7.01 Regulation FD Disclosure.**

On July 1, 2016, the Partnership issued a press release announcing the execution of the Contribution Agreement (the “Press Release”). A copy of the press release is filed as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

The information above is being furnished, not filed, pursuant to Item 7.01 of Form 8-K. Accordingly, the information in Item 7.01 of this Current Report, including Exhibit 99.1, will not be subject to liability under Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and will not be incorporated by reference into any registration statement or other document filed by the Partnership under the Securities Act or the Exchange Act, unless specifically identified therein as being incorporated by reference.
Item 9.01  Financial Statements and Exhibits.

(d) Exhibits.

2.1 Contribution, Conveyance and Assumption Agreement, dated as of July 1, 2016, among Tesoro Logistics LP, Tesoro Logistics GP, LLC, Tesoro Logistics Operations LLC, Tesoro Alaska Company LLC and Tesoro Corporation

3.1 Amendment No. 3 to the Second Amended and Restated Limited Liability Company Agreement of Tesoro Logistics GP, LLC, dated as of July 1, 2016, between Tesoro Corporation, Tesoro Refining & Marketing Company LLC and Tesoro Alaska Company LLC

10.1 Ground Lease, dated as of July 1, 2016, between Tesoro Alaska Company LLC and Tesoro Logistics Operations LLC

10.2 Second Amended and Restated Schedules to the Third Amended and Restated Omnibus Agreement, dated as of July 1, 2016, among Tesoro Logistics LP, Tesoro Logistics GP, LLC, Tesoro Corporation, Tesoro Refining & Marketing Company LLC, Tesoro Alaska Company LLC and Tesoro Companies, Inc.

10.3 Kenai Storage Services Agreement, dated as of July 1, 2016, among Tesoro Alaska Company LLC, Tesoro Logistics Operations LLC, Tesoro Logistics GP, LLC and Tesoro Logistics LP

99.1 Press Release of the Partnership issued on July 1, 2016
Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Date: July 7, 2016

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLC
   Its general partner

By: _______________________________/s/ Kim K.W. Rucker
   Kim K.W. Rucker
   Executive Vice President and General Counsel
<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description of Exhibit</th>
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<tr>
<td>2.1</td>
<td>Contribution, Conveyance and Assumption Agreement, dated as of July 1, 2016, among Tesoro Logistics LP, Tesoro Logistics GP, LLC, Tesoro Logistics Operations LLC, Tesoro Alaska Company LLC and Tesoro Corporation</td>
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</tr>
<tr>
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</tr>
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<td>Press Release of the Partnership issued on July 1, 2016</td>
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CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT

This Contribution, Conveyance and Assumption Agreement (this “Agreement”), effective as of July 1, 2016 (the “Execution Date”), is by and among Tesoro Logistics LP, a Delaware limited partnership (the “Partnership”), Tesoro Logistics GP, LLC, a Delaware limited liability company and the general partner of the Partnership (the “General Partner”), Tesoro Logistics Operations LLC, a Delaware limited liability company (the “Operating Company”), Tesoro Alaska Company LLC, a Delaware limited liability company (“TAC”), and Tesoro Corporation, a Delaware corporation (“Tesoro”). The above-named entities are sometimes referred to in this Agreement individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, TAC is the owner of tankage with a shell capacity of approximately 3,500,000 barrels located at TAC’s refinery in Kenai, Alaska, related equipment and ancillary facilities used for the operation thereof, and all permits and licenses related to such tankage, to the extent assignable and to the extent used in connection with the ownership and operation of such assets described above, which assets are listed in detail on Exhibit A attached hereto (the “Kenai Tankage”);

WHEREAS, TAC is the owner of all of the issued and outstanding limited liability company interests (the “TAT Units”) in Tesoro Alaska Terminals LLC, a Delaware limited liability company (“TAT”);

WHEREAS, TAT purchased, pursuant to an Asset Purchase Agreement dated as of November 20, 2015 by and between Flint Hills Resources Alaska, LLC and TAC (the “Flint Hills APA”), (a) a bulk tank farm and terminal facility located at the Port of Anchorage in Anchorage, Alaska with 580,000 barrels of in service storage capacity for refined products and which facility includes a truck rack and a rail loading facility, (b) a terminal facility located at the Fairbanks International Airport in Fairbanks, Alaska, with 22,500 barrels of in service capacity for refined products and which facility includes a truck rack, and (c) all permits and licenses related to such facilities, to the extent assignable and to the extent used in connection with the ownership and operation of the assets comprising the facilities described above (the “Anchorage and Fairbanks Terminals”);

WHEREAS, TAC desires to contribute, in one or more closings, the Kenai Tankage and the TAT Units to the General Partner, the General Partner desires to contribute the Kenai Tankage and the TAT Units to the Partnership and the Partnership desires to contribute the Kenai Tankage and the TAT Units to the Operating Company, all on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements herein contained, the Parties hereto agree as follows:
ARTICLE I
DEFINITIONS

Section 1.1 Capitalized terms used herein have the respective meanings ascribed to such terms below:

“Alaska Approvals” has the meaning set forth in Section 5.1.

“Alaska Terminalling Services Agreement” means that certain Alaska Terminalling Services Agreement to be executed between TAC and the Operating Company.

“Anchorage and Fairbanks Terminals” has the meaning set forth in the Recitals.

“Agreement” has the meaning set forth in the introduction to this Agreement.

“Assets” means (i) the Kenai Tankage and (ii) the TAT Units.

“Bill of Sale” means that certain Bill of Sale, Assignment and Assumption effective as of the First Closing Date, among TAC, the General Partner, the Partnership and the Operating Company, with respect to the Kenai Tankage, in the form attached hereto as Exhibit E.

“Cash Consideration” has the meaning set forth in Section 2.2(b)(i).


“Common Unit” means a common unit representing a limited partner interest in the Partnership having the rights set forth in the Partnership Agreement.

“Credit Facility” means that certain Credit Agreement dated as of January 29, 2016, by and among Indemnitee, as borrower, Bank of America, N.A., as administrative agent, and the other parties thereto.

“Debt-Financed Cash Consideration” has the meaning set forth in Section 2.2(c).

“Equity Consideration” has the meaning set forth in Section 2.2(b).

“Excluded Assets and Liabilities” means (i) those certain assets and properties (including any and all petroleum and hydrocarbon inventory) relating to the Kenai Refinery other than the Kenai Tankage, (ii) any and all ongoing rights and obligations of TAC under the Flint Hills APA, (iii) any and all contracts, agreements or other assets relating to purchase, transportation and sale of transportation fuel products within the State of Alaska and (iii) and certain responsibilities, coverages and liabilities that might otherwise be considered as part of the Assets but are not being contributed or transferred as part of transactions contemplated by this Agreement, as set forth on Exhibit C.

“Execution Date” has the meaning set forth in the introduction to this Agreement.

“First Closing Date” has the meaning set forth in Section 2.8(a).
“First Closing Purchase Price” means $265,612,566.

“Flint Hills APA” has the meaning set forth in the Recitals.

“General Partner” has the meaning set forth in the introduction to this Agreement.

“General Partner Contribution” has the meaning set forth in Section 2.2(a).

“General Partner Unit” means a general partner unit representing a general partner interest in the Partnership having the rights set forth in the Partnership Agreement.

“Intended Tax Treatment” has the meaning set forth in Section 4.2(a).

“Kenai Tankage” has the meaning set forth in the Recitals.

“Kenai Tankage Partnership Contribution” has the meaning set forth in Section 2.3.

“Master Terminalling Services Agreement” means that certain Second Amended and Restated Master Terminalling Services Agreement dated as of May 3, 2013 by and among TRMC, TAC and the Operating Company.

“Material Adverse Effect” has the meaning set forth in Section 3.4(a).

“Omnibus Agreement,” means that certain Third Amended and Restated Omnibus Agreement dated as of July 1, 2014, among Tesoro, TRMC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, the General Partner and the Partnership, as such agreement (and the Schedules thereto) may be amended, supplemented or restated from time to time.

“Operating Company” has the meaning set forth in the introduction to this Agreement.

“Partnership” has the meaning set forth in the introduction to this Agreement.

“Partnership Agreement” means the First Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of April 26, 2011, as such agreement may be amended, supplemented or restated from time to time.

“Partnership Group” has the meaning set forth in the Omnibus Agreement.

“Party” or “Parties” have the meanings given to those terms in the introduction to this Agreement.

“Permitted Liens” has the meaning set forth in Section 2.1(a).

“Rescission Event” has the meaning set forth in Section 5.1.

“Second Closing Date” has the meaning set forth in Section 2.8(b).

“Second Closing Purchase Price” means $178,387,434.
“Secondment and Logistics Services Agreement” means that certain Secondment and Logistics Services Agreement dated as of July 1, 2014, as may be amended, modified or supplemented from time to time, among Tesoro, TRMC, TAC, the General Partner, the Partnership, Tesoro Logistics Pipeline LLC, Tesoro High Plains Pipelines Company, LLC Tesoro Logistics Northwest Pipeline LLC, Tesoro Alaska Pipeline Company LLC, QEP Field Services, LLC, QEP Midstream Partners Operating, LLC, QEP Midstream Partners GP, LLC and QEPM Gathering I, LLC.

“TAC” has the meaning set forth in the introduction to this Agreement.

“TAC Contribution” has the meaning set forth in Section 2.2(a).

“TAC TAT Unit Contribution” has the meaning set forth in Section 2.4(a).

“TAT” has the meaning set forth in the Recitals.

“TAT Units” has the meaning set forth in the Recitals.

“TAT Units Cash Consideration” has the meaning set forth in Section 2.5(b).

“TAT Units Debt-Financed Cash Consideration” has the meaning set forth in Section 2.5(c).

“TAT Units Equity Consideration” has the meaning set forth in Section 2.5(b).

“TAT Unit General Partner Contribution” has the meaning set forth in Section 2.5(a).

“Tesoro” has the meaning set forth in the introduction to this Agreement.

“Transaction Documents” has the meaning set forth in Section 3.4(a).

“Transitional Operating Agreement” means that certain Transitional Operating Agreement, dated as of the First Closing Date, by and between TAC and the Operating Company.

“Treasury Regulations” means the regulations (including temporary regulations) promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Treasury Regulations shall include any corresponding provision or provisions of succeeding, similar or substitute, temporary or final Treasury Regulations.

“TRMC” means Tesoro Refining & Marketing Company LLC, a Delaware limited liability company.
ARTICLE II
CONTRIBUTIONS AND ACKNOWLEDGEMENTS

Section 2.1 Conveyance of Kenai Tankage by TAC to the General Partner.

(a) Effective as of the First Closing Date, TAC hereby assigns, transfers, contributes, grants, bargains, conveys, sets over and delivers to the General Partner, its successors and its assigns, for its and their own use forever, the entire right, title, interest, responsibilities, coverages and liabilities of TAC in and to the Kenai Tankage, free and clear of all liens and encumbrances of any kind or nature, other than as set forth on Exhibit B to this Agreement (the “Permitted Liens”). The contribution described in this Section 2.1(a) shall be referred to in this Agreement as the “TAC Contribution.” TAC shall make the TAC Contribution in exchange for the issuance as of the First Closing Date of an additional membership interest in the General Partner equal to the percentage increase in the capital of the General Partner based on the value of the TAC Contribution.

(b) The General Partner accepts the TAC Contribution, as a contribution to the capital of the General Partner.

(c) The Parties hereby acknowledge and agree that the Excluded Assets and Liabilities are being retained by TAC and are not being contributed or transferred as part of the TAC Contribution.

Section 2.2 Conveyance of Kenai Tankage by the General Partner to the Partnership.

(a) Effective as of the First Closing Date and immediately after completion of the TAC Contribution, the General Partner hereby assigns, transfers, contributes, grants, bargains, conveys, sets over and delivers to the Partnership, its successors and its assigns, for its and their own use forever, the entire right, title, interest, responsibilities, coverages and liabilities of the General Partner in and to the Kenai Tankage, free and clear of all liens and encumbrances of any kind or nature, other than the Permitted Liens. The contribution described in this Section 2.2(a) shall be referred to in this Agreement as the “General Partner Contribution.”

(b) The General Partner shall make the General Partner Contribution in exchange for the distribution or issuance by the Partnership of the following as of the First Closing Date in consideration of the conveyance and transfer of the Kenai Tankage:

(i) a distribution of cash equal to ninety percent (90%) of the value of the First Closing Purchase Price (the “Cash Consideration”);

(ii) the issuance to the General Partner of such number of General Partner Units and Common Units with an aggregate value equal to ten percent (10%) of the First Closing Purchase Price on the First Closing Date (the “Equity Consideration”):

1. which number of General Partner Units shall be the amount having an aggregate dollar value of the Equity Consideration necessary to restore and maintain the General Partner’s two percent (2%) general partner interest in the Partnership, which number of units shall be rounded up to the next highest number of whole units, and
(2) which number of Common Units shall be the amount equal to the remainder of the dollar amount of the Equity Consideration divided by the average closing price of the Common Units for the last ten (10) trading days prior to the First Closing Date, rounded down to the next lowest number of whole units.

(c) To effect the distribution of the Cash Consideration, the Partnership shall (i) borrow an amount equal to the Cash Consideration (the “Debt-Financed Cash Consideration”) under indebtedness for which no partner of the Partnership or any related person other than Tesoro bears the economic risk of loss (as defined by Treasury Regulations section 1.752-2), (ii) cause the applicable lender to wire transfer the Debt-Financed Cash Consideration to an account of the Partnership the deposits of which will be comprised solely of the Debt-Financed Cash Consideration upon such wire transfer, and (iii) as soon as reasonably practical after the Partnership’s receipt of the Debt-Financed Cash Consideration, wire transfer from such account the Debt-Financed Cash Consideration directly to an account designated by the General Partner.

(d) After the distribution of the Cash Consideration to the General Partner by the Partnership, the General Partner shall provide a loan of up to that amount to Tesoro and Tesoro shall execute and deliver a ten-year promissory note, in the form attached as Exhibit D to this Agreement, in favor of the General Partner to evidence the funds loaned by the General Partner to Tesoro in connection with the First Closing.

(e) The Partnership hereby accepts the General Partner Contribution, as a contribution to the capital of the Partnership.

Section 2.3 Conveyances of Kenai Tankage by the Partnership to the Operating Company. Effective as of the First Closing Date and immediately after the completion of the General Partner Contribution, the Partnership hereby assigns, transfers, contributes, grants, bargains, conveys, sets over and delivers to the Operating Company, its successors and its assigns, for its and their own use forever, the entire right, title, interest, responsibilities, coverages and liabilities of the Partnership in and to the Kenai Tankage, free and clear of all liens and encumbrances of any kind or nature, other than the Permitted Liens. The contribution described in this Section 2.3 shall be referred to in this Agreement as the “Kenai Tankage Partnership Contribution.” The Partnership hereby makes the Kenai Tankage Partnership Contribution as a capital contribution to the capital of the Operating Company, and the Operating Company hereby accepts the Partnership Contribution as a contribution to the capital of the Operating Company.

Section 2.4 Conveyance of the TAT Units by TAC to the General Partner. Effective as of the Second Closing Date, TAC hereby assigns, transfers, contributes, grants, bargains, conveys, sets over and delivers to the General Partner, its successors and its assigns, for its and their own use forever, the entire right, title, interest, responsibilities, coverages and liabilities of TAC in and to the TAT Units, free and clear of all liens and encumbrances of any
Section 2.4 Contribution of TAC TAT Unit

TAC makes the TAC TAT Unit Contribution in exchange for the issuance as of the Second Closing Date of an additional membership interest in the General Partner equal to the percentage increase in the capital of the General Partner based on the value of the TAC TAT Unit Contribution, and the General Partner accepts the TAC TAT Unit Contribution, as a contribution to the capital of the General Partner.

Section 2.5 Conveyance of the TAT Units by the General Partner to the Partnership

(a) Effective as of the Second Closing Date and immediately after the completion of the TAC TAT Unit Contribution, the General Partner hereby assigns, transfers, contributes, grants, bargains, conveys, sets over and delivers to the Partnership, its successors and its assigns, for its and their own use forever, the entire right, title, interest, responsibilities, coverages and liabilities of the General Partner in and to the TAT Units, free and clear of all liens and encumbrances of any kind or nature, other than the Permitted Liens. The Partnership accepts such contribution as a contribution to the capital of the Partnership. The contribution described in this Section 2.5 shall be referred to in this Agreement as the “TAT Unit General Partner Contribution.”

(b) The General Partner shall make the TAT Unit General Partner Contribution in exchange for the distribution or issuance by the Partnership of the following as of the Second Closing Date in consideration of the conveyance and transfer of the TAT Units:

(i) a distribution of cash equal to ninety percent (90%) of the Second Closing Purchase Price (the “TAT Units Cash Consideration”); and

(ii) the issuance to the General Partner of such number of General Partner Units and Common Units with an aggregate value equal to ten percent (10%) of the Second Closing Purchase Price on the Second Closing Date (the “TAT Units Equity Consideration”):

1. which number of General Partner Units shall be the amount having an aggregate dollar value of the TAT Units Equity Consideration necessary to restore and maintain the General Partner’s two percent (2%) general partner interest in the Partnership, which number of units shall be rounded up to the next highest number of whole units, and

2. which number of Common Units shall be the amount equal to the remainder of the dollar amount of the TAT Units Equity Consideration divided by the average closing price of the Common Units for the last ten (10) trading days prior to the Second Closing Date, rounded down to the next lowest number of whole units.

(c) To effect the distribution of the TAT Units Cash Consideration, the Partnership shall borrow an amount equal to the TAT Units Cash Consideration (the “TAT Units Debt-Financed Cash Consideration”) under indebtedness for which no partner of the Partnership or any related person other than Tesoro bears the economic risk of loss (as defined by Treasury Regulations section 1.752-2) and shall cause the applicable lender to wire transfer the TAT Units Debt-Financed Cash Consideration directly to an account designated by the General Partner.
(d) After the distribution of the TAT Units Cash Consideration to the General Partner by the Partnership, the General Partner shall provide a loan of up to that amount to Tesoro and Tesoro shall execute and deliver a ten-year promissory note, in the form attached as Exhibit D to this Agreement, in favor of the General Partner to evidence the funds loaned by the General Partner to Tesoro in connection with the Second Closing.

(c) The Partnership hereby accepts the TAT Unit General Partner Contribution, as a contribution to the capital of the Partnership.

Section 2.6 Conveyance of the TAT Units by the Partnership to the Operating Company. Effective as of the Second Closing Date and immediately after the contribution described in Section 2.5, the Partnership hereby assigns, transfers, contributes, grants, bargains, conveys, sets over and delivers to the Operating Company, its successors and its assigns, for its and their own use forever, the entire right, title, interest, responsibilities, coverages and liabilities of the Partnership in and to the TAT Units. The Partnership hereby makes such contribution as a capital contribution to the capital of the Operating Company and the Operating Company hereby accepts such contribution as a contribution to the capital of the Operating Company.

Section 2.7 Conveyances of Remaining Assets, if any. If any of the assets that collectively constitute the Kenai Tankage, including any responsibilities, coverages and liabilities under any permit or licenses included in the Kenai Tankage, are not conveyed as of the First Closing Date due to either of TAC or the General Partner awaiting the requisite consents to such conveyance and transfer, TAC or the General Partner, as applicable, agrees to use its reasonable commercial efforts to promptly obtain, or cause to be obtained, any written consents necessary to ultimately convey to the Operating Company, in accordance with the procedures in this Article II, the benefit thereof, it being understood that such reasonable commercial efforts shall not include any requirement to offer or grant financial accommodations to any third party or to remain secondarily liable with respect to such items. TAC or the General Partner, as applicable, shall cooperate with the Operating Company in such manner as may be reasonably requested in connection therewith, including without limitation, active participation in visits to and meetings, discussions and negotiations with all persons or entities with the authority to grant or withhold consent. To the extent that any such consents cannot be obtained and could cause a default or forfeiture of rights, the portion of the Kenai Tankage for which such consent is required shall be deemed not conveyed or transferred until such required consent is obtained. During the period before such consent is obtained, the Operating Company shall provide operating services with respect to such Kenai Tankage assets, and in such instance, TAC or the General Partner, as applicable, and the Operating Company will use their reasonable commercial efforts to take such actions as may be possible without violation or breach of any such nonassignable items to effectively grant the Operating Company the economic benefits of, and impose upon the Operating Company the economic burdens of, such items. The Parties shall convey and transfer any such Kenai Tankage assets to which this Section 2.7 applies upon the receipt of the require consents in the same fashion and manner as required by this Article II for the Kenai Tankage assets actually conveyed and transferred as of the First Closing Date.
Section 2.8 Closings.

(a) The closing of the contribution of the Kenai Tankage, as contemplated by Sections 2.1 through 2.3 of this Agreement, shall take place at the offices of the Partnership, located at 19100 Ridgewood Parkway, San Antonio, Texas, on a date mutually agreed by the Parties in writing (the “First Closing Date”).

(b) The closing of the contribution of the TAT Units, as contemplated by Sections 2.4 through 2.6 of this Agreement, shall take place at the offices of the Partnership, located at 19100 Ridgewood Parkway, San Antonio, Texas, on a date mutually agreed by the Parties in writing as soon as practicable after the later of (i) the effective date of that certain Consent Decree dated June 17, 2016 with the State of Alaska related to the transactions contemplated under the Flint Hills APA and (ii) the receipt of any required consents or approvals by any third parties or governmental authorities (the “Second Closing Date”); provided, however, that the Second Closing Date shall not occur prior to the First Closing Date.

Section 2.9 Conditions Precedent. The obligation of the Parties to consummate the transactions contemplated herein is subject to the satisfaction, or waiver, as appropriate, of the following conditions precedent:

(a) as of the First Closing Date and the Second Closing Date, the receipt by the Parties of all permits, consents, approvals, authorizations, orders, registrations, filings or qualifications of or with any court, governmental agency or body having jurisdiction over Parties required in connection with the execution, delivery and performance of the Transaction Documents;

(b) as of the First Closing Date:

(i) the execution and delivery by the respective parties thereto of the following documents:

(1) a closing escrow agreement to effect the closing into escrow with McGuireWoods LLP of all the Transaction Documents related to the contribution of the Kenai Tankage, substantially in the form attached hereto as Exhibit F;

(2) the Bill of Sale;

(3) a ground lease agreement between TAC and the Operating Company related to the real property under the Kenai Tankage and such other matters as included therein, substantially in the form attached hereto as Exhibit G;

(4) a Kenai Storage Services Agreement for the Kenai Tankage between TAC and the Operating Company, and the service order related thereto, substantially in the form attached hereto as Exhibit H;
an applicable service order to the Secondment and Logistics Services Agreement, substantially in the form attached hereto as Exhibit I;

(6) an Amendment No. 3 to the Second Amended and Restated Limited Liability Company Agreement of the General Partner among the General Partner, Tesoro, TRMC and Tesoro Alaska Company LLC, substantially in the form attached hereto as Exhibit J;

(7) Second Amended and Restated Schedules to the Omnibus Agreement, substantially in the form attached hereto as Exhibit K;

(8) a promissory note, in substantially the form attached as Exhibit D to this Agreement, by Tesoro in favor of the General Partner to evidence the funds loaned by the General Partner to Tesoro pursuant to Section 2.2(d);

(9) a debt indemnification agreement, in substantially the form attached as Exhibit L;

(10) a Transitional Operating Agreement, in substantially the form attached as Exhibit V; and

(11) all other documents and instruments necessary and appropriate to convey the Kenai Tankage to the Operating Company as may be agreed by the Parties;

(ii) as of the Second Closing Date:

(1) a closing escrow agreement to effect the closing into escrow with McGuireWoods LLP of all the Transaction Documents related to the contribution of the TAT Units, substantially in the form attached hereto as Exhibit M;

(2) Assignment separate from certificate for the TAT Units, substantially in the form attached hereto as Exhibit N;

(3) a promissory note, in substantially the form attached hereto as Exhibit D to this Agreement, by Tesoro in favor of the General Partner to evidence the funds loaned by the General Partner to Tesoro pursuant to Section 2.5(d);

(4) a debt indemnification agreement, in substantially the form attached as Exhibit L; and

(5) an Amendment No. 1 to the Master Terminalling Services Agreement, substantially in the form attached hereto as Exhibit O.
(6) Alaska Terminalling Services Agreement, substantially in the form attached hereto as Exhibit P;

(7) a Terminal Service Order Anchorage Terminal under the Alaska Terminalling Services Agreement between TAC and the Operating Company, substantially in the form attached hereto as Exhibit Q;

(8) a Terminal Service Order Nikiski Terminal under the Alaska Terminalling Services Agreement between TAC and the Operating Company, substantially in the form attached hereto as Exhibit R;

(9) a Terminal Service Order Fairbanks Terminal under the Alaska Terminalling Services Agreement between TAC and the Operating Company, substantially in the form attached hereto as Exhibit S;

(10) an Amendment No. 4 to the Second Amended and Restated Limited Liability Company Agreement of the General Partner among the General Partner, Tesoro, TRMC and Tesoro Alaska Company LLC, substantially in the form attached hereto as Exhibit T;

(11) Third Amended and Restated Schedules to the Omnibus Agreement, substantially in the form attached hereto as Exhibit U; and

(12) all other documents and instruments necessary and appropriate to convey the TAT Units to the Operating Company as may be agreed by the Parties.

(c) as of the Execution Date, the Conflicts Committee of the General Partner has received a fairness opinion by Simmons & Company International, the financial advisor to the conflicts committee of the board of directors of the General Partner.

ARTICLE III
REPRESENTATIONS

Section 3.1 Representations of TAC. TAC hereby represents and warrants (for itself and with respect to TAT) to the General Partner, the Partnership and the Operating Company that:

(a) as of the Execution Date and the First Closing Date,

   (i) the Kenai Tankage are in good working condition, suitable for the purposes for which they are being used in accordance with accepted industry standards and all applicable laws and regulations; and

   (ii) TAC has title to the Kenai Tankage free and clear of all liens and encumbrances of any kind or nature, other than the Permitted Liens. TAC has title to the Kenai Tankage that is sufficient to operate the Kenai Tankage in accordance with their intended and historical use, subject to all recorded matters and all physical conditions in existence;

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(b) as of the Execution Date and the Second Closing Date,

(i) the Anchorage and Fairbanks Terminals are in good working condition, suitable for the purposes for which they are being used in accordance with accepted industry standards and all applicable laws and regulations;

(ii) TAC has title to the TAT Units free and clear of all liens and encumbrances of any kind or nature, other than the Permitted Liens. TAT has title to the Anchorage and Fairbanks Terminals that is sufficient to operate the Anchorage and Fairbanks Terminals in accordance with their intended and historical use, subject to all recorded matters and all physical conditions in existence;

(iii) TAT is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware, with full limited liability company power and authority to conduct its business as it is now being conducted, to own or use the properties and assets that it purports to own or use, and to perform all of its obligations under each of its contracts. TAT is duly qualified to do business as a foreign limited liability company and is in good standing under the laws of the State of Alaska and each other state or other jurisdiction in which either the ownership or use of the properties owned by it, or the nature of the activities conducted by it, requires such qualification;

(iv) The limited liability company interests of TAT that are issued and outstanding and held by TAC as of the date of this Agreement constitute all of the TAT Units, and other than the TAT Units, there are no outstanding equity securities or other securities of TAT. TAC is, and will be as of the Second Closing Date, the record and beneficial owner and holder of the TAT Units. There are no contracts relating to the issuance, sale or transfer of any equity securities or other securities of TAT; and

(v) The Anchorage and Fairbanks Terminals are the only property, assets and rights owned or held by TAT. Except for its obligations assumed in accordance with the Flint Hills APA, TAT does not have any other obligations or liabilities of any kind including without limitation under the Flint Hills APA. TAC has performed all of its obligations and covenants, and has provided all notices required under, the Flint Hills APA;

(c) as of the Execution Date, the First Closing Date and the Second Closing Date, to TAC’s knowledge, after reasonable investigation, there are no terms in any agreements included in the Assets or in any assets owned by TAT that would materially impair the rights granted to the General Partner and the Partnership Group pursuant to the transactions contemplated by this Agreement.
Section 3.2 Representation of the General Partner. The General Partner hereby represents and warrants to TAC that, as of the Execution Date, the First Closing Date and the Second Closing Date, the General Partner has full power and authority to act as general partner of the Partnership in all material respects.

Section 3.3 Representation of the Partnership. The Partnership hereby represents and warrants to the General Partner and Tesoro that, as of the Execution Date, the First Closing Date and the Second Closing Date, the Common Units and the General Partner Units of the Partnership issued to the General Partner pursuant to Sections 2.2 and 2.5 have been duly authorized for issuance and sale to the General Partner and, when issued and delivered by the Partnership pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued and fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in Sections 17-607 and 17-804 of the Delaware Limited Partnership Act).

Section 3.4 Representations of the Parties. Each Party represents and warrants, severally as to only itself and not jointly, to the other Parties, as of the Execution Date, the First Closing Date and the Second Closing Date, as follows:

(a) The applicable Party has been duly formed or incorporated and is validly existing as a limited partnership, limited liability company or corporation, as applicable, in good standing under the laws of its jurisdiction of organization with full power and authority to enter into and perform its obligations under this Agreement and the other documents contemplated herein (the “Transaction Documents”) to which it is a party, to own or lease and to operate its properties currently owned or leased or to be owned or leased and to conduct its business. The applicable Party is duly qualified to do business as a foreign corporation, limited liability company or limited partnership, as applicable, and is in good standing under the laws of each jurisdiction which requires such qualification, except where the failure to be so qualified or registered would not have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties, taken as a whole, whether or not arising from transactions in the ordinary course of business, of such Party (a “Material Adverse Effect”).

(b) The applicable Party has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and perform its respective obligations thereunder. All corporate, partnership and limited liability company action, as the case may be, required to be taken by the applicable Party or any of its stockholders, members or partners for the execution and delivery by the applicable Party of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby has been validly taken.

(c) For the applicable Party, each of the Transaction Documents to which it is a party is a valid and legally binding agreement of such Party, enforceable against such Party in accordance with its terms, except (i) as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors’ rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (ii) that the indemnity, contribution and exoneration provisions contained in any of the Transaction Documents may be limited by applicable laws and public policy.
Neither the execution, delivery and performance of the Transaction Documents by the applicable Party that is a party thereto nor the consummation of the transactions contemplated by the Transaction Documents conflict or will conflict with, or result or will result in, a breach or violation of or a default under (or an event that, with notice or lapse of time or both would constitute such an event), or imposition of any lien, charge or encumbrance upon any property or assets of any of the applicable Party pursuant to (i) the partnership agreement, limited liability company agreement, certificate of limited partnership, certificate of formation or conversion, certificate or articles of incorporation, bylaws or other constituent document of the applicable Party, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the applicable Party is a party or bound or to which its property is subject or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the applicable Party of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over such Party or any of its properties in a proceeding to which it or its property is a party, except in the case of clause (ii), liens, charges or encumbrances arising under security documents for the collateral pledged under such Party’s applicable credit agreements and except in the case of clause (iii), where such breach or violation would not reasonably be expected to have a Material Adverse Effect.

No permit, consent, approval, authorization, order, registration, filing or qualification of or with any court, governmental agency or body having jurisdiction over the applicable Party or any of its properties or assets is required in connection with the execution, delivery and performance of the Transaction Documents by the applicable Party, the execution, delivery and performance by the applicable Party that is a party thereto of its respective obligations under the Transaction Documents or the consummation of the transactions contemplated by the Transaction Documents other than (i) any filing related to the sale of the Common Units under this Agreement with federal or state securities laws authorities, (ii) consents that have been obtained and (iii) consents where the failure to obtain such consent would not reasonably be expected to have a Material Adverse Effect.

No action, suit, proceeding, inquiry or investigation by or before any court or governmental or other regulatory or administrative agency, authority or body or any arbitrator involving the applicable Party or its property is pending or, to the knowledge of the applicable Party, threatened or contemplated that (i) would individually or in the aggregate reasonably be expected to have a material adverse effect on the performance of the Transaction Documents or the consummation of any of the transactions contemplated therein, or (ii) would individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

ARTICLE IV
COVENANTS

Section 4.1 Further Assurances.

(a) From time to time after the Execution Date, and without any further consideration, the Parties agree to execute, acknowledge and deliver all such additional deeds, assignments, bills of sale, conveyances, instruments, notices, releases, acquittances and other
documents, and to do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate (i) more fully to assure that the applicable Parties own all of the properties, rights, titles, interests, estates, remedies, powers and privileges granted by this Agreement, or which are intended to be so granted, (ii) more fully and effectively to vest in the applicable Parties and their respective successors and assigns beneficial and record title to the interests contributed and assigned by this Agreement or intended to be so contributed and assigned (including any actions required to effect the assignment and conveyance of the Assets as of the either the First Closing Date or the Second Closing Date, and (iii) more fully and effectively to carry out the purposes and intent of this Agreement.

(b) To the extent any permits related to the Assets may not be assigned or transferred without the consent of a third party that has not been obtained as of the First Closing Date or the Second Closing Date, as applicable, despite the exercise by TAC of its reasonable best efforts, this Agreement shall not constitute an agreement to assign or transfer such permit if an attempted assignment or transfer would constitute a breach thereof or be unlawful. In that case, TAC, to the maximum extent permitted by law, (a) shall act after the First Closing Date or the Second Closing Date, as applicable, as TAT’s or the Operating Company’s agent to obtain for TAT or the Operating Company the benefits thereunder, and (b) shall cooperate, to the maximum extent permitted by applicable law, with TAT or the Operating Company in any other reasonable arrangement designed to provide those benefits to TAT or the Operating Company, including by agreeing to remain liable under any applicable permit. Nothing contained in this Section 4.1(b) shall relieve TAC of its obligations under any other provisions of this Agreement.

Section 4.2 Tax Covenants.

(a) The Parties intend that for United States federal income tax purposes (the ‘‘Intended Tax Treatment’’):

(i) the TAC Contribution shall be disregarded as a result of TAC and the General Partner each being disregarded as an entity separate from Tesoro for United States federal income tax purposes;

(ii) the General Partner Contribution shall be treated as a contribution by Tesoro (as a result of the General Partner being disregarded as an entity separate from Tesoro for United States federal income tax purposes) pursuant to Section 721(a), subject to Section 707 of the Code, with the distribution of the Debt-Financed Cash Consideration qualifying as a ‘‘debt-financed transfer’’ under Treasury Regulations section 1.707-5(b);

(iii) any Cash Consideration in excess of the amount properly treated as a ‘‘debt-financed transfer’’ shall be treated (1) as a reimbursement of preformation expenditures within the meaning of Treasury Regulation sections 1.707-4(d) to the greatest extent applicable, and (2) in a transaction subject to treatment under Section 707(a) of the Code, and its implementing Treasury Regulations, as in part a sale, and in part a contribution, by Tesoro of the Kenai Tankage.
(iv) the TAC TAT Unit Contribution shall be disregarded as a result of TAC and the General Partner each being disregarded as an entity separate from Tesoro for United States federal income tax purposes;

(v) the TAT Unit General Partner Contribution shall be treated as a contribution by Tesoro (as a result of the General Partner being disregarded as an entity separate from Tesoro for United States federal income tax purposes) pursuant to Section 721(a), subject to Section 707 of the Code, with the distribution of the TAT Units Debt-Financed Cash Consideration qualifying as a “debt-financed transfer” under Treasury Regulations section 1.707-5(b); and

(vi) any TAT Units Cash Consideration in excess of the amount properly treated as a “debt-financed transfer” shall be treated (1) as a reimbursement of preformation expenditures within the meaning of Treasury Regulation sections 1.707-4(d) to the greatest extent applicable, and (2) in a transaction subject to treatment under Section 707(a) of the Code, and its implementing Treasury Regulations, as in part a sale, and in part a contribution, by Tesoro of the Anchorage and Fairbanks Terminals (as a result of TAT being disregarded as an entity separate from Tesoro for United States federal income tax purposes prior to the TAC TAT Unit Contribution).

(b) Except with the prior written consent of the General Partner or as otherwise required by applicable law following a final determination by the U.S. Internal Revenue Service or a governmental authority with competent jurisdiction, the Parties agree to file all tax returns and otherwise act at all times in a manner consistent with the Intended Tax Treatment, including disclosing the distribution of the Debt-Financed Cash Consideration and the TAT Units Debt-Financed Cash Consideration in accordance with the requirements of Treasury Regulations section 1.707-3(c)(2).

Section 4.3 General Partner Reimbursement. Subject to the limitations set forth in this Section 4.3, the General Partner shall (i) reimburse the Partnership to the extent the Borrowings result in any inefficiencies in the Partnership’s use of capital and (ii) pay to the Partnership as an expense reimbursement, an amount of cash equal to the Partnership’s cost of capital with respect to that portion of approximately $100,000,000 of unused proceeds from the Partnership’s issuance of its 6.375% senior notes due 2024 still available at Closing to reduce the Borrowings (such available proceeds, the “Available Offering Proceeds”). The Partnership’s cost of capital with respect to the Available Offering Proceeds for 7.5 months shall be calculated by multiplying the amount of the Available Offering Proceeds by the product of (x) the interest rate set forth in the Partnership’s Credit Facility, divided by twelve (12) months and (y) 7.5 months. The parties agree that the General Partner’s total obligations under this Section 4.3(b) will be capped at $4,000,000.

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ARTICLE V
RESCISSION OF KENAI TANKAGE

Section 5.1 Rescission. A “Rescission Event” with respect to the Kenai Tankage, means the failure of TAC to obtain, within ninety (90) days following the First Closing Date, all required approvals (the “Alaska Approvals”) from the Alaska Department of Environmental Conservation (or any other agency, department or instrumentality of the State of Alaska) for the transfer to the Operating Company of all governmental permits, authorizations, registrations and licenses necessary for the operation of the Kenai Tankage, including without limitation the acceptance and approval of a separate Oil Spill Discharge Contingency Plan and Certificate of Financial Responsibility (COFR) for the Operating Company.

Section 5.2 Notice and Effect of Rescission. Upon the occurrence of a Rescission Event, until the earlier of (i) the date on which TAC obtains the Alaska Approvals or (ii) the one (1)-year anniversary date of the First Closing Date, the Operating Company shall have the right, but not the obligation, to cause the rescission of each of the TAC Contribution, the General Partner Contribution and the Kenai Tankage Partnership Contribution by providing written notice to the other Parties, which notice, in any event, must be delivered before the earlier of (i) the date on which TAC obtains the Alaska Approvals or (ii) the (1)-year anniversary date of the First Closing Date. Upon receipt by TAC of the Operating Company’s written notice:

(a) Tesoro shall repay the loan specified in Section 2.2(c) to the General Partner to the extent the consideration is repaid pursuant to Section 5.2(b).

(b) The consideration received by the General Partner from the Partnership pursuant to Section 2.2(b) shall be repaid to the Partnership less any amounts received by the Operating Company from any person or entity as a result of casualty or condemnation of the applicable asset.

(c) The Parties shall file any documents or instruments necessary or appropriate with federal, state or local governmental authorities to cancel the transactions contemplated by this Agreement related to the Kenai Tankage, including, but not limited to, conveyance documents related to the Kenai Tankage to nullify the transactions that occurred on the First Closing Date.

(d) The Parties shall amend or terminate, as applicable, and shall cause all their Affiliates to amend or terminate, as applicable, any agreements (or portions of inter-company agreements), that were entered into or amended in connection with the transactions contemplated in this Agreement with respect to the Kenai Tankage to be as such agreements existed prior to the Effective Date.

(e) Notwithstanding the foregoing in this Section 5.2, (i) the Common Units and General Partner Units issued pursuant to Section 2.2(b) shall remain outstanding and (ii) any indemnities that existed in any applicable agreement related to the Kenai Tankage prior to the First Closing Date and before the Operating Company’s ownership and operation of the Kenai Tankage for the period between the First Closing Date and the date of rescission will survive the rescission.
(f) Any revenues earned and expenses incurred by any Party related to the Kenai Tankage from the First Closing Date through the date of rescission shall not be refunded or reimbursed.

ARTICLE VI
MISCELLANEOUS

Section 6.1 Costs. Each Party shall pay its own costs and expenses with respect to the transactions contemplated by this Agreement; except as follows:

(a) the Partnership and TAC shall each pay one-half of (i) the sales, use and similar transfer taxes arising out of the contributions, conveyances and deliveries to be made under Article II, (ii) all documentary, filing, recording, transfer, deed and conveyance taxes and fees required in connection therewith, (iii) legal fees and costs of McGuireWoods LLP, Norton Rose Fulbright US LLP and Pillsbury Winthrop Shaw Pittman LLP, and (iv) any other customary closing costs associated with the contributions of the Assets; and

(b) the Partnership shall pay all of the costs and expenses of the conflicts committee of the board of directors of the General Partner, including, but not limited to, the advisory and legal fees and costs of Andrews Kurth LLP and Simmons & Company International.

Section 6.2 Headings; References; Interpretation. All Article and Section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof. The words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole, including, without limitation, all Schedules and Exhibits attached hereto, and not to any particular provision of this Agreement. All references herein to Articles, Sections, Schedules and Exhibits shall, unless the context requires a different construction, be deemed to be references to the Articles and Sections of this Agreement and the Schedules and Exhibits attached hereto, and all such Schedules and Exhibits attached hereto are hereby incorporated herein and made a part hereof for all purposes. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa. The use herein of the word “including” following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as “without limitation,” “but not limited to” or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

Section 6.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.
Section 6.4 No Third Party Rights. The provisions of this Agreement are intended to bind the Parties as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies, and no person is or is intended to be a third party beneficiary of any of the provisions of this Agreement; provided, however, that notwithstanding the provisions of this Section 6.4, the Partnership and the General Partner shall be entitled to all of the benefits accorded to TAC under the Flint Hills APA.

Section 6.5 Counterparts. This Agreement may be executed in any number of counterparts (including facsimile or .pdf copies) with the same effect as if all Parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

Section 6.6 Applicable Law; Forum, Venue and Jurisdiction. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas, without regard to the principles of conflicts of law. Each of the Parties (a) irrevocably agrees that any claims, suits, actions or proceedings arising out of or relating in any way to this Agreement shall be exclusively brought in any federal court of competent jurisdiction situated in the United States District Court for the Western District of Texas, San Antonio Division, or if such federal court declines to exercise or does not have jurisdiction, in the district court of Bexar County, Texas, in each case regardless of whether such claims, suits, actions or proceedings sound in contract, tort, fraud or otherwise, are based on common law, statutory, equitable, legal or other grounds, or are derivative or direct claims, (b) irrevocably submits to the exclusive jurisdiction of the United States District Court for the Western District of Texas, San Antonio Division, or if such federal court declines to exercise or does not have jurisdiction, of the district court of Bexar County, Texas in connection with any such claim, suit, action or proceeding, (c) agrees not to, and waives any right to, assert in any such claim, suit, action or proceeding that (i) it is not personally subject to the jurisdiction of the United States District Court for the Western District of Texas, San Antonio Division, or the district court of Bexar County, Texas, or of any other court to which proceedings in such courts may be appealed, (ii) such claim, suit, action or proceeding is brought in an inconvenient forum, or (iii) the venue of such claim, suit, action or proceeding is improper, (d) expressly waives any requirement for the posting of a bond by a party bringing such claim, suit, action or proceeding and (e) consents to process being served in any such claim, suit, action or proceeding by mailing, certified mail, return receipt requested, a copy thereof to such party at the address in effect for notices hereunder or by personal service within or without the State of Texas, and agrees that service in such forms shall constitute good and sufficient service of process and notice thereof; provided, however, that nothing in clause (e) hereof shall affect or limit any right to serve process in any other manner permitted by law.

Section 6.7 Severability. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the Parties as expressed in this Agreement at the time of execution of this Agreement.
Section 6.8 Amendment or Modification. This Agreement may be amended or modified from time to time only by the written agreement of all the Parties. Each such instrument shall be reduced to writing and shall be designated on its face as an amendment to this Agreement. Notwithstanding anything in the foregoing to the contrary, any amendment executed by the Partnership or any of its subsidiaries shall not be effective unless and until the execution of such amendment has been approved by the conflicts committee of the General Partner’s board of directors.

Section 6.9 Integration. This Agreement, together with the Schedules and Exhibits referenced herein, constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.

Section 6.10 Specific Performance. The Parties agree that money damages may not be a sufficient remedy for any breach of this Agreement and that in addition to any other remedy available at law or equity, the Parties shall be entitled to seek specific performance and injunctive or other equitable relief as a remedy for any Party’s breach of this Agreement. The Parties agree that no bond shall be required for any injunctive relief in connection with a breach of this Agreement.

Section 6.11 Deed; Bill of Sale; Assignment. To the extent required and permitted by applicable law, this Agreement shall also constitute a “deed,” “bill of sale” or “assignment” of the assets and interests referenced herein. For the avoidance of doubt, the conveyance of the Assets from TAC, the General Partner, the Partnership or the Operating Company to the Operating Company or TAC, all as applicable, is not intended to be treated as a sale for tax or any other purposes.

Section 6.12 Notice. All notices or requests or consents provided for by, or permitted to be given pursuant to, this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the person to be notified, postpaid, and registered or certified with return receipt requested or by delivering such notice in person or by facsimile to such Party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by facsimile shall be effective upon actual receipt if received during the recipient’s normal business hours or at the beginning of the recipient’s next business day after receipt if not received during the recipient’s normal business hours. All notices to be sent to a Party pursuant to this Agreement shall be sent to or made at the address set forth below or at such other address as such Party may stipulate to the other Parties in the manner provided in this Section 6.12.

If to Tesoro or TAC:
Tesoro Corporation
19100 Ridgewood Parkway
San Antonio, Texas 78259-1828
Attn: Kim K.W. Rucker
Facsimile: (210) 745-4494

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If to the General Partner, the Partnership or the Operating Company:
Tesoro Logistics LP
 c/o Tesoro Logistics GP, LLC, its General Partner
 19100 Ridgewood Parkway
  San Antonio, Texas 78259-1828
 Attn: Barron W. Dowling
 Facsimile: (210) 745-4494

or to such other address or to such other person as either Party will have last designated by notice to the other Party.

[Signature Page Follows]

21
IN WITNESS WHEREOF, the Parties to this Agreement have caused it to be duly executed effective as of the Execution Date.

TESORO CORPORATION

By: /s/ Gregory J. Goff
Gregory J. Goff
President and Chief Executive Officer

TESORO ALASKA COMPANY LLC

By: /s/ Gregory J. Goff
Gregory J. Goff
President

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLC,
its general partner

By: /s/ Phillip M. Anderson
Phillip M. Anderson
President

TESORO LOGISTICS GP, LLC
TESORO LOGISTICS OPERATIONS LLC

By: /s/ Phillip M. Anderson
Phillip M. Anderson
President

Signature Page to
Contribution, Conveyance and Assumption Agreement
All ancillary equipment, including all piping and pumping systems, and the gasoline blender facilities.

*Exhibit A*

*Contribution Agreement*
Exhibit B
Permitted Liens

Liens, claims, charges, options, encumbrances, mortgages, pledges or security interests as follows:

(a) incurred and made in the ordinary course of business in connection with worker’s compensation;

(b) that secure the performance of bids, tenders, leases, contracts (other than for the repayment of debt), statutory obligations, surety, customs and appeal bonds and other obligations of like nature, incurred as an incident to and in the ordinary course of business;

(c) imposed by law, such as carriers’, warehouseman’s, mechanics’, materialmen’s, landlords’, laborers’, suppliers’ and vendors’ liens, incurred in good faith in the ordinary course of business and that secure obligations that are not yet due or delinquent or which are being contested in good faith by appropriate proceedings as to which the TAC has set aside on its books adequate reserves;

(d) that secure the payment of taxes, either not yet due or delinquent or being contested in good faith by appropriate legal or administrative proceedings and as to which TAC has set aside on its books adequate reserves;

(e) zoning restrictions, easements, licenses, rights of way, declarations, reservations, provisions, covenants, conditions, waivers or restrictions on the use of property (and with respect to leasehold interests, mortgages, obligations and liens incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without consent of the lessee);

(f) on property existing at the time such property was acquired by TAC (provided, that they were not created in contemplation of the acquisition of such property by TAC);

(g) created by the Operating Company; and

(h) pursuant to this Agreement, the Third Amended and Restated Omnibus Agreement, the Secondment and Logistics Services Agreement and the Terminalling and Distribution Services Agreement.

Exhibit B
Contribution Agreement
**Exhibit C**

Excluded Assets and Liabilities

**Kenai Tankage:**

- None

**Anchorage and Fairbanks Terminals:**

- Any and all obligations and liabilities of TAC under the Flint Hills APA.

---

*Exhibit C*

*Contribution Agreement*
EXHIBIT D
Form of 10-Year Promissory Note

(See Attached.)

Exhibit D
Contribution Agreement
EXHIBIT E
Form of Bill of Sale

Bill of Sale, Assignment and Assumption from TAC, General Partner, Partnership and the Operating Company, in the form attached hereto.

Exhibit E
Contribution Agreement
EXHIBIT F
Form of Closing Escrow Agreement (First Closing)

(See Attached.)

Exhibit F
Contribution Agreement
EXHIBIT G
Form of Ground Lease Agreement

(See Attached.)

Exhibit G
Contribution Agreement
EXHIBIT H

Form of Storage Services Agreement and Service Order Related thereto

(See Attached.)

Exhibit H
Contribution Agreement
EXHIBIT I

Form of Applicable Service Order to Secondment and Logistics Services Agreement

(See Attached.)

Exhibit I
Contribution Agreement
EXHIBIT J
Form of Amendment No. 3 to Second Amended and Restated Limited Liability Company Agreement of the General Partner

(See Attached.)

Exhibit J
Contribution Agreement
EXHIBIT K

Form of Second Amended and Restated Schedules to Omnibus Agreement

(See Attached.)

Exhibit K
Contribution Agreement
EXHIBIT L
Form of Debt Indemnification Agreement

(See Attached.)

Exhibit L
Contribution Agreement
EXHIBIT M

Form of Closing Escrow Agreement (Second Closing)

Exhibit M
Contribution Agreement
EXHIBIT N

Form of Assignment Separate From Certificate

(See Attached.)

Exhibit N

Contribution Agreement
EXHIBIT O
Form of Amendment No. 1 to the Master Terminalling Services Agreement

(See Attached.)

Exhibit O
Contribution Agreement
EXHIBIT P
Form of Alaska Terminalling Services Agreement

(See Attached.)

Exhibit P
Contribution Agreement
EXHIBIT Q

Form of Terminal Service Order Anchorage Terminal

(See Attached.)

Exhibit Q
Contribution Agreement
EXHIBIT R
Form of Terminal Service Order Nikiski Terminal

(See Attached.)

Exhibit R
Contribution Agreement
EXHIBIT S
Form of Terminal Service Order Fairbanks Terminal
(See Attached.)

Exhibit S
Contribution Agreement
EXHIBIT T
Form of Amendment No. 4 to the Second Amended and Restated Limited Liability Company Agreement of the General Partner

(See Attached.)

Exhibit T
Contribution Agreement
EXHIBIT U

Form of Third Amended and Restated Schedules to Omnibus Agreement

(See Attached.)

Exhibit U
Contribution Agreement
EXHIBIT V

Form of Transitional Operating Agreement

(See Attached.)

Exhibit V
Contribution Agreement
AMENDMENT NO. 3 TO THE SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF TESORO LOGISTICS GP, LLC

THIS AMENDMENT NO. 3 TO THE SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF TESORO LOGISTICS GP, LLC (the “Amendment No. 2”), is made and entered into by and among Tesoro Logistics GP, LLC a Delaware limited liability company (the “General Partner”), Tesoro Corporation, a Delaware corporation (“Tesoro”), Tesoro Refining & Marketing Company LLC, a Delaware limited liability company, formerly known as Tesoro Refining and Marketing Company (“TRMC”), and Tesoro Alaska Company LLC, a Delaware limited liability company, formerly known as Tesoro Alaska Company (“TAC”), effective as of the July 1, 2016 (the “Effective Date”).

RECITALS

WHEREAS, Tesoro Logistics GP, LLC, a Delaware limited liability company (the “General Partner”), was formed on December 3, 2010;

WHEREAS, Tesoro, as the sole member of the General Partner, executed the Amended and Restated Limited Liability Company Agreement of the General Partner dated as of April 25, 2011, and Tesoro and TRMC amended that agreement on April 1, 2012, November 15, 2012, June 1, 2013 and December 6, 2013; and

WHEREAS, the General Partner, Tesoro, TRMC and TAC executed the Second Amended and Restated Limited Liability Company Agreement of the General Partner dated as of July 1, 2014 (the “LLC Agreement”);

WHEREAS, the General Partner, Tesoro, TRMC and TAC executed an Amendment No. 1 to the LLC Agreement effective as of September 30, 2014 and an Amendment No. 2 to the LLC Agreement effective as of November 12, 2015;

WHEREAS, the General Partner, Tesoro, TRMC and TAC now desire to amend the LLC Agreement to revise the membership interests as of the Effective Date.

NOW, THEREFORE, in consideration of the premises, covenants and agreements contained in the LLC Agreement and this Amendment No. 3, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Amendment to Exhibit A of the LLC Agreement. Exhibit A of the LLC Agreement is hereby amended and restated in its entirety to read as set forth in Annex A to this Amendment No. 3.

Section 2. Limited Amendment. Except as expressly set forth herein, this Amendment No. 3 shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of the parties hereto under the LLC Agreement, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the LLC Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect.
Section 3. Governing Law, Construction. This Amendment No. 3 is governed by and shall be construed in accordance with the Law of the State of Delaware. In the event of a direct conflict between the provisions of this Amendment No. 3 and any mandatory, non-waivable provision of the Act, such provision of the Act shall control.

Section 4. Capitalized Terms. Capitalized terms not otherwise defined in this Amendment No. 3 have the meanings set forth in the LLC Agreement.

[Signature Page Follows]
IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment No. 3 effective as of the first date written above.

THE GENERAL PARTNER:

TESORO LOGISTICS GP, LLC
By: /s/ Phillip M. Anderson
Phillip M. Anderson
President

MEMBERS:

TESORO CORPORATION
By: /s/ Gregory J. Goff
Gregory J. Goff
President and Chief Executive Officer

TESORO ALASKA COMPANY LLC
By: /s/ Gregory J. Goff
Gregory J. Goff
President

TESORO REFINING & MARKETING COMPANY LLC
By: /s/ Gregory J. Goff
Gregory J. Goff
President

Signature Page to Amendment No. 3 to Second Amended and Restated LLC Agreement of TLGP
<table>
<thead>
<tr>
<th>Member</th>
<th>Sharing Ratio</th>
<th>Capital Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tesoro Corporation</td>
<td>4%</td>
<td>$1,000.00 plus $63 million in assets contributed on April 26, 2011 in connection with the initial public offering of Tesoro Logistics LP.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100% of the equity interests of Tesoro Alaska Pipeline Company LLC, pursuant to the Contribution, Conveyance and Assumption Agreement dated June 23, 2014</td>
</tr>
<tr>
<td>Tesoro Alaska Company LLC</td>
<td>0.5%</td>
<td>The Nikiski Assets, pursuant to the Contribution, Conveyance and Assumption Agreement dated June 23, 2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Kenai Tankage pursuant to the First Closing under the Contribution, Conveyance and Assumption Agreement dated July 1, 2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The TAT Units pursuant to the Second Closing under the Contribution, Conveyance and Assumption Agreement dated July 1, 2016</td>
</tr>
<tr>
<td>Tesoro Refining &amp; Marketing Company LLC</td>
<td>95.5%</td>
<td>The Amorco Wharf assets, pursuant to the Contribution, Conveyance and Assumption Agreement effective date April 1, 2012.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Long Beach assets, pursuant to the Contribution, Conveyance and Assumption Agreement effective date September 14, 2012.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Anacortes Rail Facility assets, pursuant to the Contribution, Conveyance, and Assumption Agreement effective date November 15, 2012.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The BP Carson assets, pursuant to the Contribution, Conveyance and Assumption Agreement dated May 17, 2013 and effective as of June 1, 2013.</td>
</tr>
</tbody>
</table>
Tesoro Refining & Marketing Company LLC (continued)

The BP Carson Tranche 2 assets, pursuant to the Contribution, Conveyance and Assumption Agreement dated November 18, 2013 and effective as of December 6, 2013.


The Tankage, pursuant to the Contribution, Conveyance and Assumption Agreement effective as of November 12, 2015.

Annex A to Amendment No. 3 to Second Amended and Restated LLC Agreement of TLGP

Page 2 of 2
GROUND LEASE
BETWEEN
TESORO ALASKA COMPANY LLC,
AS LANDLORD,
AND
TESORO LOGISTICS OPERATIONS LLC,
AS TENANT

Kenai Crude and Products Storage Facility
This Ground Lease (the “Lease”) is entered into as of July 1, 2016 (the “Commencement Date”), between TESORO ALASKA COMPANY LLC, a Delaware limited liability company (“Landlord”), and TESORO LOGISTICS OPERATIONS LLC, a Delaware limited liability company (“Tenant”).

A. Landlord is the owner of a petrochemical refinery situated in the Kenai Peninsula Borough, Alaska, situated upon that certain real property more particularly described on Exhibit A attached hereto and incorporated herein by reference (the “Refinery”).

B. Tenant desires to lease from Landlord and Landlord desires to lease to Tenant the portion of the Refinery described on Exhibit B attached hereto and incorporated herein by reference (with the exception of the improvements situated thereon, which the parties acknowledge hereby are owned by Tenant) (the “Premises”).

C. The Premises are the location of an existing storage facility for crude oil, other black oils, intermediates, and petroleum products (the “Storage Facility”). In order for Tenant to have access to the Premises to operate the Storage Facility, and for pedestrian and vehicular ingress and egress thereto and for certain utilities, Tenant must enter upon a portion of the Refinery. In order to allow for such access, Landlord is granting to Tenant a non-exclusive easement in connection with this Lease.

ARTICLE 1. DEMISE OF PREMISES AND GRANT OF ACCESS EASEMENT

1.01 Demise of Premises. In consideration of the mutual covenants and agreements of this Lease, and other good and valuable consideration, Landlord demises and leases to Tenant, and Tenant leases from Landlord, the Premises.

1.02 Access Easement. Tenant is hereby granted the right of ingress and egress to and from the Premises over and across the Refinery, as reasonably needed by Tenant in order to operate the Storage Facility (the “Access Easement”). Landlord shall have the right to designate a reasonable course through which Tenant and its employees, agents, contractors and invitees must follow across the Refinery in order to access the Premises, and to otherwise establish reasonable restrictions upon Tenant’s use of the Refinery for access to the Premises pursuant to Article 7 hereof.

ARTICLE 2. LEASE TERM

2.01 Fixed Beginning and Termination Date. The term of this Lease is ninety-nine (99) years, beginning on the Commencement Date, and ending on June 30, 2115, unless terminated sooner as provided in this Lease.
2.02 Termination.

(a) This Lease will terminate without further notice when the term specified in Section 2.01 expires, and any holding over by Tenant after that term expires will not constitute a renewal of the Lease or give Tenant any rights under the Lease in or to the Premises.

(b) In the event this Lease terminates for any reason, the Access Easement shall also terminate automatically.

2.03 Holdover. If Tenant holds over and continues in possession of the Premises after the Lease term, Tenant will be considered to be occupying the Premises at will, subject to all the terms of this Lease.

ARTICLE 3. RENT

The parties acknowledge that rent for the entire Lease term has been paid in full in advance, in accordance with the terms of that certain Contribution, Conveyance and Assumption Agreement dated as of the date hereof by and among Tesoro Corporation, Landlord, Tesoro Logistics GP, LLC, Tesoro Logistics LP, and Tenant, as amended, restated, modified or supplemented from time to time (the “Contribution Agreement”).

ARTICLE 4. TAXES

4.01 Payment of Real Property Taxes by Tenant. After the Commencement Date, Landlord shall endeavor to effectuate the recognition of the Premises by the appropriate taxing entities as a separate parcel for purposes of the assessment of Taxes (as hereinafter defined), and Tenant shall cooperate with Landlord in all reasonable respects in this regard. If Landlord is unable to cause the Premises to be separately assessed, then Landlord shall work with the Kenai Peninsula Borough to cause the Borough, if possible, with respect to each tax parcel on which any portion of the Premises are located, to make an allocation between the area leased by Tenant and the area retained by Landlord. With respect to any parcel on which improvements are located, but with respect to which there has not been a segregation made by the Borough, the parties shall make good faith efforts to allocate the value of the improvements between those owned by Landlord and those owned by Tenant, so as to appropriately allocate the liability for taxes payable based on the value of the improvements. Unless and until the Premises are separately assessed for taxing purposes, Tenant will pay to Landlord that portion of the real property taxes, general and special assessments, and other governmental charges of any kind (the “Real Property Taxes,”) levied on or assessed against the Refinery which are allocable to the Premises, as more particularly described herein, within thirty (30) days following the delivery of Landlord’s invoice therefor accompanied by reasonably detailed supporting documentation. Landlord reserves all rights to contest, protest or challenge the Taxes by appropriate proceedings, and Tenant shall cooperate with Landlord in connection therewith in all reasonable respects.
4.02 Payment of Personal Property Taxes. Tenant shall pay, before they become delinquent, all personal property taxes, assessments and other governmental charges assessed against any equipment or other personal property of Tenant situated on the Premises. Effective as of the Commencement Date, such personal property and equipment is being transferred by Landlord to Tenant by Bill of Sale, the form of which is attached to the Contribution Agreement.

4.03 Proration of Taxes During First and Last Years. Real Property Taxes payable by Tenant under Section 4.01 above shall be pro-rated between Landlord and Tenant based on the number of days this Lease is in effect during the applicable year compared to 365 days. Personal Property taxes payable by Tenant under Section 4.02 above for the year in which the conveyance of such personal property occurs shall be pro-rated between Landlord and Tenant based on the tax bill for the applicable calendar year.

ARTICLE 5. UTILITIES

The parties acknowledge that as of the Commencement Date, the utilities serving all or a portion of the Premises and some of the improvements located thereon, being electricity, water, and septic system (the “Utilities”), are interconnected to Landlord’s utility infrastructure at the Refinery. The provisions of this Article 5 shall be subject to the terms of that certain Secondment Agreement and Logistics Services Agreement, dated July 1, 2014, by and between Landlord, Tenant and additional parties, as amended, restated, modified or supplemented from time to time (the “Secondment Agreement”), and for so long as the Secondment Agreement is in effect between the parties, the provisions of that agreement shall control in the event that its terms and the terms of this Article 5 are inconsistent with one another. In the event that the Secondment Agreement is no longer in effect, the terms of this Article 5 shall control.

The parties agree that the Premises shall be separately metered for electricity as soon as reasonably practicable following the Commencement Date hereof. All costs required to effectuate such separate metering shall be borne equally by Landlord and Tenant. The parties shall cooperate with each other in all reasonable respects in connection therewith. Thereafter Tenant shall pay all charges for electricity serving the Premises directly to the Utility provider. Until such time as electricity is separately metered to the Premises, electricity to the Premises shall continue to be interconnected to Landlord’s utility infrastructure, and shall be provided to Tenant and paid for in the same manner and subject to the same conditions as all other Utilities are provided to Tenant. With regard to electricity until it is separately metered and with regard to all other Utilities, Tenant shall pay Landlord for Tenant’s usage thereof (without any surcharge being added by Landlord for overhead) in amounts as reasonably determined by Landlord, subject to Tenant’s reasonable approval. Such payment shall be due within thirty (30) days following delivery of Landlord’s invoice therefor accompanied by reasonably detailed support. Landlord shall not invoice Tenant for Utility usage more frequently than monthly. The following restrictions shall apply with respect to Tenant’s usage of Landlord’s oily water sewer system: (i) only wastewaters containing oily water and petroleum products may be discharged therein, (ii) only wastewaters generated from Tenant’s operations on the Premises may be discharged therein, (iii) Tenant shall comply with all applicable laws, rules and regulations regarding the use thereof and the discharge of substances therein, and (iv) the daily volume of oily water discharged therein may not materially exceed the volume of the typical daily discharge therein resulting from Landlord’s operation of the Refinery prior to the Commencement Date. Landlord shall have no obligation to provide telephone service to the
Premises or any other utility service of any kind except as set forth in this paragraph or in the Storage Services Agreement (as defined in Section 10.01 below). Landlord shall in no event be liable or responsible for any cessation or interruption in, or damage caused by, any utility services provided to the Premises, whether by Landlord or otherwise, unless the cessation or interruption results from Landlord's intentional misconduct or gross negligence.

ARTICLE 6. USE OF PREMISES

6.01 Permitted Use. The Premises are currently improved with crude and black-oils storage tanks with a total shell capacity of 650,000 barrels, petroleum product storage tanks with a total shell capacity of 2,850,000 barrels, and pipelines and other appurtenances that allow the transport of the crude oil and petroleum products to and from the “KPL Dock” (as defined in Article 16) and to and from other facilities located at the Refinery (collectively, the “Storage Area Improvements”). Tenant may use the Premises and the Storage Area Improvements only for the storage and transport of crude oil, other black oils, intermediates and petroleum products and such other uses as are directly related to the operation and maintenance of the Storage Facility (collectively, the “Permitted Use”).

ARTICLE 7. COMPLIANCE WITH LAWS

7.01 Compliance with Laws. Tenant and its employees, agents and invitees shall comply with all applicable federal, state, and local laws, rules, regulations and orders in use of the Premises. Tenant shall secure and maintain current all required permits, licenses, certificates, and approvals relating to its use of the Premises. Landlord shall comply with all applicable federal, state, and local laws, rules, regulations and orders pertaining to the operation of the Refinery and the Premises to the extent reasonably necessary to enable Tenant to exercise its rights provided hereunder.

7.02 Emergencies. In the event of any emergency occurring on or about the Premises, Landlord and Tenant shall diligently cooperate in good faith to appropriately manage the emergency situation in a timely and effective manner. Such cooperation shall include, but not be limited to, providing of necessary access to all portions of the Premises and the improvements thereon.

ARTICLE 8. CONSTRUCTION BY TENANT

8.01 General Conditions. Tenant may, at any time and from time to time during the Lease term, erect, maintain, alter, remodel, reconstruct, rebuild, replace, and remove buildings and other improvements on the Premises, subject to the following:

(a) Tenant bears the cost of any such work.

(b) The Premises must at all times be kept free of mechanics’ and materialmens’ liens.

(c) Landlord must be notified of the time for beginning and the general nature of any such work, other than routine maintenance of existing buildings or improvements, at the time the work begins.
8.02 Landlord’s Approval of Plans. The following rules govern Landlord’s approving construction, additions, and alterations of buildings or other improvements on the Premises:

(a) Written Approval Required. No building or other improvement may be constructed on the Premises unless the plans, specifications, and proposed location of the building or other improvement have received Landlord’s written approval, which shall not be unreasonably withheld, conditioned or delayed, and the building or other improvement complies with the approved plans, specifications, and proposed location. No material addition to or alteration of any building or structure erected on the Premises may be commenced until plans and specifications covering the proposed addition or alteration have been first submitted to and approved by Landlord, which shall not be unreasonably withheld, conditioned or delayed.

(b) Submission of Plans. With respect to any construction, additions or alterations for which Landlord’s approval is required under Section 8.02(a) above, Tenant must submit two (2) copies of detailed working drawings, plans, and specifications for any such projects for Landlord’s approval before the project begins.

(c) Landlord’s Approval. Landlord will promptly review and approve all plans submitted under Section 8.02(b) above or note in writing any required changes or corrections that must be made to the plans. Any required changes or corrections must be made, and the plans resubmitted to Landlord, within twenty (20) days after the corrections or changes have been noted. Landlord’s failure to object to the resubmitted plans and specifications within twenty (20) days constitutes its approval of the changes. Minor changes in work or materials not affecting the general character of the building project may be made at any time without Landlord’s approval, but a copy of the altered plans and specifications must be furnished to Landlord.

(d) Exception to Landlord’s Approval. The following items do not require submission to, and approval by, Landlord:

(i) Minor repairs and alterations necessary to maintain existing structures and improvements in a useful state of repair and operation.

(ii) Changes and alterations required by an authorized public official with authority or jurisdiction over the buildings or improvements, to comply with legal requirements.

(e) Effect of Approval. Landlord, by approving the plans and specifications, assumes no liability or responsibility for the architectural or engineering design or for any defect in any building or improvement constructed from the plans or specifications.
8.03 Ownership of Buildings, Improvements and Fixtures. Any buildings, improvements, additions, alterations, and fixtures existing, constructed, placed or maintained on any part of the Premises during the Lease term are considered part of the real property of the Premises but shall be and remain the property of Tenant during the Lease term, including all Storage Area Improvements and equipment related to the Storage Facility situated on the Premises as of the Commencement Date or hereafter placed on the Premises by Tenant. In addition to Landlord’s right of entry set forth in Section 18.01 hereof, Landlord shall have the right upon not less than twenty-four hours’ notice to Tenant (except in the case of emergencies, in which no prior notice is required) to enter upon the Premises for the purposes of inspecting, maintaining, repairing, modifying and/or replacing all or any portion of the Storage Area Improvements located thereon, to the extent that Tenant has failed to do so and such failure to complete the maintenance, repair, modification or replacement is in violation of Tenant’s obligations hereunder. To the extent that any such maintenance, repair, modification or replacement is undertaken by Landlord, Tenant shall reimburse Landlord for all costs incurred, within thirty (30) day following receipt of an invoice from Landlord detailing such amounts.

8.04 Right to Remove Tenant’s Property. Tenant may, at any time while it occupies the Premises, remove any furniture, machinery, equipment, fixtures or other improvements owned or placed by Tenant in, under, or on the Premises, so long as such removal does not result in the violation of any terms of this Lease. If this Lease has not been terminated prior to its stated expiration date, then at least six (6) months before the stated expiration date, Landlord shall give written notice to Tenant informing it of any improvements or other property located on the Premises that Landlord will require Tenant to remove, and if so, specifying which improvements or property are to be removed (the “Removal Notice”). Tenant shall, at its sole cost and expense, cause those improvements and property specified by the Removal Notice to be removed from the Premises, and cause any damage to the Premises resulting therefrom to be repaired and the Premises restored to a safe condition, prior to the expiration of the Lease term. Upon termination of this Lease, all such property and improvements remaining on the Premises shall become the property of Landlord, and Landlord may keep, change or dispose of such property and improvements in Landlord’s sole and absolute discretion, without any liability to Tenant therefor. If Tenant has failed to remove any improvements or property as required by the Removal Notice or has failed to repair and restore the Premises as required by terms of this Section 8.04, then Tenant shall pay to Landlord the actual costs incurred by Landlord to do so.

ARTICLE 9. ENCUMBRANCE OF LEASEHOLD ESTATE

9.01 Tenant’s Right to Encumber. Tenant may, at any time and from time to time, encumber the leasehold interest, by deed of trust, mortgage, or other security instrument, without obtaining Landlord’s consent, but no such encumbrance constitutes a lien on Landlord’s fee title. The indebtedness secured by the encumbrance will at all times be and remain inferior and subordinate to all the conditions, covenants, and obligations of this Lease and to all Landlord’s rights under this Lease. References in this Lease to “Lender” refer to any person or entity to whom Tenant has encumbered its leasehold interest.
9.02 Notices to Lender. At any time after execution and recordation in Kenai Borough, Alaska, of any mortgage or deed of trust encumbering Tenant’s leasehold interest, Lender shall notify Landlord in writing that the mortgage or deed of trust has been given and executed by Tenant and furnish Landlord with the address to which copies of all notices to Tenant by Landlord are to be mailed. Landlord must mail to Lender, at the addresses given, copies of all written notices that Landlord gives or serves on Tenant under the terms of this Lease after receiving such notice from Lender.

9.03 Lender’s Consent Required for Modification. Landlord and Tenant will neither modify in any material respect nor terminate this Lease by mutual consent without Lender’s written consent.

9.04 Lender’s Right to Prevent Forfeiture. Lender may do any act required of Tenant to prevent forfeiture of Tenant’s leasehold interest; all such acts are as effective to prevent a forfeiture of Tenant’s rights under this Lease as if done by Tenant.

9.05 Lender’s Right to Foreclose. Lender may realize on the security afforded by the leasehold estate by exercising foreclosure proceedings or power of sale or other remedy afforded in law or equity or by the security documents and may transfer, convey, or assign Tenant’s title to the leasehold estate created by this Lease to any purchaser at any such foreclosure sale. Lender also may acquire and succeed to Tenant’s interest under this Lease by virtue of any such foreclosure sale. Lender will not be or become liable to Landlord as an assignee of this Lease or otherwise unless it assumes such liability in writing, and no assumption may be inferred from or result from foreclosure or other appropriate proceedings in the nature of foreclosure or as the result of any other action or remedy provided for by the mortgage or deed of trust or other instrument or from a conveyance from Tenant under which the buyer at foreclosure or grantee acquires Tenant’s rights and interest under this Lease. Any purchaser of the property at a foreclosure sale becomes obligated to Landlord as the Tenant under the Lease, and such party must be satisfactory to Landlord, in Landlord’s sole and absolute discretion, such that it will be in a position to provide the services required of Tenant hereunder, and that each and every covenant, condition or obligation imposed upon Tenant by this Lease and each and every right, remedy or benefit afforded Landlord by this Lease, shall not be impaired or diminished as of result of such assignment of the leasehold interest.

ARTICLE 10. REPAIRS, MAINTENANCE, AND RESTORATION

10.01 Tenant’s Duty to Maintain and Repair. At all times during the Lease term, Tenant will keep and maintain, or cause to be kept and maintained, all buildings and improvements erected on the Premises in a good state of appearance and repair (except for reasonable wear and tear) at Tenant’s own expense, in compliance with the terms of that certain Kenai Storage Services Agreement dated as of the date hereof (as the same may be amended, modified and/or extended from time to time) by and between Landlord and Tenant (the “Storage Services Agreement”) and the provisions of Section 7.01 above.
ARTICLE 11. MECHANICS’ LIENS

Tenant will not cause or permit any mechanics’ liens or other liens to be filed against the fee of the Premises or against Tenant’s leasehold interest (excluding any leasehold mortgage) in the land or any buildings or improvements on the Premises by reason of any work, labor, services, or materials supplied or claimed to have been supplied to Tenant or anyone holding the Premises or any part of them through or under Tenant. If such a mechanics’ lien or materialmens’ lien is recorded against the Premises or any buildings or improvements on them, Tenant must either cause it to be released or, if Tenant in good faith wishes to contest the lien, take timely action to do so, at Tenant’s sole expense. If Tenant contests the lien, Tenant will indemnify Landlord and hold it harmless from all liability for damages occasioned by the lien or the lien contest and will, in the event of a judgment of foreclosure on the lien, cause the lien to be discharged and released before enforcement of the judgment is completed.

ARTICLE 12. CONDEMNATION

12.01 Parties’ Interests. If the Premises or any part of them are taken for public or quasi-public purposes by condemnation as a result of any action or proceeding in eminent domain, or are transferred in lieu of condemnation to any authority entitled to exercise the power of eminent domain, this article governs Landlord’s and Tenant’s interests in the award or consideration for the transfer and the effect of the taking or transfer on this Lease.

12.02 Total Taking—Termination. If the entire Premises are taken or so transferred as described in Section 12.01, this Lease and all of the rights, titles, and interests under it will cease on the date that title to the Premises or part of them vests in the condemning authority.

12.03 Partial Taking—Termination. If only part of the Premises is taken or transferred as described in Section 12.01, Tenant may terminate this Lease by providing notice of termination to Landlord within a reasonable time after title to the portion of the Premises taken or transferred vests in the condemning authority.

12.04 Allocation of Condemnation Award.

(a) Lease Not Terminated. In the event of a condemnation of any portion of the Premises and if this Lease is not terminated, the award paid by the condemning authority (after payment of expenses incurred in connection with collecting the same) shall be allocated as follows:

(i) First, Tenant shall receive so much of the award as is necessary to restore the Improvements and for the value of the Improvements taken; and

(ii) Second, Landlord shall receive the balance of the award.

(b) Lease Terminated. In the event of a condemnation and this Lease is terminated as herein provided, the parties shall use reasonable efforts to cause the condemning authority to make separate awards to Landlord, on the one hand, and Tenant, on the other hand, as to their respective interests. If the condemning authority does not make such separate awards, then the award paid by the condemning authority (after payment of expenses incurred in connection with collecting the
same) shall be divided between Landlord and Tenant so that each party shall receive that portion of the award which bears the same proportion of the total award as the value of such party’s interests in the Premises bears to the total value of all interests in the Premises. The value of Landlord’s interests shall include the value of the land; the value of Landlord’s interest in this Lease had the Premises not been condemned, including the right to receive payment of all sums required to be paid by Tenant to Landlord hereunder for the remainder of the Lease term; and the value of Landlord’s residual right to the improvements located on the Premises upon termination of this Lease. The value of Tenant’s interest shall include the value of the improvements located on the Premises reduced by the value of Landlord’s reversionary interest therein; and the value of Tenant’s leasehold estate hereunder had the Premises not been condemned, including the right to use and occupy the Premises for the remainder of the Lease term subject to the obligation of Tenant to pay the amounts due hereunder. Tenant shall be entitled to claim in any condemnation proceedings such award as may be allowed for relocation costs or other consequential damages, but only to the extent that the same shall not reduce, and shall be in addition to, the award for the Premises and the improvements located on the Premises.

ARTICLE 13. INSURANCE AND INDEMNIFICATION

13.01 Insurance on Buildings and Improvements. At all times during the Lease term, Tenant will keep all buildings and other improvements located or being constructed on the Premises insured against loss or damage by fire, with extended-coverage endorsement or its equivalent. This insurance is to be carried by insurance companies selected by Tenant and approved by Landlord, which approval shall not be unreasonably withheld or delayed. The insurance must be paid for by Tenant and will be in amounts not less than eighty percent (80%) of the full insurable value of the buildings and other improvements. Tenant may self-insure a greater percentage of this coverage if so agreed by Landlord and Tenant in writing.

13.02 Other Agreements. The insurance and indemnification obligations of Landlord and Tenant are set forth in the Storage Services Agreement and that certain Third Amended and Restated Omnibus Agreement (the “Omnibus Agreement”) among Tesoro Corporation, Landlord, Tesoro Companies, Inc., Tesoro Alaska Company LLC, Tesoro Logistics LP and Tesoro Logistics GP, LLC. In the event of a conflict of provisions of the Storage Services Agreement and those of the Omnibus Agreement, the Omnibus Agreement shall prevail with respect to issues related to the contribution of the assets described therein, but not with respect to the ordinary operations of such assets as set forth in the Storage Services Agreement.

ARTICLE 14. ASSIGNMENT AND SUBLEASE

Tenant may not transfer, assign or sublease its leasehold estate or any portion thereof or any of its right, title or interest in this Lease (collectively, a “Transfer”) without the prior written consent of Landlord, which Landlord may withhold in its sole and absolute discretion. Any merger, consolidation or transfer of the direct or indirect beneficial ownership interest in Tenant that results in a direct or indirect change in the right to control the management of Tenant shall constitute a Transfer as defined above.
ARTICLE 15. DEFAULT AND REMEDIES

15.01 Termination on Default. Except as otherwise specifically noted in this Lease to the contrary, if Tenant defaults in performing any covenant or term of this Lease and does not correct the default within thirty (30) days after receipt of written notice from Landlord to Tenant, Landlord may by written notice to Tenant declare this Lease, and all rights and interests created by it, terminated; provided, however, that in the event such default cannot, in the exercise of reasonable diligence, be cured within such thirty (30) day period, Landlord may not exercise its remedies under this Article unless Tenant (i) fails to commence the cure of the default within such thirty (30) day period, or (ii) thereafter fails to proceed with curative measures with reasonable diligence. If the Storage Services Agreement is terminated by reason of a default by Tenant, Landlord shall have the right by written notice to Tenant to declare this Lease, and all rights and interests created by it, terminated.

15.02 Landlord’s Right to Purchase Improvements upon Default by Tenant. If this Lease is terminated by Landlord pursuant to Section 15.01, then without prejudice to any rights or remedies provided herein, Landlord shall have the right to purchase all improvements on the Premises owned by Tenant. Landlord may exercise such right by indicating Landlord’s election to purchase such improvements in Landlord’s written notice to Tenant terminating this Lease. In such event, Landlord shall promptly arrange to have the fair market value of the improvements located on the Premises determined by appraisal, shall have the appraisal completed within sixty (60) days of the date on which the notice of termination is given, and shall thereafter provide a copy of such appraisal to Tenant (the “Appraisal Delivery Date”). Within thirty (30) days after the Appraisal Delivery Date (the “Response Date”), Tenant shall notify Landlord (x) that it is in agreement with the fair market value set forth in Landlord’s appraisal, or (b) that it objects to the fair market value set forth in Landlord’s appraisal, in which event it shall provide its own determination of fair market value of the improvements, also as determined by appraisal, when it provides its objection by the Response Date. If Tenant is in agreement with the fair market value determined by Landlord’s appraisal or if Tenant fails to provide an objection by the Response Date, then the amount determined by Landlord’s appraisal shall be paid by Landlord to Tenant, in immediately available funds, within ten (10) days following the Response Date. If Tenant objects to the fair market value of the improvements as determined by Landlord’s appraisal and provides notice of such objection to Landlord on or before the Response Date, then within ten (10) days after the Response Date, each of the appraisers initially retained by Landlord and Tenant to make the determination as to the fair market value of the improvements shall appoint a third appraiser to act as arbitrator (the “Arbitrator”). The Arbitrator shall, within fifteen (15) days after his or her appointment, select as the fair market value of the improvements either the fair market value set forth in Landlord’s appraisal or the fair market value set forth in Tenant’s appraisal and inform both Landlord and Tenant, in writing, of such selection. The Arbitrator shall have no authority to average the appraised values, or to designate an amount other than the fair market value specified in either Landlord’s appraisal or Tenant’s appraisal. Within ten (10) days following the date on which the parties receive written notice of the Arbitrator’s selection, the amount selected as the fair market value of the improvements shall be paid by Landlord to Tenant, in immediately available funds. Following the payment by Landlord to Tenant applicable to the fair market value of the improvements, neither Landlord nor Tenant shall have any further rights under or obligations
arising from this Lease. The appraisers retained to make a determination regarding the fair market value of the improvements located on the Premises shall each be an MAI certified commercial real estate appraiser conducting business in the Kenai Borough industrial market and having not less than ten (10) years active experience as an MAI commercial real estate appraiser. The fair market value of the improvements on the Premises owned by Tenant shall be determined by any such appraiser based on information regarding, without limitation, the nature of the particular improvement, its age and functionality, and the current sale price of similar improvements in the same industry, all as valued for their highest and best use at the time of termination of this Lease.

15.03 Effect of Termination. Any termination of this Lease as provided in this Article 15 will not relieve Tenant from paying any sum or sums due and payable to Landlord under the Lease at the time of termination, or any claim for damages then or previously accruing against Tenant under this Lease. Any such termination will not prevent Landlord from enforcing the payment of any such sum or sums or claim for damages by any remedy provided for by law, or from recovering damages from Tenant for any default under the Lease.

ARTICLE 16. USE OF KPL DOCK UPON EXPIRATION OF STORAGE SERVICES AGREEMENT

Upon expiration of the term of the Storage Services Agreement, including any extensions, renewals or replacements thereof, if Tenant is not in default under this Lease or in default under the Storage Services Agreement, Tenant shall then be granted the right to access and use the dock (the “KPL Dock”) owned and operated by Kenai Pipe Line Company (“KPL”), together with the pipelines owned by KPL (“KPL Pipelines”) connecting the KPL Dock to the Storage Facility (the KPL Dock and the KPL Pipelines being collectively referred to herein as the “KPL Facilities”), pursuant to the terms of the KPL tariffs on file with the Regulatory Commission of Alaska (“RCA”) at the time of such termination, or as they may be subsequently amended, and the rules of the RCA regarding access to such facilities operated by common carriers, public wharves and pipeline utilities. Such rights to use shall extend to both shipments in interstate and international commerce, as well as the intrastate commerce subject to the jurisdiction of the RCA. Such rights shall not include the right to use the storage tanks operated by KPL for shipments in interstate or international commerce, or otherwise except as might be required for shipments in Alaska intrastate commerce pursuant to the RCA tariff and related rules. Nothing contained herein shall be deemed to extend the direct regulatory jurisdiction of the RCA to shipments and use in interstate or international commerce across the KPL Facilities, but the tariff and the associated rules shall form the basis for terms of a private contract for use of such KPL Facilities by Tenant pursuant to this Article. Tenant shall pay for use of the KPL Dock and KPL Pipelines as provided in the RCA tariff, without regard to whether such shipments are in interstate, international or intrastate commerce. Tenant may also be required to reimburse KPL or Landlord for variable costs of transportation across the KPL Dock, including without limitation, dock labor, CISPRI fees, tugs and similar matters associated with use of the dock, that are not included within the tariff fees. Neither KPL nor Landlord shall be obligated pursuant to this Article to repair, replace or rebuild the KPL Facilities or to maintain them in any condition; provided however, that if KPL proposes to abandon the KPL Facilities, and files to allow such abandonment under the rules of the RCA, then Tenant shall have a right to purchase such KPL Facilities for the fair market value thereof, subject to any
required approvals by the RCA. In such an instance, fair market value shall be determined as provided in Section 15.02 of this Lease. If, at any time while Tenant is using the KPL Facilities pursuant to this Article, Tenant desires to extend and connect its own pipeline or pipelines from the Storage Facility to the KPL Dock, Tenant shall have the right to extend new pipelines and make such connection at its sole cost and expense, and KPL and Landlord shall grant Tenant an easement across their property for such pipelines, in the same corridor where the existing KPL Pipelines are located. The rights to use the KPL Facilities set forth in this Article shall terminate upon any termination of this Lease, including termination for default, and such rights shall not be considered in establishing the fair market value of the improvements on the Premises pursuant to Section 15.02 hereof. KPL shall execute this Lease where indicated below solely for the purpose of indicating KPL’s agreement to the provisions of this Article 16.

ARTICLE 17. DISCLAIMER; COVENANTS

17.01 Disclaimer of Warranties. TENANT IS LEASING THE PREMISES “AS-IS,” WITH ANY AND ALL LATENT AND PATENT DEFECTS. TENANT ACKNOWLEDGES THAT TENANT IS NOT RELYING UPON ANY REPRESENTATION, STATEMENT OR OTHER ASSERTION OF LANDLORD OR LANDLORD’S AGENTS, OFFICERS, EMPLOYEES OR REPRESENTATIVES WITH RESPECT TO THE CONDITION OF THE PREMISES, BUT IS RELYING UPON TENANT’S EXAMINATION OF THE PREMISES. TENANT ACCEPTS THIS LEASE UNDER THE EXPRESS UNDERSTANDING THAT THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OF LANDLORD WITH REGARD TO THE PREMISES, INCLUDING, WITHOUT LIMITATION, SUITABILITY FOR TENANT’S INTENDED USE THEREOF (EXCEPT FOR THE WARRANTY SET FORTH IN SECTION 17.02 AND SUCH WARRANTIES AS MAY BE SET FORTH IN THE CONTRIBUTION AGREEMENT).

17.02 Warranty of Quiet Enjoyment. Landlord covenants that as long as Tenant observes the covenants and terms of this Lease, Tenant will lawfully and quietly hold, occupy, and enjoy the Premises during the Lease term without being disturbed by Landlord or any person claiming under Landlord, except for any portion of the Premises that is taken under the power of eminent domain.

ARTICLE 18. GENERAL PROTECTIVE PROVISIONS

18.01 Right of Entry and Inspection. Tenant acknowledges that a substantial portion of the Premises are located outdoors and within the boundaries of the Refinery. Accordingly, Tenant will permit Landlord or its agents, representatives, or employees to enter the Premises consisting of outdoor areas at all times, without notice, in connection with Landlord’s operations at the Refinery, and to at all times have access to and the right to use any and all roads that are located on the Premises. Accordingly, Tenant shall keep any existing roads that cross the Premises unobstructed. With respect to any portion of the Premises consisting of buildings, Tenant will permit Landlord or its agents, representatives, or employees to enter such buildings at reasonable times and upon reasonable prior notice (except in the event of an emergency, when no prior notice will be required) for the purposes of inspection, determining whether Tenant is complying with this Lease, and maintaining, repairing, or altering the Premises in accordance with the terms hereof.
18.02 No Partnership or Joint Venture. The relationship between Landlord and Tenant is at all times solely that of landlord and tenant and may not be deemed a partnership or a joint venture.

18.03 No Termination on Bankruptcy. Bankruptcy, insolvency, assignment for the benefit of creditors, or the appointment of a receiver will not affect this Lease as long as Tenant and Landlord or their respective successors or legal representatives continue to perform all covenants of this Lease.

18.04 No Waiver. No waiver by either party of any default or breach of any covenant or term of this Lease may be treated as a waiver of any subsequent default or breach of the same or any other covenant or term of this Lease.

18.05 Release of Landlord. If Landlord sells or transfers all or part of the Premises and as a part of the transaction assigns its interest as Landlord in this Lease, then as of the effective date of the sale, assignment, or transfer, Landlord will have no further liability under this Lease to Tenant, except with respect to liability matters that have accrued and are unsatisfied as of that date. Underlying this release is the parties’ intent that Landlord’s covenants and obligations under this Lease will bind Landlord and its successors and assigns only during and in respect of their respective successive periods of ownership of the fee.

ARTICLE 18. MISCELLANEOUS

19.01 Title Policy and Survey. Tenant shall have the right, at its sole expense, to obtain a survey of the Premises and title insurance coverage of its interest in the Premises, and the interest of any Lender. Landlord shall have no obligation to provide Tenant with any such survey or title insurance.

19.02 Memorandum of Lease. The parties agree not to place this Lease of record, but each party shall, at the request of the other, execute and acknowledge so that the same may be recorded a memorandum of lease containing such provisions as the requesting part shall reasonably request. The requesting party shall pay all costs, taxes, fees and other expenses in connection with or prerequisite to recording.

19.03 Delivery of Notices. All sums owed hereunder, notices, demands, or requests from one party to another may be personally delivered or delivered by reliable overnight courier, or sent by mail, certified or registered, postage prepaid, to the addresses stated below and are considered to have been given at the time of delivery or of mailing:

To Landlord:  
Tesoro Alaska Company LLC  
19100 Ridgewood Parkway  
San Antonio, Texas 78259  
Attention: Senior Vice President, Logistics
A party may change its address for notice under this Section 19.03 by providing notice of such change in accordance with this Section 19.03.

19.04 Parties Bound. This agreement binds, and inures to the benefit of, the parties to the Lease and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

19.05 Alaska Law to Apply. This agreement is to be construed under the internal laws of the State of Alaska.

19.06 Legal Construction. If any one or more of the provisions contained in this Lease are for any reason held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability will not affect any other provision of the Lease, which will be construed as if it had not included the invalid, illegal, or unenforceable provision.

19.07 Other Agreements.

(a) This Lease, together with the Storage Services Agreement, the Contribution Agreement, the Secondment Agreement, the Omnibus Agreement, and the other written documents executed by Landlord and Tenant, constitute the parties’ sole agreement with respect to the subject matter of this Lease and such agreements supersede any prior understandings or written or oral agreements between the parties with respect to the subject matter of this Lease.

(b) In the event of any conflict between the provisions of this Lease and the provisions of the Contribution Agreement, the provisions of the Contribution Agreement shall control.

19.08 Amendment. No amendment, modification, or alteration of this Lease is binding unless in writing, dated subsequent to the date of this Lease, and duly executed by the parties.

19.09 Rights and Remedies Cumulative. The rights and remedies provided by this Lease are cumulative, and either party’s using any right or remedy will not preclude or waive its right to use any other remedy. The rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance, or otherwise.
19.10 Attorneys’ Fees and Costs. If, as a result of either party’s breaching this Lease, the other party employs an attorney to enforce its rights under this Lease, then the breaching or defaulting party will pay the other party the reasonable attorneys’ fees and costs incurred to enforce this Lease.

19.11 Time of Essence. Time is the essence of this Lease.

19.12 Further Documents. Landlord and Tenant will from time to time and at any reasonable time execute and deliver to the other party, when the other party reasonably requests, other instruments and assurances approving, ratifying, and confirming this Lease and the leasehold estate created by it and certifying that this Lease is in full force and that no default under this Lease on the other party’s part exists; or if the other party is in default, specifying in such instrument each such default.

19.13 Captions. The captions used in connection with the Articles and Sections of this Lease are for convenience only, and are not intended in any way to limit or amplify the meaning of the language contained in this Lease, or be used as interpreting the meanings and provisions of this Lease.

19.14 Construction. Both parties to this Lease were involved in its drafting and negotiation, and as a result, this Lease shall be construed based on its fair meaning and interpretation and shall not be strictly construed against either party.

[SIGNATURE BLOCKS ON THE FOLLOWING PAGE.]
IN WITNESS WHEREOF, THIS LEASE has been executed by Landlord and Tenant on the date and year first above written.

LANDLORD:
TESORO ALASKA COMPANY LLC

By: /s/ Gregory J. Goff
Print Name: Gregory J. Goff
Title: President

By: /s/ Keith Casey
Print Name: Keith Casey
Title: President

TENANT:
TESORO LOGISTICS OPERATIONS LLC

By: /s/ Phillip M. Anderson
Print Name: Phillip M. Anderson
Title: President

By executing below KENAI PIPE LINE COMPANY
confirms its agreement only to the provisions of Article 16
of this Lease.

KENAI PIPE LINE COMPANY

By: /s/ Keith Casey
Print Name: Keith Casey
Title: President
STATE OF ________ ) ss.
COUNTY OF ________ )

I certify that I know or have satisfactory evidence that ________ is the person who appeared before me, who signed this instrument as the ________ of TESORO ALASKA COMPANY LLC, a Delaware limited liability company, and acknowledged it to be the free and voluntary act of such limited liability company for the uses and purposes mentioned in the instrument, and on oath stated ________ was authorized to execute said instrument.

Dated: ______________, 2016

Print Name: ________________________________
NOTARY PUBLIC in and for the State of ________
________, residing at __________________________
My appointment expires ________________________

STATE OF ________ ) ss.
COUNTY OF ________ )

I certify that I know or have satisfactory evidence that ________ is the person who appeared before me, who signed this instrument as the ________ of TESORO LOGISTICS OPERATIONS LLC, a Delaware limited liability company, and acknowledged it to be the free and voluntary act of such limited liability company for the uses and purposes mentioned in the instrument, and on oath stated ________ was authorized to execute said instrument.

Dated: ______________, 2016

Print Name: ________________________________
NOTARY PUBLIC in and for the State of ________
________, residing at __________________________
My appointment expires ________________________
STATE OF ________ )
COUNTY OF ________ ) ss.

I certify that I know or have satisfactory evidence that ________ is the person who appeared before me, who signed this instrument as the ________ of KENAI PIPE LINE COMPANY, a Delaware corporation, and acknowledged it to be the free and voluntary act of such limited liability company for the uses and purposes mentioned in the instrument, and on oath stated ________ was authorized to execute said instrument.

Dated: ________________, 2016

Print Name: ________________________________
NOTARY PUBLIC in and for the State of
______________, residing at ________________________________
My appointment expires ________________________________
EXHIBIT A

Legal Description of Refinery

PARCEL I and PARCEL III:

That portion of Section 22 and the northeast one-quarter (NE 1/4) of Section 21, Township 7 North, Range 12 West, Seward Meridian, records of the Kenai Recording District, Third Judicial District, State of Alaska, described as follows:

Commencing at the 1/4 corner common to Section 22 and Section 27, Township 7 North, Range 12 West, Seward Meridian, Alaska, marked by an Alaska Department of Highways survey monument, found;

Thence East 2640.92 feet along the section line, Basis of Bearing for this description, according to the General Land Office datum the section corner common to Sections 22, 23, 26, and 27 marked by an Alaska Department of Highways survey monument, found;

Thence N 00° 07'44" W 1982.23 feet along the section line common to Section 22 and Section 23 to the northeast corner of the Seaman Property, the true point of beginning for this description, marked by a 5/8" x 30" rebar with 2" aluminum cap attached, found;

Thence N 89° 58'52" W 330.15 feet along the north boundary line of the Seaman property to the northwest corner of said property, marked by a 5/8" x 30" rebar with 2" aluminum cap attached, found;

Thence S 00° 07'59" E 660.69 feet along the western boundary of the Seaman property to the southwest corner of said property, marked by a 5/8" x 30" rebar with 2" aluminum cap attached, found;

Thence S 89° 59'26" W 2310.72 feet to the CS 1/16 corner of Section 22, marked by a 3 1/4" aluminum monument 4928–S, found;

Thence N 00° 08'43" W 1320.75 feet to the C 1/4 of Section 22, marked by a brass cap monument 610–S, found;

Thence S 89° 58'28" W 1320.53 feet to the CW 1/16 corner, marked by a brass cap monument 610–S, found;

Thence S 89° 56'49" W 991.57 feet to a property corner which is situated in a small pond;

Thence N 00° 05'58" W 1170.92 feet to a property corner marked by a 5/8" x 30" rebar, set;

Thence N 89° 59'53" W 330.64 feet to the section line common to Section 21, Section 22 and HES 74, marked by a brass capped monument, found;

A-1
Thence N 89° 59'53" W 659.87 feet to property corner situated along the easterly right-of-way line of the Kenai Spur Highway also known as the North Kenai Road;

Thence N 20° 33'50" W 19.36 feet along the said right-of-way to a point of curvature; thence along a curve of said right-of-way whose radius point bears northeasterly 1357.50 feet, delta of 1° 25'49", arc length 33.89 feet to a property corner marked by a 5/8" x 30" rebar with 2" aluminum cap attached, set;

Thence S 89° 59'53" E 678.10 feet to a property corner situated on the east line of Section 21, marked by a 5/8" x 30" rebar with 2" aluminum cap attached, set;

Thence N 00° 05'14" W 100.68 feet to the N 1/16 corner common to Section 21 and Section 22, marked by a brass cap monument 610–S, found;

Thence S 89° 59'11" E 1320.96 feet to the NW 1/16 corner of Section 22, marked by a 3 1/4" aluminum monument 4928–S, found;

Thence S 89° 59'11" E 322.87 feet to the southwest corner of Tract A, K.R.D., 86–135, marked by a 5/8" x 30" rebar with 2" aluminum cap attached, found;

Thence N 00° 10'25" W 130.95 feet to the northwest corner of said tract, marked by a 5/8" rebar with aluminum cap attached, found;

Thence S 89° 59'05" E 997.56 feet to the northeast corner of said tract, marked by a 5/8" rebar with aluminum cap attached, found;

Thence N 00° 10'25" W 413.73 feet along the N–S centerline of Section 22 to a property corner, marked by a 5/8" x 30" rebar with 2" aluminum cap attached, set;

Thence N 85° 16'01" E 1324.75 feet to a property corner, marked by a 5/8" x 30" rebar with 2" aluminum cap attached, set;

Thence N 00° 09'47" E 668.93 feet to the E 1/16 corner common to Section 15 and Section 22, marked by a 3 1/4" aluminum cap monument 4928–S set;

Thence N 89° 58'44" E 1320.69 feet along the section line to the section corner common to Sections 15, 14, 22, and 23, marked by a brass cap monument 631–S, found;

Thence S 00° 06'52" E 1320.60 feet to the N 1/16 corner common to Section 22 and Section 23, marked by a survey monument 3808–S, found;

Thence S 00° 15'44" E 780.99 feet to the W.C. 1/4 corner common to Section 22 and Section 23, marked by a brass cap monument G.L.O., found;

Thence S 00° 07'44" E 1200.83 feet to the northeast corner of the Seaman property and the true point of beginning.

EXCEPTING THEREFROM that portion lying within Bernice Lake Road, being 100 feet width and traversing through the subject property. A-2
That portion of Section 22, Township 7 North, Range 12 West, Seward Meridian, Alaska, located in the Kenai Peninsula Borough, State of Alaska, and described as follows.

COMMENCING at the 3 1/4 inch Aluminum monument marking the center 1/4 corner of said Section 22 as soon on the map entitled “TESORO REFINERY LEGAL DESCRIPTION EXHIBIT”, thence N 88° 45’ 01” W, 923.69 feet ALONG THE 1/4 Section-line, thence S 1° 14’ 59” W, 110.81 feet to the TRUE POINT OF BEGINNING;

thence, S 01° 01’ 34” E, 162.94 feet;
thence S 88° 27’ 43” W, 165.68 feet;
thence S 20° 46’ 00” W, 80.57 feet;
thence, S 02° 14’ 06” W, 159.38 feet;
thence, S 87° 39’ 39” E, 197.57 feet;
thence, S 01° 06’ 13” W, 268.05 feet;
thence, S 89° 45’ 00” E, 49.26 feet;
thence, S 01° 01’ 19” E, 67.39 feet;
thence, S 87° 14’ 07” E, 55.67 feet;
thence, N 01° 27’ 57” E, 71.11 feet;
thence, S 89° 22’ 53” E, 228.58 feet;
thence, N 00° 20’ 19” E, 76.64 feet;
thence, S 89° 28’ 10” E, 59.50 feet;
thence, N 02° 37’ 08” E, 151.97 feet;
thence, S 89° 56’ 50” E, 527.92 feet;
thence, S 86° 17’ 15” E, 590.65 feet;
thence, S 03° 43’ 41” E, 386.99 feet;
thence, S 00° 36’ 18” E, 124.63 feet;
thence, S 87° 12’ 59” E, 422.31 feet;
thence, S 00° 57’ 37” W, 1190.25 feet;
thence, N 88° 24’ 58” W, 1009.38 feet;
thence, N 00° 52’ 49” E, 1185.79 feet;
thence, N 50° 04’ 49” W, 87.09 feet;  
thence, N 88° 23’ 04” W, 1302.02 feet;  
thence, N 00° 45’ 46” E, 332.69 feet;  
thence, N 88° 17’ 10” W, 440.21 feet;  
thence, N 01° 30’ 59” E, 535.80 feet;  
thence, N 89° 37’ 17” W, 155.56 feet;  
thence, N 03° 59’ 27” E, 81.16 feet;  
thence, N 89° 39’ 19” E, 45.71 feet;  
thence, N 01° 34’ 18” E, 84.58 feet;  
thence, S 86° 00’ 07” E, 106.85 feet;  
thence, N 03° 16’ 18” E, 119.27 feet;  
thence, N 89° 44’ 20” E, 642.52 feet;  
thence, S 87° 40’ 37” E, 194.74 feet to the TRUE POINT OF BEGINNING.

Containing 60.85 acre, more or less.
A Third Amended and Restated Omnibus Agreement was executed as of July 1, 2014, and amended as of December 31, 2014 and July 1, 2015 (collectively, the “Third Amended and Restated Omnibus Agreement”), among Tesoro Corporation, on behalf of itself and the other Tesoro Entities, Tesoro Refining & Marketing Company LLC, Tesoro Companies, Inc., Tesoro Alaska Company LLC, Tesoro Logistics LP and Tesoro Logistics GP, LLC, as amended by the First Amended and Restated Schedules to Third Amended and Restated Omnibus Agreement, executed November 12, 2015. Capitalized terms not otherwise defined in this document shall have the terms set forth in the Third Amended and Restated Omnibus Agreement.

The Parties agree that the Schedules are hereby amended and restated in their entirety as of the date hereof to be as attached hereto. Pursuant to Section 9.12 of the Third Amended and Restated Omnibus Agreement, such amended and restated Schedules shall replace the prior First Amended and Restated Schedules as of the date hereof and shall be incorporated by reference into the Third Amended and Restated Omnibus Agreement for all purposes.

Executed effective as of July 1, 2016.

TESORO CORPORATION

By: /s/ Gregory J. Goff
Gregory J. Goff
President and Chief Executive Officer

TESORO REFINING & MARKETING COMPANY LLC
TESORO COMPANIES, INC.
TESORO ALASKA COMPANY LLC

By: /s/ Gregory J. Goff
Gregory J. Goff
President

TESORO LOGISTICS LP

By: Tesoro Logistics GP, LLC, its general partner

By: /s/ Phillip M. Anderson
Phillip M. Anderson
President

TESORO LOGISTICS GP, LLC

By: /s/ Phillip M. Anderson
Phillip M. Anderson
President

Signature Page to Second Amended and Restated Schedules to
Third Amended and Restated Omnibus Agreement
Schedule I
Pending Environmental Litigation

For Initial Contribution Agreement listed on Schedule VII:
None.

For Amorco Contribution Agreement listed on Schedule VII:
None.

For Long Beach Contribution Agreement listed on Schedule VII:
The soil and groundwater on the southern central portion of the site near the 24 inch crude oil line have been impacted with hydrocarbons from a release from the line first observed in September 2011. The California Regional Water Quality Control Board issued an Investigative Order dated September 30, 2011 and to date all requirements of the order have been met. Additional investigative or remedial activities may be required.

For Anacortes Rail Facility Contribution Agreement listed on Schedule VII:
None.

For BP Carson Tranche 1 Contribution Agreement listed on Schedule VII:
The environmental indemnification provisions of the Carson Assets Indemnity Agreement dated as of December 6, 2013 (“Carson Assets Indemnity Agreement”), among the Partnership, the General Partner, Tesoro Logistics Operations LLC (the “Operating Company”) and TRMC, supersede in their entirety the environmental indemnification provisions of Article III of the Third Amended and Restated Omnibus Agreement, except as otherwise expressly provided in the Carson Assets Indemnity Agreement.

For BP Carson Tranche 2 Contribution Agreement listed on Schedule VII:
The environmental indemnification provisions of the Carson Assets Indemnity Agreement supersede in their entirety the environmental indemnification provisions of Article III of the Third Amended and Restated Omnibus Agreement, except as otherwise expressly provided in the Carson Assets Indemnity Agreement.

For West Coast Assets Contribution Agreement listed on Schedule VII:
None.

For 2015 Line 88 and Carson Tankage Contribution Agreement listed on Schedule VII:
None.
KENAI TANKAGE: Tesoro, Tesoro Alaska, TRMC, the Partnership and the General Partner are subject to a pending consent decree with the U.S. Environmental Protection Agency and the Department of Justice pursuant to which injunctive relief will be ordered with respect a number of refineries (the “2016 Environmental Consent Decree”).

The indemnification obligations of the Tesoro Entities under Section 3.1(a) of the Third Amended and Restated Omnibus Agreement with regard to the 2016 Environmental Consent Decree are limited as provided in Schedule IX.
For Initial Contribution Agreement set forth on Schedule VII:

1. Anchorage #1 Terminal soil and groundwater have been impacted by gasoline and diesel releases from previously buried pipelines. The site is considered characterized and is currently undergoing removal of product from the water table, groundwater treatment, and long-term monitoring.

2. Anchorage #2 Terminal soil and groundwater have been impacted by gasoline releases occurring prior to Tesoro’s purchase of the facility. The site is considered characterized and is currently undergoing groundwater monitoring and treatment. Off-site groundwater investigations are scheduled for 2012.

3. Stockton Terminal soil and groundwater have been impacted by gasoline and diesel releases from pipelines and/or product storage tanks. The site is considered substantially characterized and is undergoing groundwater treatment and groundwater monitoring. Off-site groundwater impacts are commingled with neighboring petroleum storage terminals.

4. Burley Terminal groundwater was impacted by gasoline releases occurring prior to Tesoro’s purchase of the facility. Groundwater impacts were commingled with neighboring petroleum storage terminals. Hydrocarbon concentrations in groundwater samples do not exceed previously established target levels for groundwater and surface water protection. Regulatory closure is pending.

5. Wilmington Sales Terminal soil and groundwater have been impacted by gasoline releases occurring prior to Tesoro’s purchase of the facility. Groundwater investigation and monitoring is on-going. Tesoro is indemnified by the previous owner for investigation and remediation obligations.

6. Salt Lake City Terminal soil and groundwater have been impacted by gasoline and diesel releases from pipelines and/or product storage tanks occurring prior to Tesoro’s purchase of the facility. The site is considered characterized and is currently undergoing removal of product from the water table and long-term monitoring. There are no known soil or groundwater impacts at the Northwest Crude Oil tank farm.

7. The Stockton Terminal emits volatile organic compounds (VOCs) below “major source” emission criteria. In 2010, the San Joaquin Air Quality Management District announced it is reducing its major source threshold. When the Stockton Terminal expands its operations or increases throughput, the potential to emit VOC will increase and the Stockton terminal will become subject to regulation as a major source. This will require a Title V Air Operating Permit. In addition, the Stockton facility will be required to install an automated continuous emission monitor at a cost of approximately $75,000.
For Amorco Contribution Agreement set forth on Schedule VII:

1. The soil and groundwater on the site of the Tankage, as defined in the Amorco Contribution Agreement, have been impacted by methyl tertiary butyl ether releases from previously buried pipelines. The site is considered characterized and is currently undergoing removal of methyl tertiary butyl ether from the water table, groundwater treatment, and long-term monitoring.

2. Any environmental violation or contamination due to SHPL, as defined in the Amorco Contribution Agreement, being underground prior to the Closing Date.

For Long Beach Contribution Agreement listed on Schedule VII:

1. Any environmental violation or contamination, as defined in the Long Beach Contribution Agreement, prior to the Closing Date.

2. Any anomalies in the Pipeline System that require repair as discovered by the first internal line inspection of any portion of the Pipeline System for which TRMC is notified in writing prior to the First Deadline Date.

For Anacortes Rail Facility Contribution Agreement listed on Schedule VII:

None.

For BP Carson Tranche 1 Contribution Agreement listed on Schedule VII:

The environmental indemnification provisions of the Carson Assets Indemnity Agreement supersede in their entirety the environmental indemnification provisions of Article III of the Third Amended and Restated Omnibus Agreement, except as otherwise expressly provided in the Carson Assets Indemnity Agreement.

For BP Carson Tranche 2 Contribution Agreement listed on Schedule VII:

The environmental indemnification provisions of the Carson Assets Indemnity Agreement supersede in their entirety the environmental indemnification provisions of Article III of the Third Amended and Restated Omnibus Agreement, except as otherwise expressly provided in the Carson Assets Indemnity Agreement.
For West Coast Assets Contribution Agreement listed on Schedule VII:

1. **Nikiski Terminal.** Subsurface soil and groundwater has not been assessed at this facility. There have been no historic releases that have prompted a soil and groundwater investigation. The area within the tank containment berms was lined with low-permeability soils in the early 1990s. The loading rack, fuel filters and piping manifolds are above concrete secondary containment.

2. **Anacortes Light Ends Rail Facility and planned diesel truck rack areas.** Subsurface soil and groundwater has not been assessed at this area of the Anacortes refinery. There have been no historic releases that have prompted a soil and groundwater investigation.

3. **Anacortes Storage Facility.** Historic tank overtopping events and tank bottom corrosion releases have impacted soil and groundwater in the shore tank area of the Anacortes refinery. Groundwater near the shore tanks is monitored for natural attenuation. Groundwater between the tanks and the nearby shoreline has not been characterized, however the hydrocarbon concentrations in this area is not expected to be a threat to human health or the environment.

4. **Martinez Refinery LPG Loading Area.** Past waste disposal and hydrocarbon releases have impacted areas surrounding the Martinez Refinery LPG loading rack, pad and tanks. Areas north and northeast of the rack were used for past waste disposal. There are documented intra-refinery pipeline releases in the north and western boundaries of the LPG rack concrete pad. The refinery plans to excavate and cap the nearby waste disposal area in 2017. The pipeline releases are being remediated as part of the overall Martinez refinery cleanup. Soil and groundwater directly beneath the loading rack, propane tanks and truck pad have not been sampled.

5. **Tesoro Alaska Pipeline.**
   - The pump station for the Tesoro Alaska Pipeline is adjacent to the Kenai Refinery Lower Tank Farm. Multiple historic tank and buried pipeline releases have impacted soil and groundwater in the area; however there are no documented releases from the pipeline pump station. The soil and groundwater surrounding the pump station is considered characterized and undergoing groundwater monitoring and treatment.
   - A pipeline release in 2001 resulted in soil, groundwater and surface water impacts in an undeveloped area of the Kenai Peninsula. The quantity of the release is not known. Soil surrounding the release was excavated and stockpiled at the Kenai Refinery while groundwater and surface water were remediated on-site. The Alaska Department of Environmental Conservation issued a No Further Action letter for this cleanup effort in 2008. There are no other known release sites on the pipeline between the Kenai Refinery and Anchorage.
Historic spills and releases have impacted the Anchorage #1 terminal, including past releases from the Tesoro Alaska Pipeline receiving station. Groundwater remediation monitoring is ongoing across the Anchorage #1 terminal. In addition, a soil vapor venting system is being installed to address a flame suppressant compound detected in soils near the receiving station control room.

**For 2015 Line 88 and Carson Tankage Contribution Agreement listed on Schedule VII:**

None

**For 2016 Alaska Assets Contribution Agreement listed on Schedule VII:**

KENAI TANKAGE:

Area of significant groundwater and soil impacts: (1) lower tank farm groundwater impact source area including 1988 jet fuel release and unknown light products release in area of Tank 63, (2) process unit historic releases from oily water sewer system including releases from failed grout in subsurface sewer hubs, (3) groundwater issues generally 35 to 40 feet below ground surface and groundwater impacts in three water-bearing zones below refinery and off-site and (4) possible contributor to refinery-wide groundwater impacts.
Schedule III
Pending Litigation

For Initial Contribution Agreement listed on Schedule VII:
None.

For Amorco Contribution Agreement listed on Schedule VII:
None.

For Long Beach Contribution Agreement listed on Schedule VII:
None.

For Anacortes Rail Facility Contribution Agreement listed on Schedule VII:
None.

For BP Carson Tranche 1 Contribution Agreement listed on Schedule VII:
None.

For BP Carson Tranche 2 Contribution Agreement listed on Schedule VII:
None.

For West Coast Assets Contribution Agreement listed on Schedule VII:
None.

For 2015 Line 88 and Carson Tankage Contribution Agreement listed on Schedule VII:
None.

For 2016 Alaska Assets Contribution Agreement listed on Schedule VII:

KENAI TANKAGE: None.

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Schedule IV

Section 4.1(a): General and Administrative Services

(1) Executive management services of Tesoro employees who devote less than 50% of their business time to the business and affairs of the Partnership, including stock based compensation expense

(2) Financial and administrative services (including, but not limited to, treasury and accounting)

(3) Information technology services

(4) Legal services

(5) Health, safety and environmental services

(6) Human resources services

Section 4.1(c)(vii): Other Reimbursable Expenses

For Initial Contribution Agreement listed on Schedule VII:
None.

For Amorco Contribution Agreement listed on Schedule VII:
None.

For Long Beach Contribution Agreement listed on Schedule VII:
None.

For Anacortes Rail Facility Contribution Agreement listed on Schedule VII:
None.

For BP Carson Tranche 1 Contribution Agreement listed on Schedule VII:
None.

For BP Carson Tranche 2 Contribution Agreement listed on Schedule VII:
None.
For West Coast Assets Contribution Agreement listed on Schedule VII:
None.

For 2015 Line 88 and Carson Tankage Contribution Agreement listed on Schedule VII:
None.

For 2016 Alaska Assets Contribution Agreement listed on Schedule VII:

KENAI TANKAGE: None.
## Schedule V

### ROFO Assets

<table>
<thead>
<tr>
<th>Asset</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Golden Eagle Avon Wharf Facility (Martinez, California).</strong> A wharf facility located on the Sacramento River near the Golden Eagle Refinery consisting of a single-berth dock and related pipelines. The facility does not have crude oil or refined products storage capacity and receives refined products from the Golden Eagle Refinery through interconnecting pipelines for delivery into marine vessels. The facility can also receive refined products and intermediate feedstocks from marine vessels for delivery to the Golden Eagle Refinery.</td>
<td>TRMC</td>
</tr>
<tr>
<td><strong>Nikiski Dock and Storage Facility (Nikiski, Alaska).</strong> A single-berth dock and storage facility located at the Kenai Refinery that includes five crude oil storage tanks with a combined capacity of approximately 930,000 barrels, ballast water treatment capability and associated pipelines, pumps and metering stations. The dock and storage facility receives crude oil from marine tankers and from local production fields via pipeline and truck, and also delivers refined products from the refinery to marine vessels.</td>
<td>Tesoro Alaska</td>
</tr>
<tr>
<td><strong>Anacortes Marine Terminal (Anacortes, Washington).</strong> A marine terminal located at the Anacortes Refinery consisting of a crude oil and refined products wharf facility. The marine terminal receives crude oil and other feedstocks from marine vessels and third-party pipelines for delivery to the Anacortes Refinery. The facility also delivers refined products from the Anacortes Refinery to marine vessels.</td>
<td>TRMC</td>
</tr>
</tbody>
</table>
Existing Capital and Expense Projects

For Initial Contribution Agreement listed on Schedule VII:

Expense Projects

None.

Capital Projects

1. That certain project related to AFE # 102120001, which provides for side stream ethanol blending into all gasoline at the Salt Lake City terminal by adding truck ethanol unloading capability, utilizing the existing premium day tank for ethanol and delivering premium direct from the Salt Lake City refinery tankage. New ethanol truck unloading facilities will be installed. New pumps will also be installed for delivering higher volumes of premium gasoline from the Salt Lake City refinery to the Salt Lake City terminal. An ethanol injection skid will be installed along with piping changing to the existing Salt Lake City terminal to allow the ethanol to be injected in the gasoline stream. This project has been completed.

2. That certain project AFE# 112120005 at the Mandan refinery, to update additive equipment to allow the offering of Shell additized gasoline. This project has been completed.

3. That certain project related to AFE # 107120005, which provides for ratio ethanol blending into gasoline on the rack at the Burley, Idaho Terminal by adding truck ethanol unloading capability, adding tankage for ethanol storage and installing new ethanol meters associated with each gasoline loading arm. New ethanol truck unloading facilities will also be installed.

4. That certain project AFE# 104100015-M at the Mandan refinery, to update the truck rack sprinkler system. This project has been completed.

5. That certain project number AFE# 122120002 (TCM Idea# 2010113017) at the Mandan refinery, to upgrade the rack blending hydraulic system to reduce/eliminate inaccurate blends at the load rack.

6. That certain project number TCM Idea # 2011433001 at the Mandan refinery, to move the JP8 to new bay and have three bays for loading product across the rack. This project has been cancelled.

7. That certain project number TCM Idea # 2011432602 at the Stockton terminal, install a continuous vapor emission monitor on the vapor recovery unit for compliance with air quality regulations.
For Amorco Contribution Agreement listed on Schedule VII:

**Expense Projects**

All major expense projects that are within the scope of open Work Orders as of the applicable Closing Date.

**Capital Projects**

1. That certain project related to AFE# 097100014 and AFE# 107100014 at the Amorco terminal, which provide repairs and upgrades to the wharf regarding MOTEMS standards.

2. That certain project related to AFE# 112100001 at the Amorco terminal, which installs a jet mixer system for crude lab testing.

For Long Beach Contribution Agreement listed on Schedule VII:

**Expense Projects**

1. Any cost that may be incurred to adjust diesel fuel tank vents near light fixtures after a review is conducted and if action is deemed necessary.

2. Costs related to substantial repair or replacement project scheduled for 2012 and 2013 for the pipeline segments in the portion of the Southern California Edison right-of-way area immediately adjacent to the marine terminal to address corrosion, and include IO# 3021407 titled “SCA.Wilmington Edison Reroute” and IO# 3021749 titled “SCA.Edison Reroute 24 inch, 16 inch, 14 inch”.

**Capital Projects**

1. That certain project related to AFE# 072104079LBT titled “UG Piping – LBT” related to underground pipeline repairs at the Terminal. In addition, any subsequent new projects to address the same specific under-ground piping issues per AFE# 072104079LBT (i.e. a second phase UG Piping project) that would occur on or before the end of year 2015.

2. That certain project related to the TCM Idea# 2012433432 AFE# 125120020 titled “LBT Berth 84a Loading Arm Replacement” which repairs or replaces the loading arms at the Terminal and any related AFE project that will occur upon final project approval to substantially repair or replace the loading arms at the Terminal.

3. That certain project related to the TCM Idea# 2012433433 AFE# 125120021 titled “LBT Berth 86 Loading Arm Replacement” which repairs or replaces the loading arms at the Terminal and any related AFE project that will occur upon final project approval to substantially repair or replace the loading arms at the Terminal.
4. Any remaining costs of those certain projects related to the leak detection on the Terminal and Terminal Pipelines which are substantially complete and include AFE# 107110002, AFE# 117110001, AFE# 117110003, AFE# 117110002, and AFE# 125120002.

For Anacortes Rail Facility Contribution Agreement listed on Schedule VII:

**Expense Projects**

None.

**Capital Projects**

Any capital costs or expenses that may be incurred for the installation of a custody transfer meter related to the AFE# 125120017 titled “CROF Custody Transfer Meter and Station”.

For BP Carson Tranche 1 Contribution Agreement listed on Schedule VII:

**Expense Projects**

Expenses associated with the API 653 internal inspection, the Carson Crude Terminal Tank 401 (AFE# 13E1219120001BP/WBS 19125.E012.975) scheduled to start in November 2013, including without limitation, cleaning of such Tank (including any waste removal) and any repairs to such Tank required as a result of such inspection.

**Capital Projects**

None.

For BP Carson Tranche 2 Contribution Agreement listed on Schedule VII:

**Expense Projects**

1. All 2013 and 2014 costs related to AFE# 13E104215BP-M (PRISM ID 32503) for a partial replacement of Rhodia Sulfuric Acid Line 29 will be reimbursed by TRMC to cover the 2014 expenditure of $1.1 million for line neutralization, the pig run and tie-ins. Subject to confirmation with the refinery on exact outage dates, the bulk of this cost will be incurred in March and April.

2. All 2013 costs or 2013 carry-over costs related to AFE# 13E1012000002BP-M12 & 13E1012000002BP-M5 PRISM ID 32518 (under the 2013 AFE #13E1012000002BP) for the Manual Entry Corrosion Program at Terminal 2 will be reimbursed by TRMC. All 2014 costs will be covered by the Partnership’s 2013 budget.
3. All remaining 2013 inspection and repair costs related to AFE# 13E1012000002BP-M2 (PRISM ID 32549) associated with the Marine Terminal 2 – TK 218 – API 653 Internal Inspection only (not including repairs at this point) will be reimbursed by TRMC. TRMC shall review and approve the tank repair scope and review inspection reports to prevent unnecessary upgrades or “urban renewal.”

4. All remaining 2013 inspection and repair costs related to AFE# 13E1212000001-M (PRISM ID 31418) associated with the Marine Terminal 2 – TK 205 – API 653 Internal Inspection only (not including repairs at this point) will be reimbursed by TRMC. TRMC shall review and approve the tank repair scope and review inspection reports to prevent unnecessary upgrades or “urban renewal.”

5. Remaining expenses related to AFE# 13E1179000001-M (PRISM ID 32040) to upgrade PLC systems in the LA Basin will be reimbursed by TRMC.

6. All remaining 2013 inspection and repair costs related to AFE# 13E1212000002-M (PRISM ID 31419) associated with the Marine Terminal 2 – TK 217 – API 653 Internal Inspection only (not including repairs at this point) will be reimbursed by TRMC. TRMC shall review and approve the tank repair scope and review inspection reports to prevent unnecessary upgrades or “urban renewal.”

7. All remaining expenses related to AFE# 136104222BP-M (PRISM ID 32556) associated with the Pipeline OQ Verification will be reimbursed by TRMC.

8. All remaining 2013 inspection and repair costs related to AFE# 13E1012000006-M (PRISM ID 31409) associated with the Carson Products – TK VH1 – API 653 Inspection only (not including repairs at this point) will be reimbursed by TRMC. TRMC shall review and approve the tank repair scope and review inspection reports to prevent unnecessary upgrades or “urban renewal.

**Capital Projects**

1. Maintenance capital expenditures related to that certain AFE# 136104194BP-M (PRISM ID 32480) at Terminal 2 to replace all fire water piping at Berths 76, 77 and 78 areas of Terminal 2 in Long Beach, CA with new piping. This project will also replace all associated valves, fixtures, monitors, and fire-fighting accessories.

2. Maintenance capital expenditures related to that certain TCM Idea# 2013434229 (PRISM ID 25829) at Terminal 2 to replace the existing bladder type foam tank with two atmospheric tanks and foam skids located at either end of the facility along with new piping to support the installation.

*Page 4/13 of Schedule VI to Second Amended and Restated Schedules to Third Amended and Restated Omnibus Agreement*
3. Maintenance capital expenditures related to that certain TCM Idea# 2013434243 (PRISM ID 20054) at Terminal 2 to replace the existing loading arms at T2’s Berths 77 and 78. The current parts are so old that they are no longer readily available, so in order to properly maintain this equipment to minimize down-time for repairs, these arms should be replaced with the newest models.

4. All capital expenditures related to that certain AFE# 136104077BP-M (PRISM ID 32481) for MOTEMS dock side piping upgrades at Terminal 2.

5. Maintenance capital expenditures related to that certain AFE# 145120008 (PRISM ID 32560) at Terminal 2 to replace the main 12kV electrical switchgear that experienced electrical damage due to several factors: nearing its equipment service life, component degradation, exposure to the elements. The main copper busbar component of the switchgear was recently replaced and dipped in epoxy coating. However, during the repairs, cracks on the insulation of the main horizontal operating bus were discovered. The exterior enclosure is slowly showing signs of corrosion and the glastic insulation materials are degrading.

6. Upon TRMC’s approval to complete the following projects, all capital costs incurred to connect the Los Angeles Wilmington and Carson refinery systems, as well as the crude and product pipeline systems: TCM Idea# 2013434786, AFE# 132110022-M (TCM Idea# 2013434419), TCM Idea# 2013434788, AFE# 132110023-M (TCM Idea# 2013434417), AFE# 132110025-M (TCM Idea# 2013434418), AFE# 132110030-M (TCM Idea# 2013434420), AFE# 132110031-M (TCM Idea# 2013434784), TCM Idea# 2013434785 and AFE# 132110026 (TCM Idea# 2013434137).

7. Upon TRMC’s approval to complete the project, all capital costs related to the project at Terminal 2 targeted to reduce Tesoro’s demurrage cost due to barge delivered additive alternative, under AFE# 132110024-M (TCM Idea# 2013434220).

8. All capital costs related to AFE# 131907046, the implementation of an equivalent solution using Tesoro ECC 6 MOC module, including necessary configuration changes and customization of interfaces to be completed and executed in line with other transformation projects identified as part of integrating other BP assets such as TMS5 to DTN Guardian3, Load Tracker, etc. in the Logistics area.

9. All capital costs related to AFE# 131907047. As a part of the BP Carson Tranche 1 Contribution Agreement, Tesoro acquired Maximo, i-Maintain, Maximo Mobile and Primavera. These applications are used for scheduling and managing routine maintenance tasks and planning capital projects (Primavera). These business functions will be transitioned to SAP PM (using GWOS) and a TSO instance of Primavera. This initiative should be performed in line with Maximo to SAP PM transformation project and with other logistics and refining projects.

10. All capital costs related to AFE# 131907045. This project, in conjunction with Tesoro’s acquisition of the BP Carson City Refinery, is designed to transition and successfully integrate the Southwest’s Logistics Mechanical Integrity Inspection System Information Technology assets into the Tesoro Information Technology application landscape.
For West Coast Assets Contribution Agreement listed on Schedule VII:

**Expense Projects**

1. **Nikiski Terminal**. Tesoro Alaska shall reimburse the Partnership Group for any costs or expenses incurred by the Partnership Group to reinstate water supply to the Operating Company’s Nikiski Terminal in connection with the water suppression system.

2. **Anacortes Light Ends Rail Facility**. TRMC shall reimburse the Partnership Group for any costs and expenses incurred by the Partnership Group:
   - to determine the adequacy of fire water at the facility;
   - with respect to any modifications needed to be made to fire water system to provide adequate fire water; and
   - for relocation of the knockout drum, if relocation is required.

3. **Anacortes Storage Facility**
   - TRMC shall reimburse the Partnership Group for any costs and expenses incurred by the Partnership Group to restore Tank 135 to API 653 specifications. TRMC shall be deemed to be the generator of all hazardous waste and other waste removed from Tank 135 in connection with such cleaning and restoration and shall be responsible for all obligations arising as the generator of such hazardous waste and other waste.
   - TRMC shall reimburse the Partnership Group for any costs and expenses incurred by the Partnership Group for decommissioning and repair of sewer lines for Tanks 165 and 166.

4. **Martinez Light Ends Rail Facility**. TRMC shall reimburse the Partnership Group for any costs and expenses incurred by the Partnership Group:
   - to determine the adequacy of fire water at the facility; and
   - with respect to any modifications needed to be made to fire water system to provide adequate fire water.

5. **Martinez Clean Products Truck Rack**. TRMC shall reimburse the Partnership Group for any costs and expenses incurred by the Partnership Group:
   - if required to supplement data currently available in the baseline inspections records in order to properly document corrosion, to carry out new tank corrosion inspections on Tanks 777, 778 and 890, as well as any repairs resulting from such inspections to meet API 653 standards; and
   - with respect to Tank 777, the tank berm size and tank proximity evaluation scheduled to completed by year-end 2014, as well as any required adjustments resulting therefrom.
6. **Martinez Light Ends Storage**. If required to supplement data currently available in the baseline inspection records in order to properly document pipe integrity, TRMC shall reimburse the Partnership Group for any costs and expenses incurred by the Partnership Group for inspections and analyses conducted to confirm baseline pipe integrity by year-end 2014, as well as any repairs arising from defects identified through such inspections.

7. **Tesoro Alaska Pipeline**
   - Tesoro shall reimburse the Partnership Group for any costs or expenses incurred by the Partnership Group to carry out the repairs and tests identified in the Coffman Engineers report dated May 8, 2014, including the planned hydro-test in 2015 and any resulting repairs therefrom.
   - Tesoro shall reimburse the Partnership Group for any costs or expenses incurred by the Partnership Group to carry out repairs identified pursuant to the inspection on the Tesoro Alaska Pipeline as a result of the inspection scheduled to begin June 30, 2014.

**Capital Projects**

1. All capital costs related to AFE# 125100055—Additive reservoir tank and pumping system for the Nikiski Terminal truck loading rack.

2. All capital costs related to AFE# 127100012—Design, procure, and install Biodiesel Blending Facility at existing Martinez Tract 3 Truck Loading Rack.

3. All capital costs related to AFE# 132100017—Martinez gasoline loading rack filtration.

4. All capital costs related to AFE# 125110005—Fabrication and installation of a skid-mounted clay treatment system at the Tesoro Alaska Pipeline Port of Anchorage delivery facility.

5. All capital costs related to AFE# 125110007—Provision of inline strainers upstream of the Kenai Pump station pipeline pumps and upstream of the Anchorage receiving station control valve.

6. All capital costs related to AFE# 124100034—Purchase and installation of (5) IP CCTV Cameras, and security video monitoring station for Tesoro Alaska Pipeline Anchorage control room (located at the Port of Anchorage Industrial Park), MLV 7 on Northernlights Blvd, and the ASIG Filter Building located at Ted Stevens International Airport.

7. All capital costs related to AFE# 145110002 regarding the installation of semi-deep cathodic protection wells, a new rectifier and electrical service at the Tesoro Alaska Pipeline.

8. All capital costs related to AFE# 124100030 regarding new CCTV monitoring system at the Nikiski Terminal.

9. All capital costs related to AFE# 145120005 regarding a new cathodic protection anode bed and rectifier for the Nikiski Terminal.
10. All capital costs related to AFE# TBD regarding Fall Protection for Top Loading Tank Cars and Trucks.

11. All capital costs related to AFE# 132100017 regarding the installation of a new Tract 3 Gasoline Loading Rack Filtration System to replace the existing rental units.

12. All capital costs related to AFE# PTS 12475 regarding LPG Tank Car Loading Rack Improvements.

13. All capital costs related to AFE# TBD regarding the installation of a system to add ExxonMobil additives to gasoline at the Tr. 3 truck loading rack.

14. All capital costs related to AFE# 145110009 regarding the implementation of Tesoro Alaska Pipeline mainline delivery strainer.

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Capital Projects

TRMC shall reimburse the Partnership Group for:

1. Upon mutual consent on project scope between TRMC and the Partnership, TRMC shall reimburse the Partnership Group for all capital costs incurred for the execution of the following piping systems projects: AFE# 136104160BP (TCM Idea# 2013218160), TCM Idea# 2013212538, TCM Idea# 2013212540 and TCM Idea# 2013212539. For any such projects listed above in this section 1 that are required to maintain safe operation of the Assets, the Partnership shall determine the final project scope in its sole discretion.

2. Upon mutual consent on project scope between TRMC and the Partnership, TRMC shall reimburse the Partnership Group for all capital costs incurred for the execution of the following instrumentation and control projects: AFE# 154100014 (TCM Idea# 2014217001), TCM Idea# 2014217008, AFE# 136104169BP (TCM Idea# 2013218169), AFE# 136104190BP (TCM Idea# 2013218190), TCM Idea# 2013212558, and TCM Idea # 2014217023. For any such projects listed above in this section 2 that are required to maintain safe operation of the Assets, the Partnership shall determine the final project scope in its sole discretion.

3. Upon mutual consent on project scope between TRMC and the Partnership, TRMC shall reimburse the Partnership Group for all capital costs incurred for the execution of the following tank improvements: TCM Idea# 2014217135 (tk 56), TCM Idea# 2013212585 (tk 1), TCM Idea# 2014217132 (tk 90), TCM Idea# 2014217133 (tk 11), TCM Idea# 2013212575 (tk 34), TCM Idea# 2013212587 (tk 35), TCM Idea# 2013212588 (tk 10), TCM Idea# 2013212589 (tk 58), TCM Idea# 2013212592 (tk 39), TCM Idea# 2013212593 (tk 968), TCM Idea# 2013212595 (tk 60), TCM Idea# 2013212596 (tk 69), TCM Idea # 2013212597 (tk 57), TCM Idea# 2013212599 (tk 51). For any such projects listed above in this section 3 that are required to maintain safe operation of the Assets, the Partnership shall determine the final project scope in its sole discretion.

4. All capital costs related to the repair or replacement of brick structure piping supports, with the scope of repairs to be developed in 2016 and the execution of such repairs to be completed in 2017.

5. All capital costs related to the upgrade or replacement of the cathodic protection system for the tanks as identified through a cathodic protection assessment to be completed prior to year end 2016. An action plan will be developed to address recommendations identified through the assessment. The program is expected to commence in 2016 and will be executed over a 4-year period.

6. All capital costs related to the multi-phase upgrade or replacement of tank level measurement and transmitter instruments, upon mutual consent of TRMC and the Partnership of the scope for the multi-year project. Notwithstanding the foregoing, the Partnership in its
sole discretion shall determine the final scope of any element of the tank level instrument upgrade project required to maintain safe operation of the Assets. TRMC’s reimbursement to the Partnership Group for capital costs incurred during the Term to complete the tank level instrument upgrade or replacement project shall not exceed $15,000,000 in the aggregate.

Expense Projects

1. With respect to the Remaining Pipeline 88 Interest (as defined in the 2015 Line 88 and Carson Tankage Contribution Agreement listed on Schedule VII), TRMC shall reimburse the Partnership for any costs and expenses associated with curing any anomalies identified by the August 2015 in-line inspection thereof.

2. With respect to the Tankage (as defined in the 2015 Line 88 and Carson Tankage Contribution Agreement listed on Schedule VII), as well as the land on which such Tankage is located, TRMC shall reimburse the Partnership for any costs and expenses associated with any liabilities, costs and expenses that might be imposed upon the Partnership as operator of the Tankage and which relate to the environmental condition of the land on which the Tankage is located and surrounding lands, including but not limited to any government-imposed fines or remediation costs and natural resource damages, but excluding (i) any liabilities, costs and expenses that arise from any releases or discharges of hydrocarbons or other substances from the Tankage after the date hereof or (ii) any liabilities, costs and expenses that arise from negligent acts or omissions or willful misconduct of the Partnership and its agents, contractors and representatives.

3. Until the later of (i) November 12, 2020 or (ii) the completion of any repairs identified by any applicable non-invasive or external inspections that occurred prior to such date, TRMC shall reimburse the Partnership Group for any costs and expenses incurred by the Partnership Group to restore any tank included in the 2015 Line 88 and Carson Tankage Contribution Agreement listed on Schedule VII to API 653 or API 510 specifications that are identified through the Partnership Group’s non-invasive or external inspections.

4. During the term (including any extension thereof) of the Carson II Storage Services Agreement, dated as of November 12, 2015, by and among TRMC, the General Partner, the Partnership and the Operating Company (the “Carson II Storage Agreement”), TRMC shall reimburse the Partnership Group for any costs and expenses incurred by the Partnership Group to restore any tank included in the 2015 Line 88 and Carson Tankage Contribution Agreement listed on Schedule VII to API 653 or API 510 specifications, as determined by the results of the first scheduled internal inspection of any such tank after the date hereof (the “First Internal Inspection”). TRMC shall be deemed to be the generator of all hazardous waste and other waste removed from any such tanks in connection with such cleaning and restoration and shall be responsible for all obligations arising as the generator of such hazardous waste and other waste.

   a) TRMC and the Operating Company shall mutually agree on the inspection schedule and the duration of such inspections so as to minimize disruption within the Wilmington and Carson refinery systems, with TRMC having the right to approve the final inspection schedule.
b) If TRMC fails to renew the Carson II Storage Services Agreement, prior to November 12, 2022, in accordance with the terms thereof, the Partnership Group may elect to accelerate API 653 or API 510 inspections prior to the expiration of the Carson II Storage Agreement.

5. Notwithstanding Sections 3 and 4 above, the parties agree that the following tanks included in the 2015 Line 88 and Carson Tankage Contribution Agreement listed on Schedule VII have been inspected, cleaned, and repaired to ensure compliance with API 653 or API 510 standards within the 24 months prior to the date hereof, and are excluded from the reimbursement requirements listed above unless such actions fail to meet such compliance standards due to the negligence of TRMC:

<table>
<thead>
<tr>
<th>Tank Number</th>
<th>Year of Last Inspection</th>
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<tbody>
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<td>53</td>
<td>2013</td>
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<tr>
<td>87</td>
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<td>955</td>
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</tr>
<tr>
<td>194</td>
<td>2015</td>
</tr>
</tbody>
</table>
For 2016 Alaska Assets Contribution Agreement listed on Schedule VII:

KENAI TANKAGE:

Capital Projects

TAC shall reimburse the Partnership Group for:

1. Upon mutual consent on project scope between TAC and the Partnership, TAC shall reimburse the Partnership Group for all capital costs incurred for the execution of the following instrumentation and control projects: AFE# 2012217023 (TCM Idea# 137100002), TCM Idea# 2014216018, TCM Idea# 2007002425. For any such projects listed above in this section 2 that are required to maintain safe operation of the Assets, the Partnership shall determine the final project scope in its sole discretion.

2. Upon mutual consent on project scope between TAC and the Partnership, TAC shall reimburse the Partnership Group for all capital costs incurred for the execution of the following tank improvements: TCM Idea# 2016216002, TCM Idea#2016216001. For any such projects listed above in this section 3 that are required to maintain safe operation of the Assets, the Partnership shall determine the final project scope in its sole discretion.

3. All capital costs related to the assessment and upgrade or replacement of tank level measurement and transmitter instruments, upon mutual consent of TAC and the Partnership of the scope for the multi-year project. Notwithstanding the foregoing, the Partnership in its sole discretion shall determine the final scope of any element of the tank level instrument upgrade project required to maintain safe operation of the Assets.

4. All capital costs related to installation of tank liners during first API 653 inspection cycle to bring each tank into conformance with Alaska Department of Environmental Conversation standards.

5. All capital costs related to the assessment and necessary upgrades of cathodic protection system including:
   - Additional anode ground beds
   - Additional surface distributed anodes
   - Additional amperes of cathodic protection for on-grade storage tanks
   - Under tank monitoring systems

   The program is expected to commence in 2016 and will be executed over a 3-year period.

6. All capital costs related to internal inspection, assessment and repair of Tank 11 internal floating roof.
Expense Projects

1. The parties agree that Tank 37 included in the Alaska Assets Contribution Agreement listed on Schedule VII have been inspected, cleaned, and repaired to ensure compliance with API 653 or API 510 standards within the 24 months prior to the date hereof, and are excluded from the reimbursement requirements listed above unless such actions fail to meet such compliance standards due to the negligence of TAC.

2. Any costs or expenses related to:
   - Completion of pressure relief documentation, expected to be complete by year-end 2016.
   - Completion of area classification plans per NEC 500.4, expected to be complete by year-end 2017.
### Contribution Agreement

<table>
<thead>
<tr>
<th>Contribution Agreement</th>
<th>Closing Date</th>
<th>First Deadline Date</th>
<th>Second Deadline Date</th>
<th>Tesoro Indemnifying Parties</th>
<th>Tesoro Indemnified Parties</th>
<th>Third Deadline Date</th>
<th>Omnibus Section 5.1(b) Applies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution, Conveyance and Assumption Agreement, dated as April 26, 2011, among the Partnership, the General Partner, the Operating Company, Tesoro, Tesoro Alaska, TRMC and Tesoro High Plains Pipeline Company LLC</td>
<td>April 26, 2011</td>
<td>April 26, 2013</td>
<td>April 26, 2016</td>
<td>TRMC</td>
<td>Tesoro Alaska</td>
<td>April 26, 2021</td>
<td>Yes</td>
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Page 1/9 of Schedule VII to Second Amended and Restated Schedules to Third Amended and Restated Omnibus Agreement
**Amorco Contribution Agreement**

<table>
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<th>Contribution Agreement</th>
<th>Closing Date</th>
<th>First Deadline Date</th>
<th>Second Deadline Date</th>
<th>Tesoro Indemnifying Parties</th>
<th>Tesoro Indemnified Parties</th>
<th>Third Deadline Date</th>
<th>Omnibus Section 5.1(b) Applies</th>
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</thead>
<tbody>
<tr>
<td>Contribution, Conveyance and Assumption Agreement dated as of April 1, 2012, among the Partnership, the General Partner, the Operating Company, Tesoro and TRMC</td>
<td>April 1, 2012</td>
<td>April 1, 2014</td>
<td>April 1, 2017</td>
<td>TRMC</td>
<td>TRMC</td>
<td>April 1, 2022</td>
<td>Yes</td>
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<tr>
<td>Contribution Agreement</td>
<td>Closing Date</td>
<td>First Deadline Date</td>
<td>Second Deadline Date</td>
<td>Tesoro Indemnifying Parties</td>
<td>Tesoro Indemnified Parties</td>
<td>Third Deadline Date</td>
<td>Omnibus Section 5.1(b) Applies</td>
</tr>
<tr>
<td>------------------------</td>
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</tr>
<tr>
<td>Contribution, Conveyance and Assumption Agreement executed as of September 14, 2012, among the Partnership, the General Partner, the Operating Company, Tesoro and TRMC</td>
<td>Execution Date is September 14, 2012, and various Effective Times are upon receipt of the Long Beach Approval, the CDFG Approval and the Other Approvals as set forth in the agreement, as applicable</td>
<td>September 14, 2014</td>
<td>September 14, 2017</td>
<td>TRMC</td>
<td>TRMC</td>
<td>September 14, 2022</td>
<td>Yes</td>
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Page 3/9 of Schedule VII to Second Amended and Restated Schedules to Third Amended and Restated Omnibus Agreement
## Anacortes Rail Facility Contribution Agreement

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<th>Contribution Agreement</th>
<th>Closing Date</th>
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<th>Second Deadline Date</th>
<th>Tesoro Indemnifying Parties</th>
<th>Tesoro Indemnified Parties</th>
<th>Third Deadline Date</th>
<th>Omnibus Section 5.1(b) Applies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution, Conveyance and Assumption Agreement executed as of November 15, 2012, among the Partnership, the General Partner, the Operating Company, Tesoro and TRMC</td>
<td>November 15, 2012</td>
<td>November 15, 2014</td>
<td>November 15, 2017</td>
<td>TRMC</td>
<td>TRMC</td>
<td>November 15, 2022</td>
<td>No</td>
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</table>

Page 4/9 of Schedule VII to Second Amended and Restated Schedules to Third Amended and Restated Omnibus Agreement
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<th>Contribution Agreement</th>
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<th>Tesoro Indemnifying Parties</th>
<th>Tesoro Indemnified Parties</th>
<th>Third Deadline Date</th>
<th>Omnibus Section 5.1(b) Applies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution, Conveyance and Assumption Agreement executed as of May 17, 2013, among the Partnership, the General Partner, the Operating Company, Tesoro and TRMC</td>
<td>June 1, 2013</td>
<td>Not Applicable</td>
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Page 5/9 of Schedule VII to Second Amended and Restated Schedules to Third Amended and Restated Omnibus Agreement
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<th>Tesoro Indemnifying Parties</th>
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<th>Third Deadline Date</th>
<th>Omnibus Section 5.1(b) Applies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution, Conveyance and Assumption Agreement executed as of November 18, 2013, among the Partnership, the General Partner, the Operating Company, Tesoro, TRMC and Carson Cogeneration Company</td>
<td>December 6, 2013</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
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</tbody>
</table>

Page 6/9 of Schedule VII to Second Amended and Restated Schedules to Third Amended and Restated Omnibus Agreement
### West Coast Assets Contribution Agreement

<table>
<thead>
<tr>
<th>Contribution Agreement</th>
<th>Closing Date</th>
<th>First Deadline Date</th>
<th>Second Deadline Date</th>
<th>Tesoro Indemnifying Parties</th>
<th>Tesoro Indemnified Parties</th>
<th>Third Deadline Date</th>
<th>Omnibus Section 5.1(b) Applies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution, Conveyance and Assumption Agreement executed as of June 23, 2014, among the Partnership, the General Partner, the Operating Company, Tesoro Logistics Pipelines LLC, Tesoro, TRMC and Tesoro Alaska</td>
<td>First Closing Date: July 1, 2014</td>
<td>The second (2nd) anniversary of the First Closing Date or the Second Closing Date, as applicable</td>
<td>With respect to Section 3.1(a): Not applicable</td>
<td>Tesoro, TRMC, Tesoro Alaska</td>
<td>Tesoro, TRMC, Tesoro Alaska</td>
<td>The tenth (10th) anniversary of the First Closing Date or the Second Closing Date, as applicable</td>
<td>Yes</td>
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<tr>
<td>Second Closing Date has the meaning set forth in this Contribution Agreement</td>
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<td></td>
<td>With respect to Section 3.2: The fifth (5th) anniversary of the First Closing Date or the Second Closing Date, as applicable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Page 7/9 of Schedule VII to Second Amended and Restated Schedules to Third Amended and Restated Omnibus Agreement
### Contribution Agreement

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<th>Contribution Agreement</th>
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<th>Tesoro Indemnifying Parties</th>
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<th>Third Deadline Date</th>
<th>Omnibus Section 5.1(b) Applies</th>
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</thead>
<tbody>
<tr>
<td>Contribution, Conveyance and Assumption Agreement effective as of November 12, 2015, among the Partnership, the General Partner, the Operating Company, Tesoro SoCal Pipeline Company LLC, Tesoro, TRMC and Carson Cogeneration Company</td>
<td>November 12, 2015</td>
<td>November 12, 2017</td>
<td>November 12, 2020</td>
<td>Tesoro, TRMC, Carson Cogen</td>
<td>Tesoro, TRMC, Carson Cogen</td>
<td>November 12, 2025</td>
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*Page 8/9 of Schedule VII to Second Amended and Restated Schedules to Third Amended and Restated Omnibus Agreement*
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<th>Contribution Agreement</th>
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<th>Tesoro Indemnified Parties</th>
<th>Third Deadline Date</th>
<th>Omnibus Section 5.1(b) Applies</th>
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</thead>
<tbody>
<tr>
<td>Contribution, Conveyance and Assumption Agreement effective as of July 1, 2016,</td>
<td>July 1, 2016</td>
<td>July 1, 2018</td>
<td>July 1, 2021</td>
<td>Tesoro Alaska Company LLC</td>
<td>Not applicable</td>
<td>July 1, 2026</td>
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<tr>
<td>among the Partnership, the General Partner, the Operating Company, Tesoro Alaska</td>
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<tr>
<td>Company LLC, and Tesoro KENAI TANKAGE</td>
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Schedule VIII
Administrative Fee and Indemnification Deductibles

**Monthly Administrative Fee**
$858,333.33

**Annual Environmental Deductible**
$800,000

**Annual ROW Deductible**
$800,000
Schedule IX
Special Indemnification Provisions

For Initial Contribution Agreement listed on Schedule VII:
None.

For Amorco Contribution Agreement listed on Schedule VII:
Addition to Right of Way Indemnification. As of the Closing Date for the Amorco Contribution Agreement, TRMC shall own the leasehold rights in the “Wharf Lease” issued by the California State Lands Commission and the easements, rights of way and permits for the “SHPL,” all as defined in the Amorco Contribution Agreement, and the Partnership Group shall provide operational, maintenance and management services with respect to such Assets pursuant to the MTUTA. Title to Wharf Lease rights and the SHPL are scheduled to be contributed to the Partnership Group at a later date, as set forth in the Amorco Contribution Agreement. The Right of Way Indemnification set forth in Section 3.2 herein applies to the extent that a Loss arises with respect to a Partnership Group Member’s interests under the MTUTA before title to such Assets is contributed to the Partnership Group Member or with respect to a Partnership Group Member’s failure to become the owner of such valid and indefeasible easement rights or fee ownership or leasehold interests in such Assets after they are finally contributed to the Partnership Group as contemplated in the Amorco Contribution Agreement. The Closing Date provided for in this Agreement shall be as set forth above, without regard to when title to these Assets is finally contributed to a Partnership Group Member.

For Long Beach Contribution Agreement listed on Schedule VII:
Addition to Right of Way Indemnification. As of the Closing Date for the Long Beach Contribution Agreement, TRMC shall own the leasehold rights in the “Terminal Lease” issued by the Port of Long Beach and the easements, rights of way and permits for the “Terminal Pipelines,” all as defined in the Long Beach Contribution Agreement, and the Partnership Group shall provide operational, maintenance and management services with respect to such Assets pursuant to the Long Beach Operating Agreement, as defined in the Long Beach Contribution Agreement. Title to Terminal Lease rights and the Terminal Pipelines are scheduled to be contributed to the Partnership Group at a later date, as set forth in the Long Beach Contribution Agreement. The Right of Way Indemnification set forth in Section 3.2 herein applies to the extent that a Loss arises with respect to a Partnership Group Member’s interests under the BAUTA before title to such Assets is contributed to the Partnership Group Member or with respect to a Partnership Group Member’s failure to become the owner of such valid and indefeasible easement rights or fee ownership or leasehold interests in such Assets after they are finally contributed to the Partnership Group as contemplated in the Long Beach Contribution Agreement. The Closing Date provided for in this Agreement shall be as set forth above, without regard to when title to these Assets is finally contributed to a Partnership Group Member.
For Anacortes Rail Facility Contribution Agreement listed on Schedule VII:

Other. Notwithstanding any other provisions of (i) the Third Amended and Restated Omnibus Agreement, (ii) the Anacortes Track Use and Throughput Agreement among the General Partner, the Partnership, the Operating Company and TRMC, (iii) the Anacortes Mutual Track Use Agreement among the General Partner, the Partnership, the Operating Company and TRMC, and (iv) the Ground Lease between TRMC and the Operating Company, all dated as of November 15, 2012, the parties hereto agree that the indemnification provisions of any of those agreements shall control over any of the other agreements to the extent the subject matter of the indemnification is specifically referenced or provided for in that agreement. For the avoidance of doubt, the indemnification provisions of the Third Amended and Restated Omnibus Agreement shall be subordinate to the respective indemnification provisions of each of the other agreements referenced above.

For BP Carson Tranche 1 Contribution Agreement listed on Schedule VII:

Other. Notwithstanding any other provisions of (i) the Third Amended and Restated Omnibus Agreement, (ii) the BP Carson Tranche 1 Contribution Agreement listed on Schedule VII, (iii) the Master Terminalling Services Agreement – Southern California among TRMC, the General Partner, the Partnership and the Operating Company dated as of June 1, 2013, as amended, and (iv) the Carson Storage Services Agreement among TRMC, the General Partner, the Partnership and the Operating Company dated as of June 1, 2013, the parties hereto agree that the indemnification provisions of any of those agreements shall control over any of the other agreements to the extent the subject matter of the indemnification is specifically referenced or provided for in that agreement. In the event of a conflict of provisions of any of the above-referenced agreements and the Carson Assets Indemnity Agreement, the provisions of the Carson Assets Indemnity Agreement shall prevail with respect to issues related to the contribution of the assets described therein, but not with respect to the ordinary operations of such assets as set forth in the above-referenced agreements. Notwithstanding anything to the contrary in the Third Amended and Restated Omnibus Agreement, the indemnification provisions of Sections 3.2 and 3.5 thereof shall not apply to the Assets as defined in the BP Carson Tranche 1 Contribution Agreement listed on Schedule VII.

Page 2/4 of Schedule IX to Second Amended and Restated Schedules to Third Amended and Restated Omnibus Agreement
For BP Carson Tranche 2 Contribution Agreement listed on Schedule VII:

Other. Notwithstanding any other provisions of (i) the Third Amended and Restated Omnibus Agreement, (ii) the BP Carson Tranche 2 Contribution Agreement listed on Schedule VII, (iii) the Amended and Restated Master Terminaling Services Agreement – Southern California among TRMC, the General Partner, the Partnership and the Operating Company dated as of December 6, 2013, (iv) the Long Beach Storage Services Agreement among TRMC, the General Partner, the Partnership and the Operating Company dated as of December 6, 2013, (v) the Berth 121 Operating Agreement between the Operating Company and Carson Cogeneration Company, dated as of December 6, 2013, (vi) the Terminals 2 and 3 Operating Agreement among the Partnership, the General Partner, the Operating Company and TRMC, dated as of December 6, 2013, (vii) the Amended and Restated Long Beach Berth Access Use and Throughput Agreement among the Partnership, the General Partner, the Operating Company and TRMC, dated as of December 6, 2013, (viii) the Terminals 2 and 3 Operating Agreement among the Partnership, the General Partner, the Operating Company and TRMC, dated as of December 6, 2013, (ix) the Amended and Restated Long Beach Berth Access Use and Throughput Agreement among the Partnership, the General Partner, the Operating Company and TRMC, dated as of December 6, 2013, (x) the SoCal Transportation Services Agreement between TRMC and Tesoro SoCal Pipeline Company LLC, dated as of December 6, 2013, (xi) the Long Beach Pipeline Throughput Agreement among the Partnership, the General Partner, the Operating Company and TRMC, dated as of December 6, 2013, (xii) the Carson Coke Handling Services Agreement among the Partnership, the General Partner, the Operating Company and TRMC, dated as of December 6, 2013, (xiii) the Coke Barn Lease Agreement between the Operating Company and TRMC, dated as of December 6, 2013 and (xiv) the Terminals 2 and 3 Ground Lease between the Operating Company and TRMC, dated as of December 6, 2013, the parties hereto agree that the indemnification provisions of any of those agreements shall control over any of the other agreements to the extent the subject matter of the indemnification is specifically referenced or provided for in that agreement. In the event of a conflict of provisions of any of the above-referenced agreements and the Carson Assets Indemnity Agreement, the provisions of the Carson Assets Indemnity Agreement shall prevail with respect to issues related to the contribution of the assets described therein, but not with respect to the ordinary operations of such assets as set forth in the above-referenced agreements.
For West Coast Assets Contribution Agreement listed on Schedule VII:

Other. Notwithstanding any other provisions of (i) the Third Amended and Restated Omnibus Agreement, (ii) the Terminalling Services Agreement – Nikiski, among the General Partner, the Partnership, the Operating Company and Tesoro Alaska, (iii) the Terminalling Services Agreement – Anacortes, among the General Partner, the Partnership, the Operating Company and TRMC, (iv) the Terminalling Services Agreement – Martinez, among the General Partner, the Partnership, the Operating Company and TRMC, and (v) the Storage Services Agreement – Anacortes, the Terminalling Services Agreement – Anacortes, among the General Partner, the Partnership, the Operating Company and TRMC, the parties hereto agree that the indemnification provisions of any of those agreements shall control over any of the other agreements to the extent the subject matter of the indemnification is specifically referenced or provided for in that agreement. In the event of a conflict of provisions of any of the above-referenced agreements and the Third Amended and Restated Omnibus Agreement, the provisions of the Third Amended and Restated Omnibus Agreement shall prevail with respect to issues related to the contribution of the assets described therein, but not with respect to the ordinary operations of such assets as set forth in the above-referenced agreements.

For 2015 Line 88 and Carson Tankage Contribution Agreement listed on Schedule VII:

Other. Notwithstanding any other provisions of (i) the Third Amended and Restated Omnibus Agreement, (ii) the Carson II Storage Agreement, and (iii) Amendment No. 1 to the (SoCal) Transportation Services Agreement dated November 12, 2015, between TRMC and Tesoro SoCal Pipeline Company LLC, the parties hereto agree that the indemnification provisions of any of those agreements shall control over any of the other agreements to the extent the subject matter of the indemnification is specifically referenced or provided for in that agreement. In the event of a conflict of provisions of any of the above-referenced agreements and the Third Amended and Restated Omnibus Agreement, the provisions of the Third Amended and Restated Omnibus Agreement shall prevail with respect to issues related to the contribution of the assets described therein, but not with respect to the ordinary operations of such assets as set forth in the above-referenced agreements.

For 2016 Alaska Assets Contribution Agreement listed on Schedule VII:

Notwithstanding any other provisions of the Third Amended and Restated Omnibus Agreement, the indemnification obligations of the Tesoro Entities under Section 3.1(a) of the Third Amended and Restated Omnibus Agreement with regard to the 2016 Environmental Consent Decree are limited to reimbursement for any capital expenditures that the Partnership Group may be required to make to comply therewith and any fines or other penalties which may be levied for any failure therewith (except to the extent such fines or other penalties are the result of the failure of the Partnership Group to comply therewith with regard to the contributed assets) and such indemnification obligations shall extend to or cover any increased ongoing operating or maintenance expenses incurred by the Partnership Group in connection with their compliance therewith.
KENAI
STORAGE SERVICES AGREEMENT

This Kenai Storage Services Agreement (the “Agreement”) is effective as of the Commencement Date (as defined below), by and between Tesoro Alaska Company LLC, a Delaware limited liability company (“TAC”), Tesoro Logistics Operations LLC, a Delaware limited liability company (“TLO”), and for purposes of Section 25(a) only, Tesoro Logistics GP, LLC, a Delaware limited liability company (the “General Partner”), and Tesoro Logistics LP, a Delaware limited partnership (the “Partnership”).

RECITALS

WHEREAS, on the date hereof, TAC contributed a storage facility as further described in Schedule A, which includes the Tanks and Pipelines (each defined below), located at TAC’s refinery in Kenai, Alaska, related equipment and ancillary facilities used for the operation thereof, and all permits and licenses related to such storage facility, to the extent assignable and to the extent used in connection with the ownership and operation of such assets described above (the “Storage Facility”), to the General Partner, the General Partner contributed the Storage Facility to the Partnership and the Partnership contributed the Storage Facility to TLO pursuant to the Contribution, Conveyance and Assumption Agreement dated on the date hereof (the “Contribution Agreement”);

WHEREAS, as a result of the series of contributions under the Contribution Agreement, TLO is the owner of the Storage Facility;

WHEREAS, TLO desires to provide storage, handling, blending and other services with respect to Products (as defined below) owned by TAC and stored in one or more of the Tanks (as defined below);

WHEREAS, the Tanks at the Storage Facility have an aggregate Shell Capacity (as defined below) of approximately 3,500,000 Barrels (as defined below); and

WHEREAS, TAC and TLO desire to enter into this Agreement to memorialize the terms of their commercial relationship related to the subject matter hereof.

NOW, THEREFORE, in consideration of the covenants and obligations contained herein, the Parties (as defined below) to this Agreement hereby agree as follows:

1. DEFINITIONS

   Capitlized terms used throughout this Agreement shall have the meanings set forth below, unless otherwise specifically defined herein.

   “Agreement” has the meaning set forth in the Preamble.

   “Applicable Law” means any applicable statute, law, regulation, ordinance, rule, determination, judgment, rule of law, order, decree, permit, approval, concession, grant, franchise, license, requirement, or any similar form of decision of, or any provision or condition of any permit, license or other operating authorization issued by any Governmental Authority having or asserting jurisdiction over the matter or matters in question, whether now or hereafter in effect.

“Barrel” means a volume equal to 42 U.S. gallons of 231 cubic inches each, at 60 degrees Fahrenheit under one atmosphere of pressure.

“Business Day” means a day, other than a Saturday or Sunday, on which banks in New York, New York are open for the general transaction of business.

“Capacity Resolution” has the meaning set forth in Section 7(b).

“Commencement Date” has the meaning set forth in Section 3.

“Commitment” has the meaning set forth in Section 2(a).

“Confidential Information” means all confidential, proprietary or non-public information of a Party, whether set forth in writing, orally or in any other manner, including all non-public information and material of such Party (and of companies with which such Party has entered into confidentiality agreements) that another Party obtains knowledge of or access to, including non-public information regarding products, processes, business strategies and plans, customer lists, research and development programs, computer programs, hardware configuration information, technical drawings, algorithms, know-how, formulas, processes, ideas, inventions (whether patentable or not), trade secrets, schematics and other technical, business, marketing and product development plans, revenues, expenses, earnings projections, forecasts, strategies, and other non-public business, technological, and financial information.

“Contribution Agreement” has the meaning set forth in the Recitals.

“Control” means the possession, directly or indirectly through one or more intermediaries, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract, or otherwise.

“Extension Period” has the meaning set forth in Section 4.

“First Offer Period” has the meaning set forth in Section 22(b).

“Force Majeure” means events or circumstances, whether foreseeable or not, which are not reasonably within the control of TLO and which, by the exercise of due diligence, TLO is unable to prevent or overcome, that prevent performance of TLO’s obligations or limits TAC’s ability to make effective use of the Operating Capacity of the Storage Facility, including: acts of God, strikes, lockouts or other industrial disturbances, wars, riots, fires, floods, storms, orders of Governmental Authorities, explosions, terrorist acts, breakage, accident to machinery, equipment, storage tanks or lines of pipe, and inability to obtain or unavoidable delays in obtaining material or equipment and similar events, excluding circumstances due to market conditions.

“Force Majeure Notice” has the meaning set forth in Section 23(a).

“Force Majeure Period” has the meaning set forth in Section 23(a).

“General Partner” has the meaning set forth in the Preamble.

“Governmental Authority” means any federal, state, local or foreign government or any provincial, departmental or other political subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory, administrative or other governmental functions or any court, department, commission, board, bureau, agency, instrumentality or administrative body of any of the foregoing.
“Month” means a calendar month.

“Omnibus Agreement” means that certain Third Amended and Restated Omnibus Agreement, dated as of July 1, 2014, by and among Tesoro, Tesoro Companies, Inc., TAC, the General Partner and the Partnership, as amended by Amendment No. 1 dated as of February 20, 2015 by and among Tesoro, Tesoro Refining & Marketing Company LLC, a Delaware limited liability company, Tesoro Companies, Inc., TAC, the General Partner and the Partnership, and Amendment No. 2 dated as of August 3, 2015 by and among Tesoro, Tesoro Companies, Inc., TAC, the General Partner and the Partnership, as such agreement (and the schedules thereto) may be further amended, supplemented or restated from time to time.

“Operating Capacity” means the effective storage capacity of a Tank, taking into account accepted engineering principles, industry standards, American Petroleum Institute guidelines and Applicable Laws, only as to Products that such Tank is capable of storing, within the requirements of applicable permit requirements and under actual conditions as they may exist at any time. The Operating Capacity of each Tank shall be listed on the applicable Terminal Service Order as of the date of such Terminal Service Order.

“Operating Procedures” has the meaning set forth in Section 15(a).

“Partnership” has the meaning set forth in the Preamble.

“Partnership Change of Control” means Tesoro ceases to Control the General Partner.

“Partnership Group” has the meaning set forth in Section 20(b).

“Party” or “Parties” means that each of TAC and TLO is a “Party” and collectively are the “Parties” to this Agreement.

“Person” means any individual, partnership, limited partnership, joint venture, corporation, limited liability company, limited liability partnership, trust, unincorporated organization or Governmental Authority or any department or agency thereof.

“Pipeline” or “Pipelines” means those pipelines within the Storage Facility that connect the Tanks to one another and to the receiving and delivery flanges of the Storage Facility.

“Product” or “Products” means crude oil, refinery feedstocks, refined products, and other materials stored in the Tanks in the ordinary course of business.

“Receiving Party Personnel” has the meaning set forth in Section 29(d).

“Refinery” means TAC’s refining facility located in Kenai, Alaska.

“Replacement Customer” has the meaning set forth in Section 25(c).

“Restoration” has the meaning set forth in Section 7(a).

“Right of First Refusal” has the meaning set forth in Section 22(b).

“Shell Capacity” means the gross storage capacity of a Tank for each respective Product, based upon its dimensions, as set forth for each Tank on Schedule B attached hereto and in applicable Terminal Service Orders.
“Storage Facility” has the meaning set forth in the Recitals.

“Storage Services Fee” has the meaning set forth in Section 5(a).

“Surcharge” has the meaning set forth in Section 8(b)(i).

“TAC” has the meaning set forth in the Preamble.

“TAC Group” has the meaning set forth in Section 20(a).

“TAC Termination Notice” has the meaning set forth in Section 23(b).

“Tank Heels” consist of the minimum quantity of Product which either (a) must remain in a Tank during all periods when the Tank is available for service to keep the Tank in regulatory compliance or (b) is necessary for physical operation of the Tank.

“Tanks” mean the tanks owned by TLO and listed on Schedule B attached hereto, each of which is used for the storage of Products and located at the Storage Facility.

“Term” and “Initial Term” each have the meaning set forth in Section 4.

“Terminal Service Order” has the meaning set forth in Section 6(a).

“Termination Notice” has the meaning set forth in Section 23(a).

“Tesoro” has the meaning set forth in the Recitals.

“TLO” has the meaning set forth in the Preamble.

2. STORAGE COMMITMENT

(a) Commitment. During the Term of this Agreement and subject to the terms and conditions of this Agreement and the effective Operating Capacity of each Tank and the Storage Facility as a whole, TLO shall, as applicable, store all Products tendered by TAC at the Storage Facility (the “Commitment”).

(b) Dedicated Storage. The Tanks shall be dedicated and used exclusively for the storage of TAC’s Products or Products of Replacement Customers. TAC shall be responsible for maintaining all Tank Heels required for operation of the Tanks. Tank Heels cannot be withdrawn from any Tank without prior approval of TLO. TAC shall pay the fees specified in the applicable Terminal Service Order for the dedication of the Tanks.

3. COMMENCEMENT DATE

The “Commencement Date” will be July 1, 2016.
4. TERM

The initial term of this Agreement shall commence on the Commencement Date and shall continue through July 1, 2026 (the “Initial Term”); provided, however, that TAC may, at its option, extend the Initial Term for up to two (2) renewal terms of five (5) years each (each, an “Extension Period”) by providing written notice of its intent to TLO no less than twenty-four (24) calendar months prior to the end of the Initial Term or the then-current Extension Period. The Initial Term, together with each Extension Period, shall be referred to herein as the “Term.” Without limitation on the provisions of Section 22, upon expiration of the Term the parties shall meet and use good faith efforts to reach agreement (without any obligation on the part of either party to reach such agreement) regarding a new agreement for storage services at the Storage Facility.

5. STORAGE SERVICES FEE

(a) Storage Services Fee. TAC shall pay a Monthly fee (the “Storage Services Fee”) to reserve, on a firm basis, all of the existing aggregate Shell Capacity of all of the Tanks in the Storage Facility. Such fee shall include all storage, pumping, blending and trans-shipment between and among the Tanks. Such fee shall be payable by TAC on a Monthly basis throughout the Term of the Agreement, regardless of the actual volumes of Products stored by TLO on behalf of TAC. The Parties shall from time to time negotiate an appropriate adjustment to such fee if the following conditions are met: (i) TAC requires the full Operating Capacity of the Tanks, (ii) the full Operating Capacity of the Tanks is not available to TAC for any reason (other than any reason resulting from or relating to actions or inactions by TAC), and (iii) TLO is unable to otherwise accommodate the actual volumes of Products required to be stored by TAC pursuant to the terms of this Agreement. Unless otherwise agreed, such adjustment shall be made in proportion to the reduction in Operating Capacity for any time period compared with the Operating Capacity then in effect for the affected Tank or Tanks pursuant to the mutually agreed Terminal Service Orders. (For example, if the Storage Services Fee applicable to the Shell Capacity of the affected Tank is $0.80 per Barrel per Month x 345,000 Barrels = $276,000, and if the Operating Capacity in the then-applicable Terminal Service Order is 301,000 Barrels, and if the Operating Capacity falls 10% to 270,900, then TAC’s Storage Services Fee for the affected Tank during the period in which the full Operating Capacity of such Tank is not available to TAC for any reason (other than any reason resulting from or relating to actions or inactions by TAC) would be reduced by 10% to $248,400.) Prior to the calculation of a reduced Storage Services Fee in the manner set forth above, there shall have been at least a consecutive twenty-four (24) hour interruption in service. The Parties recognize that the existing Operating Capacity of certain Tanks may be less than the Shell Capacity of such Tanks, but the Parties acknowledge and agree that the Storage Services Fee shall be set in terms of a dollar-per-Barrel per Month rate based on Shell Capacity in the applicable Terminal Service Order.

(b) Rate and Fee. The Storage Services Fee shall be calculated using the per Barrel rate set forth on the Terminal Service Orders executed effective as of the Commencement Date for the then-existing aggregate Shell Capacity of all of the Tanks in the Storage Facility. The Storage Services Fee owed during the Month in which the Commencement Date occurs, if less than a full Month, shall be prorated in accordance with the ratio of (i) the number of days in such Month during which this Agreement is effective to (ii) the total number of days in such Month.
TERMINAL SERVICE ORDERS

(a) **Description**. TLO and TAC shall enter into the Terminal Service Orders referred to in Section 5(b) and may enter into additional terminal service orders substantially in the form attached hereto as Exhibit 1 (each, a “Terminal Service Order”). Upon a request by TAC pursuant to this Agreement or as deemed necessary or appropriate by TLO in connection with the services to be delivered pursuant hereto, TLO shall generate a Terminal Service Order to set forth the specific terms and conditions for providing the applicable services described therein and the applicable fees to be charged for such services. No Terminal Service Order shall be effective until fully executed by both TLO and TAC.

(b) **Included Items**. Items available for inclusion on a Terminal Service Order include, but are not limited to, the following:

   (i) the Operating Capacity and Shell Capacity of each Tank;
   (ii) the Storage Services Fee pursuant to Section 5;
   (iii) any reimbursement pursuant to Section 8(a);
   (iv) any Surcharge pursuant to Section 8(b);
   (v) any modification, cleaning, or conversion of a Tank as requested by TAC pursuant to Section 9(a);
   (vi) any agreements with respect to the Storage Service Fee during periods of repair or maintenance pursuant to Section 9(b);
   (vii) any reimbursement related to newly imposed taxes and regulations pursuant to Section 10; and
   (viii) any other services that may be agreed upon by the Parties pursuant to Section 16.

(c) **Fee Increases**. Any fees of a fixed amount set forth in this Agreement and any Terminal Service Order shall be increased on July 1 of each year of the Term, commencing on July 1, 2017 by a percentage equal to the greater of zero or the positive change, if any, in the CPI-U (All Urban Consumers) for the prior calendar year, as reported by the Bureau of Labor Statistics, and rounded to the nearest one-tenth (1/10) of one percent (1%).

(d) **Conflicts**. In case of any conflict between the terms of this Agreement and the terms of any Terminal Service Order, the terms of the applicable Terminal Service Order shall govern.

CAPABILITIES OF FACILITIES

(a) **Maintenance and Repair**. Subject to Force Majeure and interruptions for routine repair and maintenance, consistent with customary terminal industry standards, TLO shall maintain each Tank and the Pipelines in a condition and with a capacity sufficient to store and handle a volume of TAC’s Products at least equal to the current Operating Capacity for the Storage Facility as a whole. TLO’s obligations may be temporarily suspended during the occurrence of, and for the entire duration of, a Force Majeure or other interruption of service, to the extent such Force Majeure or other interruption of service impairs TLO’s ability to perform such obligations. If for any reason, including, without limitation,
Force Majeure event, the condition of any Tanks and/or associated Pipelines are below the level necessary for TLO to store and handle a volume of TAC’s Products at least equal to the current Operating Capacity, then within a reasonable period of time thereafter, TLO shall make repairs to restore the capacity of such Tank and/or associated Pipeline(s) to ensure service at the current Operating Capacity (“Restoration”). Except as provided below in Section 7(b), all of such Restoration shall be at TLO’s cost and expense unless the damage creating the need for such repairs was caused by the negligence or willful misconduct of TAC, its employees, agents or customers. Notwithstanding the foregoing, TLO shall schedule maintenance to minimize the opportunity cost and disruption to TAC’s business and shall minimize the number of Tanks taken out of service during any such scheduled maintenance. Prior to January 1 of each year of the Term of this Agreement, the Parties shall mutually agree upon the maintenance plan and schedule for the Tanks for the following calendar year (e.g., prior to January 1, 2018, the Parties shall mutually agree on such plan and schedule for 2019).

(b) Capacity Resolution. In the event of the failure of TLO to maintain any Pipeline or Tank in a condition and with a capacity sufficient to store and handle a volume of TAC’s Products equal to its current Operating Capacity, then either Party shall have the right to call a meeting between executives of both Parties by providing at least two (2) Business Days’ advance written notice. Any such meeting shall be held at a mutually agreeable location and will be attended by executives of both Parties each having sufficient authority to commit his or her respective Party to a Capacity Resolution (as defined below). At the meeting, the Parties will negotiate in good faith with the objective of reaching a joint resolution for the Restoration of capacity of the Tank and/or its associated Pipeline(s) which will, among other things, specify steps to be taken by TLO to fully accomplish Restoration and the deadlines by which the Restoration must be completed (the “Capacity Resolution”). Without limiting the generality of the foregoing, the Capacity Resolution shall set forth an agreed upon time schedule for the Restoration activities. Such time schedule shall be reasonable under the circumstances, consistent with customary terminal industry standards and shall take into consideration TLO’s economic considerations relating to costs of the repairs and TAC’s requirements concerning its refining and marketing operations. TLO shall use commercially reasonable efforts to continue to provide storage of TAC’s Products at the Storage Facility, to the extent the Storage Facility has the capability of doing so, during the period before Restoration is completed. In the event that TAC’s economic considerations justify incurring additional costs to restore the Tank and/or associated Pipeline(s) in a more expedited manner than the time schedule determined in accordance with the preceding sentences, TAC may require TLO to expedite the Restoration to the extent reasonably possible, subject to TAC’s payment upon the occurrence of mutually agreed upon milestones in the Restoration process. In the event that the Operating Capacity of a Tank is reduced, and the Parties agree that the Restoration of such Tank to its full Operating Capacity is not justified under the standards set forth in the preceding sentences, then the Parties shall negotiate an appropriate adjustment to the Storage Services Fee to account for the reduced Operating Capacity available for TAC’s use. In the event the Parties agree to an expedited Restoration plan in which TAC agrees to pay the Restoration costs based on milestone payments or if the Parties agree to a reduced Storage Services Fee, then neither Party shall have the right to terminate this Agreement or any applicable Terminal Service Order pursuant to Section 23 below, so long as any such Restoration is completed with due diligence.

(c) TAC’s Right To Cure. If at any time after the occurrence of (x) a Partnership Change of Control or (y) a sale of the Refinery, TLO either (i) refuses or fails to meet with TAC within the period set forth in Section 7(b), (ii) fails to agree to perform a Capacity Resolution in accordance with the standards set forth in Section 7(b), or (iii) fails to perform its obligations in compliance with the terms of a Capacity Resolution, TAC may, as its sole remedy for any breach by TLO of any of its obligations under Section 7(b), require TLO to complete a Restoration of the affected Pipeline or Tank, and the Storage Services Fee shall be reduced, as described in Section 7(b) above, to account for the reduced Operating Capacity available for TAC’s use until such Restoration is completed. Any such Restoration
required under this Section 7(c) shall be completed by TLO at TAC’s cost. TLO shall use commercially reasonable efforts to continue to provide storage and throughput of TAC’s Products at the affected Tank or Pipeline while such Restoration is being completed. Any work performed by TLO pursuant to this Section 7(c) shall be performed and completed in a good and workmanlike manner consistent with applicable pipeline industry standards and in accordance with Applicable Law. Additionally, during such period after the occurrence of (x) a Partnership Change of Control or (y) a sale of the Refinery, TAC may exercise any remedies available to it under this Agreement or any Terminal Service Order (other than termination), including the right to immediately seek temporary and permanent injunctive relief for specific performance by TLO of the applicable provisions of this Agreement or any Terminal Service Order, including, without limitation, the obligation to make Restorations as described herein.

8. **REIMBURSEMENT; SURCHARGES**

(a) **Reimbursement.** TAC shall reimburse TLO for all of the following: (i) the actual cost of any expenditures that TLO agrees to make upon TAC’s request, and (ii) any cleaning, degassing or other preparation of the Tanks at the expiration of this Agreement.

(b) **Surcharges.**

(i) If, during the Term, any existing laws or regulations are changed or any new laws or regulations are enacted that require TLO to make substantial and unanticipated expenditures (whether capitalized or otherwise) with respect to the Storage Facility or with respect to the services provided hereunder, TLO may, subject to the terms of this Section 8(b) impose a surcharge to increase the applicable service fee (a “Surcharge”) to cover TAC’s pro rata share of the cost of complying with these laws or regulations, based upon the percentage of TAC’s use of the services or facilities impacted by such new laws or regulations.

(ii) TLO shall notify TAC of any proposed Surcharge to be imposed pursuant to Section 8(b)(i) sufficient to cover the cost of any required capital projects and any ongoing increased operating costs. TLO and TAC then shall negotiate in good faith for up to thirty (30) days to mutually determine the effect of the change in law or regulation or new law or regulation, the cost thereof, and how such cost shall be amortized at an interest rate of no more than ten percent (10%) as a Surcharge, with the understanding that TLO and TAC shall use their reasonable commercial efforts to mitigate the impact of, and comply with, these laws and regulations. Without limiting the foregoing, if expenditures requiring a Surcharge may be avoided or reduced through changes in operations, then the Parties shall negotiate in good faith to set forth the appropriate changes to Operating Capacities or other performance standards set forth in a Terminal Service Order to evidence the reduction of the amount of a Surcharge while leaving the Parties in the same relative economic position they held before the laws or regulations were changed or enacted.

(iii) In the event any Surcharge results in less than a fifteen percent (15%) increase in the applicable service fee, TAC will be assessed such Surcharge on all future invoices during the period in which such Surcharge is in effect for the applicable amortization period, and TLO shall not terminate the affected service from this Agreement.
(iv) In the event any Surcharge results in a fifteen percent (15%) or more increase in the applicable service fee, TLO shall notify TAC of the amount of the Monthly Surcharge required to reimburse TLO for its costs, plus carrying costs, together with reasonable supporting detail for the nature and amount of any such Surcharge.

(A) If within thirty (30) days of such notification provided in Section 8(b)(iv), TAC does not agree to pay such Surcharge or to reimburse TLO up front for its costs, TLO may elect to either:

1. require TAC to pay such Surcharge, up to a fifteen percent (15%) increase in the applicable service fee; or
2. terminate the Tank(s) or other facilities from this Agreement upon notice to TAC.

(B) TLO’s performance obligations under this Agreement shall be suspended or reduced during the above thirty (30)-day period to the extent that TLO would be obligated to make such expenditures to continue performance during such period.

(v) Following a resolution with respect to the amount and manner of payment of a Surcharge pursuant to this Section 8, the Parties shall execute an appropriate Terminal Service Order memorializing the terms of such resolution.

(vi) In lieu of paying the Surcharge in connection with any required capital project, TAC may, at its option, elect to pay the full cost of the substantial and unanticipated expenditures upon completion of a project.

9. TANK MODIFICATION, REPAIR AND CLEANING; REMOVAL OF PRODUCT

(a) **Tank Modifications.** Each of the Tanks shall be used for its historical service, provided however, that TAC may request that a Tank be changed for storage of a different grade or type of Product. In such an instance, TLO shall change such service, if the same can be accomplished in accordance with reasonable commercial standards, accepted industry and engineering guidelines, permit requirements and Applicable Law. If any such modifications, improvements, vapor recovery, cleaning, degassing, or other preparation of the tanks is performed by TLO at the request of TAC, TAC shall bear all direct costs attributable thereto, including, without limitation, the cost of removal, processing, transportation, and disposal of all waste and the cost of any taxes or mutually agreed charges TLO may be required to pay in regard to such waste (subject to subparagraph (c) below), which costs shall be set forth on the applicable Terminal Service Order. TLO may require TAC to pay all such amounts prior to commencement of any remodeling work on the Tanks, or by mutual agreement, the Parties may agree upon an increase in the Storage Services Fee to reimburse TLO for its costs of such modifications, plus a reasonable return on capital. All of such costs associated with Tank modifications shall be documented by a Terminal Service Order to be executed by the Parties.

(b) **Responsibility for Fees.** Should TLO take any of the Tanks out of service for regulatory requirements, repair, or maintenance, TAC shall be solely responsible for any alternative storage or Product movements as required and all third-party fees associated with such movements that are not within the Storage Facility; provided that TLO shall not be reimbursed for any costs of transportation through TLO’s facilities that it might be entitled to collect under any tariff or agreement with TAC. Unless a Tank is removed specifically at TAC’s request, or as otherwise agreed pursuant to a Terminal Service Order, TAC shall not be responsible to TLO for any Storage Services Fees for any Tanks taken out of service during the period that such Tank is out of service.
Removal of Product. Materials stored in or removed from the Storage Facility shall at all times remain owned by TAC or any applicable Replacement Customer, and the owner of the Product shall always remain responsible for, at the owner’s sole cost, receiving custody of all of its materials to be removed from the Storage Facility, making appropriate arrangements to receive custody at the Storage Facility in a manner acceptable to TLO, and disposal of such material after custody is returned to the owner. TAC shall be responsible for any fees and costs associated with the disposal of hazardous waste (unless caused by TLO’s negligence). TLO shall have no obligations regarding disposition of such materials, other than to return custody to the owner at the Storage Facility.

10. NEWLY IMPOSED TAXES AND REGULATIONS

TAC shall promptly reimburse TLO for any newly imposed taxes, levies, royalties, assessments, licenses, fees, charges, surcharges and sums due of any nature whatsoever (other than income taxes, gross receipt taxes and similar taxes) by any federal, state or local government or agency that TLO incurs on TAC’s behalf for the services provided by TLO under this Agreement or any applicable Terminal Service Order. If TLO is required to pay any of the foregoing, TAC shall promptly reimburse TLO in accordance with the payment terms set forth in this Agreement. Any such newly imposed taxes shall be specified in an applicable Terminal Service Order.

11. PAYMENTS

TLO shall invoice TAC on a Monthly basis, and TAC shall pay all amounts due under this Agreement and any Terminal Service Order no later than ten (10) days after TAC’s receipt of TLO’s invoice. Any past due payments owed by TAC shall accrue interest, payable on demand, at the lesser of (i) the rate of interest announced publicly by JPMorgan Chase Bank, in New York, New York, as JPMorgan Chase Bank’s prime rate (which Parties acknowledge and agree is announced by such bank and used by the Parties for reference purposes only and may not represent the lowest or best rate available to any of the customers of such bank or the Parties), plus four percent (4%), and (ii) the highest rate of interest (if any) permitted by Applicable Law, from the due date of the payment through the actual date of payment.

12. SCHEDULING

All scheduling of delivery into and redelivery out of the Tanks shall be decided by mutual agreement of the Parties. TAC shall identify to TLO prior to the delivery of any Product to the Storage Facility, the specific Tanks to be used for receiving and storing such Product.

13. SERVICES; VOLUME LOSSES; MEASUREMENT

(a) Services. The services provided by TLO pursuant to this Agreement or any applicable Terminal Service Order shall consist of storage, pumping, blending and trans-shipment of the Products at the Tanks.

(b) Measurement and Volume Loss Control Practices.

(i) TLO shall have no obligation to measure volume gains and losses.
(ii) TLO shall be responsible to TAC only for Product losses and/or shortages resulting from the negligent or wrongful acts and omissions of TLO; provided that TLO shall not be responsible to TAC for any Product losses and/or shortages for which TAC is compensated by its cargo/inventory insurance carrier, including through the cargo/inventory insurance coverage required by Section 27. If TAC fails to maintain the cargo/inventory insurance coverage required by Section 27, then TLO shall also not be responsible to TAC for any Product losses and/or shortages to the extent TAC would have been compensated by its insurance carrier had TAC maintained the cargo/inventory insurance coverage required by Section 27.

(iii) TAC shall be responsible for all Product losses and/or shortages it may suffer other than those covered by Section 13(b)(ii).

c) Storage Tank Measurement. Storage Tank gauging shall be performed by TLO’s personnel. TAC may perform joint gauging at its sole expense with TLO’s personnel at the time of delivery or receipt of Product, to verify the amount involved. If TAC requests an independent gauger, such gauger must be acceptable to TLO and such gauging shall be at TAC’s sole expense.

14. CUSTODY TRANSFER AND TITLE

TLO shall be deemed to have custody of the Product after it enters TLO’s fixed receiving flange and until the Product leaves the fixed delivery flange on the receiving manifold at the Storage Facility. TAC shall be deemed to receive custody of the Product when it enters the delivery flange into the applicable pipeline which delivers Product into the Refinery. Upon re-delivery of any Product to TAC’s account, TAC shall become solely responsible for any loss, damage or injury to Person or property or the environment, arising out of transportation, possession or use of such Product after transfer of custody. Title to all TAC’s Products received in the Storage Facility shall remain with TAC at all times. Both Parties acknowledge that this Agreement and any Terminal Service Order represent a bailment of Products by TAC to TLO and not a consignment of Products, it being understood that TLO has no authority hereunder to sell or seek purchasers for the Products of TAC. TAC hereby warrants that it shall have good title to and the right to deliver, store and receive Products pursuant to the terms of this Agreement or any applicable Terminal Service Order. TAC acknowledges that, notwithstanding anything to the contrary contained in this Agreement or in any Terminal Service Order, TAC acquires no right, title or interest in or to the Storage Facility, except the right to receive, deliver and store the Products in the Tanks. TLO shall retain control of the Storage Facility.

15. OPERATING PROCEDURES; SERVICE INTERRUPTIONS

(a) Operating Procedures for TAC. TAC hereby agrees to strictly abide by any and all procedures (the “Operating Procedures”) relating to the operation and use of the Storage Facility (including the Tanks) and the Pipelines that generally apply to receipt, delivery, storage and movement of Products at the Storage Facility. TLO shall provide TAC with a current copy of its Operating Procedures and shall provide TAC with thirty (30) days’ prior written notice of any changes to the Operating Procedures, unless a shorter implementation of such revised Operating Procedures is required by Applicable Law.

(b) Operating Procedures for TLO. TLO shall carry out the handling of the Products at the Storage Facility, the Tanks and the Pipelines in accordance with the Operating Procedures.

(c) Service Interruptions. TLO shall use reasonable commercial efforts to minimize the interruption of service at each Tank and/or any of the associated Pipeline(s). TLO shall promptly inform TAC’s operational personnel of any anticipated partial or complete interruption of service at any Tank and/or associated Pipelines, including relevant information about the nature, extent, cause and expected duration of the interruption and the actions TLO is taking to resume full operations, provided that TLO shall not have any liability for any failure to notify, or delay in notifying, TAC of any such matters except to the extent TAC has been materially prejudiced or damaged by such failure or delay.
(d) Additional Storage Facilities for Maintenance of the Tanks and Pipelines: In connection with TLO’s maintenance and operation of each Tank and/or any of the associated Pipeline(s), TAC shall grant TLO reasonable commercial use of additional designated sites at the Refinery as may be required for (i) storage of spare parts, pipes, pumps and other equipment; (ii) a laydown yard for construction activities in the event of any major repair or replacement of Tanks; or (iii) any additional commercially reasonable storage requirement. Notwithstanding the foregoing, TAC shall retain the right to designate where and when any sites can be used by TLO for such additional storage facilities and TLO’s use of such sites shall not interfere with TAC’s normal operation of the Refinery.

16. OTHER SERVICES AND USE OF FACILITIES

To facilitate the operation of the Storage Facility, the Parties shall enter into Terminal Service Orders that set forth the applicable terms and fees associated with TLO’s (a) provision of ancillary services related to storage, handling, blending or other services; and (b) use of sites, facilities and utilities at the Refinery related to operation, maintenance and repair of the Storage Facility.

17. LIENS

TLO hereby waives, relinquishes and releases any and all liens, including without limitation, any and all warehouseman’s liens, custodian’s liens, rights of retention and/or similar rights under all applicable laws, which TLO would or might otherwise have under or with respect to all Products stored or handled hereunder. TLO further agrees to furnish documents reasonably acceptable to TAC and its lender(s) (if applicable), and to cooperate with TAC in assuring and demonstrating that Product titled in TAC’s name shall not be subject to any lien on the Storage Facility or TLO’s Product stored there.

18. COMPLIANCE WITH LAW AND GOVERNMENT REGULATIONS

(a) Compliance With Law. None of the Products covered by this Agreement or any Terminal Service Order shall be derived from any Product which was produced or withdrawn from storage in violation of any federal, state or other governmental law, nor in violation of any rule, regulation or promulgated by any governmental agency having jurisdiction.

(b) Licenses and Permits. TLO shall maintain all necessary licenses and permits for the storage of Products at the Storage Facility, unless otherwise agreed to by the Parties.

(c) Applicable Law. The Parties are entering into this Agreement and any Terminal Service Order in reliance upon and shall fully comply with all Applicable Law which directly or indirectly affects the Products hereunder, or any receipt, throughput delivery, transportation, handling or storage of Products hereunder or the ownership, operation or condition of the Storage Facility. Each Party shall be responsible for compliance with all Applicable Laws associated with such Party’s respective performance hereunder and the operation of such Party’s facilities. In the event any action or obligation imposed upon a Party under this Agreement and any Terminal Service Order shall at any time be in conflict with any requirement of Applicable Law, then this Agreement and any Terminal Service Order, shall immediately be modified to conform the action or obligation so adversely affected to the requirements of the Applicable Law, and all other provisions of this Agreement and any Terminal Service Order shall remain effective.
New Or Changed Applicable Law. If during the Term, any new Applicable Law becomes effective or any existing Applicable Law or its interpretation is materially changed, which change is not addressed by another provision of this Agreement or any Terminal Service Order and which has a material adverse economic impact upon a Party, then either Party, acting in good faith, shall have the option to request renegotiation of the relevant provisions of this Agreement or any Terminal Service Order with respect to future performance. The Parties shall then meet and negotiate in good faith amendments to this Agreement or to an applicable Terminal Service Order that will conform to the new Applicable Law while preserving the Parties’ economic, operational, commercial and competitive arrangements in accordance with the understandings set forth herein.

19. LIMITATION ON LIABILITY; WARRANTIES

(a) No Special Damages. IN NO EVENT SHALL A PARTY BE LIABLE TO THE OTHER PARTY FOR ANY LOST PROFITS OR INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, NO MATTER HOW CHARACTERIZED, RELATING TO THIS AGREEMENT AND ARISING FROM ANY CAUSE WHATSOEVER, EXCEPT WITH RESPECT TO INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES ACTUALLY AWARDED TO A THIRD PARTY OR ASSESSED BY A GOVERNMENTAL AUTHORITY AND FOR WHICH A PARTY IS PROPERLY ENTITLED TO INDEMNIFICATION FROM THE OTHER PARTY PURSUANT TO THE EXPRESS PROVISIONS OF THIS AGREEMENT.

(b) Claims and Liability for Lost Product. TLO shall not be liable to TAC for lost or damaged Product unless TAC notifies TLO in writing within ninety (90) days of the report of any incident or the date TAC learns of any such loss or damage to the Product. TLO’s maximum liability to TAC for any lost or damaged Product shall be limited to (i) the lesser of (1) the replacement value of the Product at the time of the incident based upon the price as posted by Platts or similar publication for similar Product in the same locality, and if no other similar Product is in the locality, then in the state, or (2) the actual cost paid for the Product by TAC (copies of TAC’s invoices of cost paid must be provided), less (ii) the salvage value, if any, of the damaged Product.

(c) No Guarantees or Warranties. Except as expressly provided in the Agreement, neither TAC nor TLO makes any guarantees or warranties of any kind, expressed or implied. TLO specifically disclaims all implied warranties of any kind or nature, including any implied warranty of merchantability and/or any implied warranty of fitness for a particular purpose.

20. INDEMNIFICATION

(a) TLO Indemnities. Notwithstanding anything else contained in this Agreement or any Terminal Service Order, TLO shall release, defend, protect, indemnify and hold harmless TAC, its carriers, and each of its and their respective affiliates, officers, directors, employees, agents, contractors, successors and assigns (excluding any member of the Partnership Group) (collectively the “TAC Group”), from and against any and all demands, claims (including third-party claims), losses, costs, suits, or causes of action (including, but not limited to, any judgments, losses, liabilities, fines, penalties, expenses, interest, reasonable legal fees, costs of suit and damages, whether in law or equity and whether in contract, tort or otherwise) for or relating to (i) personal or bodily injury to, or death of the employees of TAC, TLO or the General Partner, and, as applicable, their carriers, customers, representatives, and agents, (ii) loss of or damage to any property, products, material and/or equipment belonging to TAC, TLO and, as applicable, their carriers, customers, representatives, and agents and each of their respective affiliates, contractors, and subcontractors (except for those volume losses of Products provided for herein), (iii) loss of or damage to any other property, products, material and/or equipment of any other
description (except for those volume losses of Products provided for herein), and/or personal or bodily injury to, or death of any other Person or Persons; and with respect to clauses (i) through (iii) above, which is caused by or resulting in whole or in part from the negligent or wrongful acts or omissions of TLO or the General Partner in connection with the ownership or operation of the Pipelines or the Storage Facility and the services provided hereunder, and, as applicable, their carriers, customers (other than TAC), representatives, and agents, or those of their respective employees with respect to such matters, and (iv) any losses incurred by TAC due to violations of this Agreement or any Terminal Service Order by TLO, or, as applicable, its customers (other than TAC), representatives, and agents; PROVIDED THAT TLO SHALL NOT BE OBLIGATED TO RELEASE, INDEMNIFY OR HOLD HARMLESS TAC OR ANY MEMBER OF THE TAC GROUP FROM AND AGAINST ANY CLAIMS TO THE EXTENT THEY RESULT FROM THE BREACH OF CONTRACT, STRICT LIABILITY OR THE NEGLIGENCE ACTS, ERRORS, OMISSIONS OR WILLFUL MISCONDUCT OF TAC OR ANY MEMBER OF THE TAC GROUP.

(b) TAC Indemnities. Notwithstanding anything else contained in this Agreement or any Terminal Service Order, TAC shall release, defend, protect, indemnify and hold harmless TLO, General Partner, the Partnership, their subsidiaries and their respective officers, directors, members, managers, employees, agents, contractors, successors and assigns (collectively the “Partnership Group”) from and against any and all demands, claims (including third-party claims), losses, costs, suits, or causes of action (including, but not limited to, any judgments, losses, liabilities, fines, penalties, expenses, interest, reasonable legal fees, costs of suit and damages, whether in law or equity and whether in contract, tort or otherwise) for or relating to (i) personal or bodily injury to, or death of the employees of TLO, the General Partner, TAC, and, as applicable, their carriers, customers, representatives, and agents; (ii) loss of or damage to any property, products, material, and/or equipment belonging to TLO, TAC, and, as applicable, their carriers, customers, representatives, and agents; (iii) loss of or damage to any other property, products, material, and/or equipment of any other description (except for those volume losses of Products provided for herein); (iv) any losses incurred by TLO due to violations of this Agreement or any Terminal Service Order by TAC, or, as applicable, its carriers, customers, representatives, and agents; PROVIDED THAT TAC SHALL NOT BE OBLIGATED TO RELEASE, INDEMNIFY OR HOLD HARMLESS TLO OR ANY MEMBER OF THE PARTNERSHIP GROUP FROM AND AGAINST ANY CLAIMS TO THE EXTENT THEY RESULT FROM THE BREACH OF CONTRACT, STRICT LIABILITY OR THE NEGLIGENCE ACTS, ERRORS, OMISSIONS OR WILLFUL MISCONDUCT OF TLO OR ANY MEMBER OF THE PARTNERSHIP GROUP.

(c) Written Claim. Neither Party shall be obligated to indemnify the other Party or be liable to the other Party unless a written claim for indemnity is delivered to the other Party within ninety (90) days after the date that a claim is reported or discovered, whichever is earlier.

(d) No Limitation. Except as expressly provided otherwise in this Agreement, the scope of these indemnity provisions may not be altered, restricted, limited or changed by any other provision of this Agreement. The indemnity obligations of the Parties as set out in this Section 20 are independent of any insurance requirements as set out in Section 27, and such indemnity obligations shall not be lessened or extinguished by reason of a Party’s failure to obtain the required insurance coverages or by any defenses asserted by a Party’s insurers.
(e) **Survival.** These indemnity obligations shall survive the termination of this Agreement until all applicable statutes of limitation have run regarding any claims that could be made with respect to the activities contemplated by this Agreement.

(f) **Mutual and Express Acknowledgement.** THE INDEMNIFICATION PROVISIONS PROVIDED FOR IN THIS AGREEMENT HAVE BEEN EXPRESSLY NEGOTIATED IN EVERY DETAIL, ARE INTENDED TO BE GIVEN FULL AND LITERAL EFFECT, AND SHALL BE APPLICABLE WHETHER OR NOT THE LIABILITIES, OBLIGATIONS, CLAIMS, JUDGMENTS, LOSSES, COSTS, EXPENSES OR DAMAGES IN QUESTION ARISE OR AROSE SOLELY OR IN PART FROM THE GROSS, ACTIVE, PASSIVE OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, OR OTHER FAULT OF ANY INDEMNIFIED PARTY. EACH PARTY ACKNOWLEDGES THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND CONSTITUTES CONSPICUOUS NOTICE. NOTICE IN THIS CONSPICUOUS NOTICE IS NOT INTENDED TO PROVIDE OR ALTER THE RIGHTS AND OBLIGATIONS OF THE PARTIES, ALL OF WHICH ARE SPECIFIED ELSEWHERE IN THIS AGREEMENT.

(g) **Third-Party Indemnification.** If any Party has the rights to indemnification from a third party, the indemnifying party under this Agreement shall have the right of subrogation with respect to any amounts received from such third-party indemnification claim.

21. **TERMINATION**

(a) **Termination for Default.** A Party shall be in default under this Agreement or any Terminal Service Order if:

(i) the Party breaches any provision of this Agreement or a Terminal Service Order, which breach has a material adverse effect on the other Party (with such material adverse effect being determined based on this Agreement and all Terminal Service Orders considered as a whole), and such breach is not excused by Force Majeure or cured within fifteen (15) Business Days after notice thereof (which notice shall describe such breach in reasonable detail) is received by such Party (unless such failure is not commercially reasonably capable of being cured in such fifteen (15) Business Day period in which case such Party shall have commenced remedial action to cure such breach and shall continue to diligently and timely pursue the completion of such remedial action after such notice); or

(ii) the Party (A) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar Applicable Law, or has any such petition filed or commenced against it, (B) makes an assignment or any general arrangement for the benefit of creditors, (C) otherwise becomes bankrupt or insolvent (however evidenced) or (D) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets.

If either Party is in default as described above, then (i) if TAC is in default, TLO may or (ii) if TLO is in default, TAC may: (A) terminate this Agreement and all applicable Terminal Service Orders upon notice to the defaulting Party; (B) withhold any payments due to the defaulting Party under this Agreement and the Terminal Service Orders; and/or (C) pursue any other remedy at law or in equity.
(b) Obligation to Cure. If a Party breaches any provision of this Agreement or a Terminal Service Order, which breach does not have a material adverse effect on the other Party, the breaching Party shall still have the obligation to cure such breach.

(c) Obligations at Termination. Unless otherwise mutually agreed by the Parties, within thirty (30) days of the termination or expiration of this Agreement, (i) TAC shall promptly remove all of its removable Products from the Storage Facility and (ii) TLO shall remove the remaining Tank Heels and tank bottoms and deliver them to TAC or TAC’s designee. In the event all of the Product is not removed within such thirty (30) day period, TAC shall be assessed a holdover storage fee, calculated on the same basis as the Storage Services Fee, to all Products held in storage more than thirty (30) days beyond the termination or expiration of this Agreement until such time TAC’s entire Product is removed from the Tanks and the Storage Facility; provided, however, that TAC shall not be assessed any storage fees associated with the removal of Product to the extent that TAC’s ability to remove such Product is delayed or hindered by TLO, its agents, or contractors for any reason.

22. RIGHT TO ENTER INTO A NEW STORAGE AGREEMENT

(a) Right to Enter New Agreement. Within two (2) years of termination of this Agreement for reasons other than (x) a default by TAC and (y) any other termination of this Agreement initiated by TLO pursuant to Section 21, TAC shall have the right to require TLO to enter into a new storage services agreement (with ancillary Terminal Service Orders, as appropriate) with TAC that (i) is consistent with the terms set forth in this Agreement and Terminal Service Orders in effect at the time of such termination, (ii) relates to the Storage Facility and the Tanks, and (iii) has commercial terms that are, in the aggregate, equal to or more favorable to TLO than fair market value terms as would be agreed by similarly-situated parties negotiating at arm’s length; provided, however, that TLO shall not be required to enter into any such new storage services agreement with a term that extends beyond 2036.

(b) New Agreement; Right of First Refusal. In the event that TLO proposes to enter into a storage services agreement with a third party within two (2) years after the termination of this Agreement for reasons other than (x) by default by TAC and (y) any other termination of this Agreement initiated by TAC pursuant to Section 21, TLO shall give TAC ninety (90) days’ prior written notice of any proposed new storage services agreement with a third party, including (i) details of all of the material terms and conditions thereof and (ii) a thirty (30)-day period (beginning upon TAC’s receipt of such written notice) (the “First Offer Period”) in which TAC may make a good faith offer to enter into a new storage services agreement with TLO (the “Right of First Refusal”). If TAC makes an offer on terms no less favorable to TLO than the third-party offer with respect to such storage services agreement during the First Offer Period, then TLO shall be obligated to enter into a storage services agreement with TAC on the terms set forth in TAC’s offer to TLO. If TAC does not exercise its Right of First Refusal in the manner set forth above, TLO may, for the next ninety (90) days, proceed with the negotiation of the third-party storage services agreement. If no third party agreement is consummated during such ninety-day period, the terms and conditions of this Section 22(b) shall again become effective.

23. FORCE MAJEURE

(a) Force Majeure Notice. As soon as possible upon the occurrence of a Force Majeure, TLO shall provide TAC with written notice of the occurrence of such Force Majeure (a “Force Majeure Notice”). TLO shall identify in such Force Majeure Notice the approximate length of time that TLO reasonably believes in good faith such Force Majeure shall continue (the “Force Majeure Period”). For the duration of the Force Majeure Period, the Storage Services Fee shall be reduced by an amount equal to the Shell Capacity for each affected Tank, provided that if TAC is able to continue to store Product in a Tank during the Force Majeure Period, but at a reduced Operating Capacity, the Storage Services Fee...
shall be reduced in proportion to the amount the effective Operating Capacity is reduced. If TLO advises in any Force Majeure Notice that it reasonably believes in good faith that the Force Majeure Period shall continue for more than twelve (12) consecutive Months, then, subject to Section 7 above, at any time after TLO delivers such Force Majeure Notice, either Party may terminate that portion of this Agreement or any Terminal Service Order solely with respect to the affected Tank(s) at the Storage Facility, but only upon delivery to the other Party of a notice (a “Termination Notice”) at least twelve (12) Months prior to the expiration of the Force Majeure Period; provided, however, that such Termination Notice shall be deemed cancelled and of no effect if the Force Majeure Period ends prior to the expiration of such twelve-Month period. For the avoidance of doubt, neither Party may exercise its right under this Section 23(a) to terminate this Agreement or any Terminal Service Order as a result of a Force Majeure with respect to any machinery, storage, tanks, lines of pipe or other equipment that has been unaffected by, or has been restored to working order since, the applicable Force Majeure, including pursuant to a Restoration under Section 7.

(b) Termination Notice. Notwithstanding the foregoing, if TAC delivers a Termination Notice to TLO (the “TAC Termination Notice”) and, within thirty (30) days after receiving such TAC Termination Notice, TLO notifies TAC that TLO reasonably believes in good faith that it shall be capable of fully performing its obligations under this Agreement or any Terminal Service Order within a reasonable period of time and TAC mutually agrees, which agreement shall not be unreasonably withheld, then the TAC Termination Notice shall be deemed revoked and the applicable portion of this Agreement or any Terminal Service Order shall continue in full force and effect as if such TAC Termination Notice had never been given.

24. SUSPENSION OF REFINERY OPERATIONS

This Agreement shall continue in full force and effect regardless of whether TAC decides to permanently or temporarily suspend refining operations at the Refinery. TAC is not permitted to suspend or reduce its obligations under this Agreement or any Terminal Service Order in connection with a shutdown of the Refinery for scheduled turnarounds or other regular servicing or maintenance. If refining operations at the Refinery are suspended for any reason (including Refinery turnarounds and other scheduled maintenance), then TAC shall remain liable for Storage Services Fees under this Agreement or any Terminal Service Order for the duration of the suspension. TAC shall provide at least thirty (30) days’ prior written notice of any suspension of operations at the Refinery due to a planned turnaround or scheduled maintenance.

25. ASSIGNMENT; SUBCONTRACT; PARTNERSHIP CHANGE OF CONTROL

(a) Assignment to TLO. On the Commencement Date, the General Partner shall assign all of its rights and obligations under this Agreement to the Partnership. The Partnership shall immediately assign its rights and obligations hereunder to TLO. Upon such assignment to TLO, TLO shall have all of the respective rights and obligations set forth herein during the Term of this Agreement.

(b) TAC Assignment to Third Party. TAC shall not assign any of its rights or obligations under this Agreement without TLO’s prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that TAC may assign this Agreement without TLO’s consent in connection with a sale by TAC of the Refinery so long as the transferee: (i) agrees to assume all of TAC’s obligations under this Agreement and (ii) is financially and operationally capable of fulfilling the terms of this Agreement, which determination shall be made by TAC in its reasonable judgment.
c) **Subcontract.** Should TAC desire to subcontract to a third party (“Replacement Customer”) any dedicated storage subject to a Terminal Service Order, TAC must notify TLO in writing prior to the proposed start of the subcontract. TLO has the right to approve any Replacement Customer, which approval shall not be unreasonably withheld, conditioned or delayed. Unless otherwise agreed in writing between TAC and TLO, and between Replacement Customer and TLO, TAC will continue to be liable for all terms and conditions of this Agreement related to any subcontracted Tank, including, but not limited to, remittance of any fees set forth in a Terminal Service Order applicable to the subcontracted Tank. TAC shall be responsible for collection of any fees due to TAC from the Replacement Customer. TAC and TLO may mutually agree that operational notices concerning scheduling and similar matters can be directly provided between TLO and any Replacement Customer.

d) **TLO Assignment.** TLO shall not assign any of its rights or obligations under this Agreement without TAC’s prior written consent; provided, however, that TLO shall be permitted to make a collateral assignment of this Agreement solely to secure financing for TLO.

e) **Notification of Assignment.** Any assignment that is not undertaken in accordance with the provisions set forth above shall be null and void ab initio. A Party making any assignment shall promptly notify the other Party of such assignment, regardless of whether consent is required. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

f) **Partnership Change of Control.** TAC’s obligations hereunder shall not terminate in connection with a Partnership Change of Control, provided, however, that in the case of any Partnership Change of Control, TAC shall have the option to extend the Term of this Agreement as provided in Section 4. TLO shall provide TAC with notice of any Partnership Change of Control at least sixty (60) days prior to the effective date thereof.

## 26. **ACCOUNTING PROVISIONS AND DOCUMENTATION; AUDIT**

(a) **Storage Services Fee Documentation.** Within ten (10) Business Days following the end of each Month, TLO shall furnish TAC with a statement showing, by Tank, a calculation of all of TAC’s Monthly Storage Services Fees. TLO shall furnish all appropriate documentation to support the calculation of all fees, and, to the extent reasonably available, to document movement of Products through the Storage Facility.

(b) **Access.** Each Party and its duly authorized agents and/or representatives shall have reasonable access to the accounting records and other documents maintained by the other Party which relate to this Agreement, and shall have the right to audit such records at any reasonable time or times during the Term and for a period of up to three (3) years after termination of this Agreement. Claims as to shortage in quantity or defects in quality shall be made by written notice within ninety (90) days after the delivery in question or shall be deemed to have been waived.

## 27. **INSURANCE**

(a) **Coverage.** At all times during the Term and for a period of two (2) years after termination of this Agreement for any coverage maintained on a “claims-made” or “occurrence” basis, TAC shall maintain at its expense the below listed insurance in the amounts specified below, or self-insurance in such amounts as may be agreed pursuant to a Terminal Service Order. Such insurance shall provide coverage to TLO and such policies, other than Worker’s Compensation Insurance, shall include TLO as an Additional Insured. Each policy shall provide that it is primary to and not contributory with any other insurance, including any self-insured retention, maintained by TLO (which shall be excess) and each policy shall provide the full coverage required by this Agreement and any Terminal Service Order. All such insurance shall be written with carriers and underwriters acceptable to TLO, and eligible to do
business in the State of Alaska and having and maintaining an A.M. Best financial strength rating of no less than “A-” and financial size rating no less than “VII”; provided that TAC may procure worker’s compensation insurance from the State of Alaska. All limits listed below are required MINIMUM LIMITS:

(i) Workers Compensation and Occupational Disease Insurance which fully complies with Applicable Law of the State of Alaska, in limits not less than statutory requirements;

(ii) Employers Liability Insurance with a minimum limit of $1,000,000 for each accident, covering injury or death to any employee which may be outside the scope of the worker’s compensation statute of the jurisdiction in which the worker’s service is performed, and in the aggregate as respects occupational disease;

(iii) Commercial General Liability Insurance, with minimum limits of $1,000,000 combined single limit per occurrence for bodily injury and property damage liability, or such higher limits as may be required by TLO or by Applicable Law from time to time. This policy shall include Broad Form Contractual Liability insurance coverage which shall specifically apply to the obligations assumed in this Agreement and any Terminal Service Order by TAC;

(iv) Automobile Liability Insurance covering all owned, non-owned and hired vehicles, with minimum limits of $1,000,000 combined single limit per occurrence for bodily injury and property damage liability, or such higher limit(s) as may be required by TAC or by Applicable Law from time to time. Limits of liability for this insurance must be not less than $1,000,000 per occurrence;

(v) Excess (Umbrella) Liability Insurance with limits not less than $4,000,000 per occurrence. Additional excess limits may be utilized to supplement inadequate limits in the primary policies required in items (ii), (iii), and (iv) above;

(vi) Pollution Legal Liability with limits not less than $25,000,000 per loss with an annual aggregate of $25,000,000. Coverage shall apply to bodily injury and property damage including loss of use of damaged property and property that has not been physically injured; cleanup costs, defense, including costs and expenses incurred in the investigation, defense or settlement of claim; and

(vii) Cargo/Inventory Insurance, with a limit of no less than $1,000,000, which property insurance shall be first-party property insurance to adequately cover all Products owned by TAC located at the Storage Facility.

(b) Waiver of Subrogation. All such policies must be endorsed with a Waiver of Subrogation endorsement, effectively waiving rights of recovery under subrogation or otherwise, against TLO, and shall contain where applicable, a severability of interest clause and a standard cross liability clause.

(c) Insurance Certificates. Upon execution of this Agreement and prior to the operation of any equipment by TAC, TAC will furnish to TLO, and at least annually thereafter (or at any other times upon request by TLO) during the Term (and for any coverage maintained on a “claims-made” basis, for two (2) years after the termination of this Agreement or any applicable Terminal Service Order), insurance certificates and/or certified copies of the original policies to evidence the insurance required herein. Such certificates shall be in the form of the “Accord” Certificate of Insurance, and reflect that they are for the benefit of TLO and shall provide that there will be no material change in or cancellation of the policies unless TLO is given at least thirty (30) days prior written notice. Certificates providing evidence of renewal of coverage shall be furnished to TLO prior to policy expiration.
28. NOTICE

All notices or requests or consents provided for by, or permitted to be given pursuant to, this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the Person to be notified, postpaid, and registered or certified with return receipt requested or by delivering such notice in person or by facsimile to such Party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by facsimile shall be effective upon actual receipt if received during the recipient’s normal business hours or at the beginning of the recipient’s next business day after receipt if not received during the recipient’s normal business hours. All notices to be sent to a Party pursuant to this Agreement shall be sent to or made at the address set forth below or at such other address as such Party may stipulate to the other Parties in the manner provided in this Section 28.

If to TAC, to:
Tesoro Alaska Company LLC
19100 Ridgewood Parkway
San Antonio, Texas 78259

For legal notices:
Attention: Charles A. Cavallo III, VP & Associate General Counsel
phone: (210) 626-4045
email: Charles.A.Cavallo@tsocorp.com

If to TLO, to:
Tesoro Logistics Operations LLC
19100 Ridgewood Parkway
San Antonio, Texas 78259

For legal notices:
Attention: Barron Dowling, Associate General Counsel
phone: (210) 626-4415
email: Barron.W.Dowling@tsocorp.com

For all other notices and communications:
Attention: Don J. Sorensen, Senior Vice President, Operations
phone: (210) 626-6195
email: Don.J.Sorensen@tsocorp.com

or to such other address or to such other Person as either Party will have last designated by notice to the other Party.

29. CONFIDENTIAL INFORMATION

(a) Obligations. Each Party shall use reasonable efforts to retain the other Parties’ Confidential Information in confidence and not disclose the same to any third party nor use the same, except as authorized by the disclosing Party in writing or as expressly permitted in this Section 29. Each Party further agrees to take the same care with the other Party’s Confidential Information as it does with its own, but in no event less than a reasonable degree of care. Excepted from these obligations of confidence and non-use is that information which:

(i) is available, or become available, to the general public without fault of the receiving Party;
(ii) was in the possession of the receiving Party on a non-confidential basis prior to receipt of the same from the disclosing Party (it being understood, for the avoidance of doubt, that this exception shall not apply to information of TLO that was in the possession of TAC or any of its affiliates as a result of their ownership or operation of the Storage Facility prior to the Commencement Date);

(iii) is obtained by the receiving Party without an obligation of confidence from a third party who is rightfully in possession of such information and, to the receiving Party’s knowledge, is under no obligation of confidentiality to the disclosing Party; or

(iv) is independently developed by the receiving Party without reference to or use of the disclosing Party’s Confidential Information.

For the purpose of this Section 29, a specific item of Confidential Information shall not be deemed to be within the foregoing exceptions merely because it is embraced by, or underlies, more general information in the public domain or in the possession of the receiving Party.

(b) **Required Disclosure.** Notwithstanding Section 29(a) above, if the receiving Party becomes legally compelled to disclose the Confidential Information by a court, Governmental Authority or Applicable Law, or is required to disclose by the listing standards of any applicable securities exchange of the disclosing Party’s Confidential Information, the receiving Party shall promptly advise the disclosing Party of such requirement to disclose Confidential Information as soon as the receiving Party becomes aware that such a requirement to disclose might become effective, in order that, where possible, the disclosing Party may seek a protective order or such other remedy as the disclosing Party may consider appropriate in the circumstances. The receiving Party shall disclose only that portion of the disclosing Party’s Confidential Information that it is required to disclose and shall cooperate with the disclosing Party in allowing the disclosing Party to obtain such protective order or other relief.

(c) **Return of Information.** Upon written request by the disclosing Party, all of the disclosing Party’s Confidential Information in whatever form shall be returned to the disclosing Party or destroyed with destruction certified by the receiving Party upon termination of this Agreement, without the receiving Party retaining copies thereof except that one copy of all such Confidential Information may be retained by a Party’s legal department solely to the extent that such Party is required to keep a copy of such Confidential Information pursuant to Applicable Law, and the receiving Party shall be entitled to retain any Confidential Information in the electronic form or stored on automatic computer back-up archiving systems during the period such backup or archived materials are retained under such Party’s customary procedures and policies, provided, however, that any Confidential Information retained by the receiving Party shall be maintained subject to confidentiality pursuant to the terms of this Section 29, and such archived or back-up Confidential Information shall not be accessed except as required by Applicable Law.

(d) **Receiving Party Personnel.** The receiving Party will limit access to the Confidential Information of the disclosing Party to those of its employees, attorneys and contractors that have a need to know such information in order for the receiving Party to exercise or perform its rights and obligations under this Agreement or any Terminal Service Order (the “Receiving Party Personnel”). The Receiving Party Personnel who have access to any Confidential Information of the disclosing Party will be made aware of the confidentiality provision of this Agreement, and will be required to abide by the terms thereof. Any third party contractors that are given access to Confidential Information of a disclosing Party pursuant to the terms hereof shall be required to sign a written agreement pursuant to which such Receiving Party Personnel agree to be bound by the provisions of this Agreement, which written agreement will expressly state that it is enforceable against such Receiving Party Personnel by the disclosing Party.

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Survival. The obligation of confidentiality under this Section 29 shall survive the termination of this Agreement for a period of two (2) years.

30. MISCELLANEOUS

(a) Modification; Waiver. This Agreement or any Terminal Service Order may be amended or modified only by a written instrument executed by the Parties. Any of the terms and conditions of this Agreement or any Terminal Service Order may be waived in writing at any time by the Party entitled to the benefits thereof. No waiver of any of the terms and conditions of this Agreement or any Terminal Service Order, or any breach thereof, will be effective unless in writing signed by a duly authorized individual on behalf of the Party against which the waiver is sought to be enforced. No waiver of any term or condition or of any breach of this Agreement or any Terminal Service Order will be deemed or will constitute a waiver of any other term or condition or of any later breach (whether or not similar), nor will such waiver constitute a continuing waiver unless otherwise expressly provided.

(b) Integration. This Agreement, together with the Schedules and Terminal Service Orders and the other agreements executed on the date hereof in connection with the transactions contemplated by the Contribution Agreement, constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith. In the event of a conflict of provisions of this Agreement and the Omnibus Agreement, the provisions of the Omnibus Agreement shall prevail with respect to issues related to the contribution of the assets described therein, but not with respect to the ordinary operations of such assets as set forth in this Agreement.

(c) Construction and Interpretation. In interpreting this Agreement, unless the context expressly requires otherwise, all of the following apply to the interpretation of this Agreement:

(i) Preparation of this Agreement has been a joint effort of the Parties and the resulting Agreement shall not be interpreted against one of the Parties as the drafting Party.

(ii) Plural and singular words each include the other.

(iii) Masculine, feminine and neutral genders each include the others.

(iv) The word “or” is not exclusive and includes “and/or.”

(v) The words “includes” and “including” are not limiting.

(vi) References to the Parties include their respective successors and permitted assignees.

(vii) The headings in this Agreement are included for convenience and do not affect the construction or interpretation of any provision of, or the rights or obligations of a Party under, this Agreement.
(d) **Governing Law; Jurisdiction.** This Agreement and any Terminal Service Order shall be governed by the laws of the State of Texas without giving effect to its conflict of laws principles. Each Party hereby irrevocably submits to the exclusive jurisdiction of any federal court of competent jurisdiction situated in the United States District Court for the Western District of Texas, San Antonio Division, or if such federal court declines to exercise or does not have jurisdiction, in the district court of Bexar County, Texas. The Parties expressly and irrevocably submit to the jurisdiction of said Courts and irrevocably waive any objection which they may now or hereafter have to the laying of venue of any action, suit or proceeding arising out of or relating to this Agreement or any Terminal Service Order brought in such Courts, irrevocably waive any claim that any such action, suit or proceeding brought in any such Court has been brought in an inconvenient forum and further irrevocably waive the right to object, with respect to such claim, action, suit or proceeding brought in any such Court, that such Court does not have jurisdiction over such Party. The Parties hereby irrevocably consent to the service of process by registered mail, postage prepaid, or by personal service within or without the State of Texas. Nothing contained herein shall affect the right to serve process in any manner permitted by law.

(e) **Counterparts.** This Agreement and any Terminal Service Order may be executed in one or more counterparts (including by facsimile or portable document format (pdf)) for the convenience of the Parties hereto, each of which counterparts will be deemed an original, but all of which counterparts together will constitute one and the same agreement.

(f) **Severability.** Whenever possible, each provision of this Agreement and any Terminal Service Order will be interpreted in such manner as to be valid and effective under applicable law, but if any provision of this Agreement or any Terminal Service Order or the application of any such provision to any Person or circumstance will be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision hereof, and the Parties will negotiate in good faith with a view to substitute for such provision a suitable and equitable solution in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid, illegal or unenforceable provision.

(g) **No Third-Party Beneficiaries.** Except as specifically provided herein, including as set forth in Section 20, it is expressly understood that the provisions of this Agreement and any Terminal Service Order do not impart enforceable rights in anyone who is not a Party or successor or permitted assignee of a Party.

(h) **WAIVER OF JURY TRIAL.** EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDINGS RELATING TO THIS AGREEMENT OR ANY PERFORMANCE OR FAILURE TO PERFORM OF ANY OBLIGATION HEREUNDER.

(i) **Schedules and Terminal Service Orders(s).** Each of the Schedules and Terminal Service Order(s) attached hereto and referred to herein is hereby incorporated in and made a part of this Agreement as if set forth in full herein.
IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first written above.

TESORO LOGISTICS OPERATIONS LLC
By: /s/ Phillip M. Anderson
   Phillip M. Anderson
   President

TESORO ALASKA COMPANY LLC
By: /s/ Gregory J. Goff
   Gregory J. Goff
   President

Solely with respect to Section 25(a):

TESORO LOGISTICS GP, LLC
By: /s/ Phillip M. Anderson
   Phillip M. Anderson
   President

TESORO LOGISTICS LP
By: Tesoro Logistics GP, LLC, its
    general partner

By: /s/ Phillip M. Anderson
   Phillip M. Anderson
   President

Signature Page to
Kenai Storage Services Agreement
SCHEDULE A
Storage Facility

Crude and black-oils storage tanks with a total shell capacity of 650,000 barrels, petroleum product storage tanks with a total shell capacity of 2,850,000 barrels, and pipelines and other appurtenances that allow the transport of the crude oil and petroleum products to and from the nearby dock and to and from other facilities located at TAC’s refinery in Kenai, Alaska.

Schedule A –
Kenai Storage Services Agreement
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Schedule B –
Kenai Storage Services Agreement
EXHIBIT 1
FORM OF TERMINAL SERVICE ORDER
(KENAI [ ]-____, 20__)
IN WITNESS WHEREOF, the parties hereto have duly executed this Terminal Service Order as of the date first written above.

TESORO ALASKA COMPANY LLC

By: __________________________________________________________
Name: _______________________________________________________
Title: _______________________________________________________

TESORO LOGISTICS OPERATIONS LLC

By: __________________________________________________________
Name: _______________________________________________________
Title: _______________________________________________________

Exhibit 1 –
Kenai Storage Services Agreement
Tesoro Logistics to Acquire Alaska Storage and Terminalling Assets from Tesoro Corporation

SAN ANTONIO—July 1, 2016— Tesoro Logistics LP (NYSE:TLLP) has agreed to acquire storage and terminalling assets in Alaska owned by subsidiaries of Tesoro Corporation (NYSE:TSO, Tesoro), for a total consideration of $444 million. The Alaska Storage and Terminalling Assets include crude oil and refined product storage at Tesoro’s Kenai Refinery and two refined product terminals. The assets are expected to provide annual net earnings of $36 million and annual EBITDA of $51 million.

“The acquired assets serve as a critical component in the Alaska supply chain and enable TLLP to provide an integrated, full-service logistics solution in the region while contributing stable fee-based cash flows,” said Greg Goff, TLLP’s Chairman and Chief Executive Officer. “We remain committed to achieving our 2017 target of $650 million in net earnings and $1 billion of annual EBITDA and expect this transaction to be immediately accretive to unitholder distributions.”

The Alaska Storage and Terminalling Assets include:

- Storage: Crude oil, feedstock and refined product storage tanks with a combined capacity of approximately 3.5 million barrels in Kenai, Alaska, with connectivity with TLLP’s Tesoro Alaska Pipeline and Nikiski Products Terminal and Tesoro’s Kenai Refinery
- Terminals: Refined product terminals in Anchorage and Fairbanks with combined storage capacity of over 600,000 barrels, expected throughput of 10,400 barrels per day and rail loading of 7,000 barrels per day

The transaction is expected to close in two stages. The storage portion of the acquisition closed today. The acquisition of the Anchorage and Fairbanks terminals is expected to close in the third quarter once the Consent Decree with the State of Alaska becomes effective. This agreement is related to Tesoro’s acquisition of certain Flint Hills Resources Alaska assets, which closed on June 20, 2016.

The acquisition price of $444 million includes cash of $400 million and the issuance of common and general partner units to Tesoro, valued at approximately $44 million.

In consideration for the first closing (storage assets), TLLP paid $266 million, financed with $239 million of borrowings on the TLLP’s revolving credit facility and $27 million of common and general partner units to Tesoro. The equity consideration was based on the average daily closing price of TLLP’s common units for the 10 trading days prior to closing, or $48.06 per unit, with 390,282 units in the form of common units and 162,375 units in the form of general partner units.

In consideration for the second closing (terminal assets), TLLP will pay $178 million, including $160 million of cash and $18 million of common and general partner units to Tesoro. The cash consideration is expected to be borrowed on TLLP’s revolving credit facility and the equity consideration will be based on the average daily closing price of TLLP’s common units for the 10 trading days prior to closing.

In connection with the acquisition, Tesoro and TLLP entered into storage and throughput and use agreements. The storage agreement requires Tesoro to pay a monthly fee to reserve the existing shell capacity of the dedicated storage tanks and the terminalling throughput and use agreement includes a minimum throughput commitment. In conjunction with the second closing, TLLP expects to amend the fee structure in the throughput and use agreement for its current Anchorage and Nikiski terminals to reflect current market rates and the provision of distribution scheduling and customer service functions.

About Tesoro Logistics LP

Tesoro Logistics LP is a leading full-service logistics company operating primarily in the western and mid-continent regions of the United States. TLLP owns and operates a network of crude oil, refined products and natural gas pipelines. TLLP also owns and operates crude oil and refined products truck terminals, marine terminals and dedicated storage facilities. In addition, TLLP owns and operates natural gas processing and fractionation complexes. TLLP is a fee-based, growth oriented Delaware limited partnership formed by Tesoro Corporation and is headquartered in San Antonio, Texas.
This press release contains certain statements that are “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to, among other things: expected annual net earnings and EBITDA from the Alaska Storage and Terminalling Assets; their contribution to TLLP in servicing the Alaska supply chain and creating stable, fee-based cash flows; our expectations regarding the transaction being immediately accretive to unitholder distributions; expected throughputs and rail loadings; our expectations regarding the closing date for the second stage of the transaction; and our expectation regarding the agreements that Tesoro and TLLP will enter into in connection with the second stage closing. For more information concerning factors that could affect these statements, see the respective annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K for Tesoro Corporation and Tesoro Logistics LP, filed with the Securities and Exchange Commission. We undertake no obligation to publicly release the result of any revisions to any such forward-looking statements that may be made to reflect events or circumstances that occur, or which we become aware of, after the date hereof.

Contact:
Investors:
Evan Barbosa, Investor Relations Manager, (210) 626-7202

Media:
Tesoro Media Relations, media@tsocorp.com, (210) 626-7702

### TESORO LOGISTICS LP

#### RECONCILIATION OF EBITDA TO AMOUNTS UNDER U.S. GAAP

**(Unaudited) (In millions)**

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