

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>TESORO CORPORATION THRIFT PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>002</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>04/01/1979</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>002</u>	1c Effective date of plan <u>04/01/1979</u>	
1b Three-digit plan number (PN) ▶	<u>002</u>				
1c Effective date of plan <u>04/01/1979</u>					
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>TESORO CORPORATION</u> <u>19100 RIDGEWOOD PARKWAY</u> <u>SAN ANTONIO, TX 78259</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>95-0862768</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>210-626-6000</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>324110</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>95-0862768</u>	2c Sponsor's telephone number <u>210-626-6000</u>	2d Business code (see instructions) <u>324110</u>	
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2c Sponsor's telephone number <u>210-626-6000</u>					
2d Business code (see instructions) <u>324110</u>					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/13/2011	LAUREN J. BUTLER
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/13/2011	LAUREN J. BUTLER
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") TESORO CORPORATION 19100 RIDGEWOOD PARKWAY SAN ANTONIO, TX 78259	3b Administrator's EIN 95-0862768 3c Administrator's telephone number 210-626-6000
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	4687
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	3927
b Retired or separated participants receiving benefits.....	6b	41
c Other retired or separated participants entitled to future benefits.....	6c	545
d Subtotal. Add lines 6a , 6b , and 6c	6d	4513
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	1
f Total. Add lines 6d and 6e	6f	4514
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	4089
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	22

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 2E 2F 2H 2J 2K

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1) ☒ **R** (Retirement Plan Information)
 (2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
 (3) ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1) ☒ **H** (Financial Information)
 (2) ☐ **I** (Financial Information – Small Plan)
 (3) ☐ **A** (Insurance Information)
 (4) ☐ **C** (Service Provider Information)
 (5) ☒ **D** (DFE/Participating Plan Information)
 (6) ☐ **G** (Financial Transaction Schedules)

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan TESORO CORPORATION THRIFT PLAN	B Three-digit plan number (PN) ►	002
C Plan sponsor's name as shown on line 2a of Form 5500 TESORO CORPORATION	D Employer Identification Number (EIN) 95-0862768	

Part I Asset and Liability Statement			
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	15685656	18772470
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)	434007441	528548654
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	449693097	547321124

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	449693097	547321124
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	10404810	
(B) Participants	2a(1)(B)	33823233	
(C) Others (including rollovers)	2a(1)(C)	1302575	
(2) Noncash contributions	2a(2)	13119889	
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		58650507

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	908409	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		908409

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0

(3) Rents	2b(3)		
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B).....	2b(5)(C)		0
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		77473616
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		137032532

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	39381472	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		39381472
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		23033
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		0
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		39404505

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		97628027
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: ERNST & YOUNG LLP

(2) EIN: 34-6565596

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		10000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection.
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

A Name of plan <u>TESORO CORPORATION THRIFT PLAN</u>	B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>TESORO CORPORATION</u>	D Employer Identification Number (EIN) <u>95-0862768</u>

Part I	Distributions
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All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>04-6568107</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
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4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☐ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2010
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

- a** Enter the percentage of plan assets held as:

Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

- b** Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

- c** What duration measure was used to calculate item 19(b)?

☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

Report of Independent Auditors

Employee Benefits Committee of Tesoro Corporation Thrift Plan and Tesoro Corporation Retail Savings Plan

We were engaged to audit each of the accompanying statements of net assets available for benefits of Tesoro Corporation Thrift Plan and Tesoro Corporation Retail Savings Plan as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for each of the Plans for the year ended December 31, 2010, and supplemental schedules of assets (held at end of year) for each of the Plans as of December 31, 2010. These financial statements and supplemental schedules are the responsibility of the Plans' management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plans' administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 3, which was certified by Fidelity Management Trust Company, the trustee of the Plans, except for comparing such information with the related information included in each of the Plans' financial statements and supplemental schedule. We have been informed by the plans' administrator that the trustee holds the Plans' investment assets and executes investment transactions. The plans' administrator has obtained certifications from the trustee as of December 31, 2010 and 2009, and for the year ended December 31, 2010, that the information provided to the plans' administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on each of the Plans' accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in each of the Plans' financial statements and supplemental schedule, other than that derived from the investment information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Ernst & Young LLP

September 9, 2011

FINANCIAL STATEMENTS

Tesoro Corporation Thrift Plan
Tesoro Corporation Retail Savings Plan
As of December 31, 2010 and 2009
And for the Year Ended December 31, 2010
With Report of Independent Auditors

Ernst & Young LLP

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
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Report of Independent Auditors

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Ernst & Young LLP

September 9, 2011

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2010**

	Thrift Plan (Plan No. 002)	Retail Savings Plan (Plan No. 005)
Investment in the Tesoro Corporation Savings Plan Master Trust	\$ 528,548,654	\$ 3,753,461
Receivables:		
Employer contributions	—	590,621
Notes receivable from participants	18,772,470	461,447
Total Receivables	18,772,470	1,052,068
NET ASSETS	547,321,124	4,805,529
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(365,457)	(1,351)
NET ASSETS AVAILABLE FOR BENEFITS	\$ 546,955,667	\$ 4,804,178

See the accompanying notes to the financial statements.

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2009**

	<u>Thrift Plan (Plan No. 002)</u>	<u>Retail Savings Plan (Plan No. 005)</u>
Investment in the Tesoro Corporation Savings Plan Master Trust	\$ 434,007,441	\$ 3,384,209
Notes receivable from participants	<u>15,685,656</u>	<u>428,785</u>
NET ASSETS	449,693,097	3,812,994
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	<u>760,360</u>	<u>2,178</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 450,453,457</u>	<u>\$ 3,815,172</u>

See the accompanying notes to the financial statements.

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Thrift Plan (Plan No. 002)</u>	<u>Retail Savings Plan (Plan No. 005)</u>
ADDITIONS		
Plan interest in the Tesoro Corporation Savings Plan		
Master Trust	\$ 76,529,678	\$ 551,792
Interest income on notes receivable from participants	908,410	23,412
Contributions:		
Employer	10,404,810	613,427
Employer - noncash contributions (1)	13,119,889	70,219
Participants	35,125,808	236,640
Total contributions	<u>58,650,507</u>	<u>920,286</u>
TOTAL ADDITIONS	<u>136,088,595</u>	<u>1,495,490</u>
DEDUCTIONS		
Withdrawals and terminations	39,404,505	497,205
Administrative expenses	<u>181,880</u>	<u>9,279</u>
TOTAL DEDUCTIONS	<u>39,586,385</u>	<u>506,484</u>
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	96,502,210	989,006
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	<u>450,453,457</u>	<u>3,815,172</u>
End of year	<u>\$ 546,955,667</u>	<u>\$ 4,804,178</u>

(1) Noncash employer contributions consist of treasury stock reissuances

See the accompanying notes to the financial statements.

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS**

1. DESCRIPTION OF THE PLANS

The accompanying financial statements comprise the defined contribution plans of Tesoro Corporation (“Tesoro” or the “Company”) that participate in the Tesoro Corporation Savings Plan Master Trust (the “Master Trust”). The following description of the Tesoro Corporation Thrift Plan and the Tesoro Corporation Retail Savings Plan (the “Plans”) provides only general information. Participants should refer to the applicable formal plan document for more complete information. The Plans are subject to and comply with the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

The purpose of the Plans is to encourage Company employees to save and invest a portion of their eligible compensation, as defined, in order that they may have an additional source of income upon their retirement or disability, or for their family in the event of death. Benefits provided by the Plans will be in addition to benefits participants are entitled to receive under any other programs of the Company and from the Federal Social Security Act.

The investments in the Master Trust are held by Fidelity Management Trust Company (“Fidelity” or the “Trustee”). Fidelity is responsible for holding, investing and accounting for the assets of the Plans and maintaining separate accounts for all participants of the Plans. The Plans are administered by the Employee Benefits Committee, consisting of individuals appointed by the Board of Directors of the Company.

Tesoro Corporation Thrift Plan

The Tesoro Corporation Thrift Plan (“Thrift Plan”), originally adopted as of April 1, 1979, is a voluntary defined contribution plan and is open to certain non-union employees of Tesoro. Employees whose positions are covered by a collective bargaining agreement may participate if the Thrift Plan is included in the agreement.

Participant Contributions - Contributions are made to the Thrift Plan by the Company on behalf of each eligible employee based upon their elected compensation deferral through payroll deductions. The deferrals are funded by the Company at the end of each payroll period. The amount eligible employees may elect to contribute ranges from 1% to 25% of eligible compensation on a pre-tax basis, after-tax basis or combination of both. The total pre-tax contribution amount cannot exceed the annual Internal Revenue Service (IRS) dollar limit (\$16,500 in 2010). Employees age 50 and over may elect to contribute an additional pre-tax catch-up contribution (\$5,500 in 2010) to the Thrift Plan. Certain highly compensated employees may be subject to more restrictive maximum deferrals, including no after-tax contributions.

Effective January 1, 2011, participants may contribute up to 50% of eligible pay on a pre-tax, catch-up contribution basis or combination of both, and may also contribute up to 25% of eligible pay on an after-tax basis.

Employer Contributions - The Thrift Plan allows for a Company match on the first 7% of pre-tax contributions to the Thrift Plan, including “catch-up contributions.” After-tax contributions to the Thrift Plan are not matched by the Company. The Thrift Plan provides that at least 50% of the Company’s matching contributions are to be invested in the common stock of the

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS**

Company, held in the Tesoro Corporation Common Stock Fund (the “Tesoro Stock Fund”), when the contributions are made. The remainder of the Company’s matching contributions is invested in one or more of the investment options, or the Tesoro Stock Fund, at the option of the participant. Immediate exchanges of Company matching contributions into the Tesoro Stock Fund can be made unlimited times per calendar year, as well as exchanges out of the Tesoro Stock Fund into other Thrift Plan investments.

Tesoro purchases shares of its common stock in open market transactions or issues shares out of its treasury stock to meet a portion of the Company’s contribution obligations, presented in the statement of changes in net assets as non-cash contributions; the remainder is paid in cash.

Under the Thrift Plan, for certain employees, who were part of prior acquisitions, the Company contributes an additional non-elective contribution equal to 3% of eligible compensation.

The Thrift Plan was amended, effective January 1, 2011, to revise the definition of eligible base pay to exclude certain unscheduled overtime. Bonus pay will no longer be matched by the Company. Additionally, for the Thrift Plan, the maximum amount of compensation that can be applied toward Company matching contributions was reduced to 6%, while the maximum deferral percentage was increased to 50% pre-tax, and 25% after-tax. The additional 3% non-elective contribution paid to certain employees will also cease as of January 1, 2011. These plan changes are subject to applicable collective bargaining and/or purchase and sale agreements.

Vesting - Employees are fully vested at all times in their participant and Company non-elective contributions. Company matching contributions and any related earnings are 100% vested after one year of service. Upon voluntary termination of employment prior to normal retirement for reasons other than disability or death, an employee shall be entitled to the total of his or her participant contributions to the Thrift Plan and the vested portion of the Company contributions made to the employee’s account. Generally, vesting service begins with the employment date and ends upon termination of service with the Company.

Forfeitures - Upon termination of service, a participant’s nonvested portion of the Company’s matching contribution may be used to reduce future employer contributions or to pay reasonable administrative expenses. At December 31, 2010 and 2009, forfeited nonvested accounts totaled \$94,947 and \$72,834, respectively. During the year ended December 31, 2010, \$960 forfeited nonvested accounts were used to reduce employer contributions and no forfeited nonvested accounts were used to pay administrative expenses.

Tesoro Corporation Retail Savings Plan

The Tesoro Corporation Retail Savings Plan (“Retail Savings Plan”), adopted as of January 1, 2001, is a voluntary defined contribution plan and is open to all retail store employees of Tesoro Refining and Marketing Company, Tesoro West Coast, LLC, Tesoro Hawaii Corporation and Tesoro Northstore Company up through the assistant manager level who have completed one year of service and have worked at least 1,000 hours during their first year of service or any calendar year thereafter.

**TESORO CORPORATION THRIFT PLAN
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Participant Contributions - Eligible employees who choose to participate can contribute up to 15% of their eligible pay on a pre-tax basis, up to the annual IRS dollar limit (\$16,500 in 2010). Additionally, participants who have attained age 50 before the close of the Retail Savings Plan year shall be eligible to make catch-up contributions subject to the limitations of the IRS dollar limit (\$5,500 in 2010).

Effective January 1, 2011, participants may contribute up to 50% of their eligible pay on a pre-tax basis.

Employer Contributions - The Retail Savings Plan provides a 50% match on the employee's first 6% of elective deferral contributions for each pay period. The Retail Savings Plan provides that at least 50% of the Company's matching contributions are to be invested in the common stock of the Company, held in the Tesoro Stock Fund, when the contributions are made. The remainder of the Company's matching contributions is invested in one or more of the investment options, or the Tesoro Stock Fund, at the option of the participant. Immediate exchanges of Company matching contributions into the Tesoro Stock Fund can be made unlimited times per calendar year, as well as exchanges out of the Tesoro Stock Fund into other Retail Savings Plan investments.

Tesoro purchases shares of its common stock in open market transactions or issues shares out of its treasury stock to meet a portion of the Company's contribution obligations, presented in the statement of changes in net assets as non-cash contributions; the remainder is paid in cash.

Under the Retail Savings Plan, the Company contributes a 3% non-elective contribution ("NEC") of the participant's eligible earnings paid each period. If a participant does not make a deferral election, the default contribution will be to the participant's age appropriate lifecycle fund. Beginning with the 2010 plan year, this 3% NEC was made in one payment after the end of the plan year. The 2010 NEC contribution for \$590,621 is reflected as an Employer Contribution Receivable on the Statements of Net Assets Available for Benefits and was contributed by the Company in April 2011.

The Retail Savings Plan was amended, effective January 1, 2011, to revise the definition of eligible base pay to exclude certain overtime. Bonus pay will no longer be matched by the Company. Additionally, the maximum deferral percentage was increased to 50% pre-tax.

Vesting - Employees are fully vested at all times in their participant and Company (NEC and matching) contributions as well as discretionary non-elective deferrals. Upon termination of employment, an employee shall be entitled to the total of his or her participant contributions to the Retail Savings Plan and the Company contributions made to the employee's account.

General

Participant Accounts - Individual accounts are maintained for each of the Plans' participants. Each participant's account is credited with the participant's contribution, the Company's contributions and the respective Plans' earnings and charged with withdrawals and an allocation of the respective Plans' losses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS**

Investment Options - Participants may elect to invest in numerous investment options offered under their respective plan. Participants may change the percentage they contribute and the investment direction of their contributions. Effective March 24, 2010, the investment options offered under the Plans were revised. The revised investment options comprise target date funds, actively managed funds, index funds and the Tesoro Stock Fund. Several investment options previously offered were eliminated.

Loans - Participants can borrow the lesser of \$50,000 or one half of their vested account balance from the Plans with a minimum loan of \$1,000. Such loans are secured by the participant's vested account balance and bear interest at the prime rate plus 1%. Outstanding loans for the Thrift Plan and Retail Savings Plan at year-end incur interest at rates between 4.25% and 10.0% and 4.25% and 9.25%, respectively. The Plans allow for new loans with original terms of six months to five years. Upon termination of employment, the loan repayment may continue at the election of the participant. If payments are in default, the unpaid loan balance will be treated as a distribution to the participant.

Payment of Benefits - Upon termination of employment, involuntary layoff, retirement, disability or death, the participant or the participant's beneficiary (distributee) will be provided the opportunity to request a distribution from the Plans. The Thrift Plan permits at-will withdrawals of the after-tax employee contributions. Any hardship withdrawals from amounts constituting the before-tax employee contribution will result in a six-month suspension of further contributions.

Administrative Expenses - The Plans' documents allow for the payment of administrative expenses by either the Plans or the Company. It has been a general practice for the Company to pay the administrative expenses of the Plans, except for those related to participant loans or withdrawals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Plans have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires plan management to make estimates that affect the amounts reported in the financial statements and accompanying notes and supplemental schedule. Actual results could differ from those estimates.

New Accounting Pronouncements - In January 2010, the Financial Accounting Standards Board ("FASB") amended the standard covering fair value measurements to require additional disclosures, including transfers in and out of Level 1 and 2 fair value measurements, the gross basis presentation of the reconciliation of Level 3 fair value measurements, and fair value measurement disclosure at the class level, as opposed to category level, as previously required. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for disclosures related to Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 (including interim periods). In addition, the standard also clarified the requirement for entities to disclose information about

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS**

both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. Since this standard only affects fair value measurement disclosures, its adoption did not affect on the Plans' net assets available for benefits or its changes in net assets available for benefits.

In September 2010, the FASB issued a standard that required participant loans to be measured at their unpaid principal balance plus any accrued but unpaid interest and classified as notes receivable from participants. Previously, loans were measured at fair value and classified as investments. This guidance is effective for fiscal years ending after December 15, 2010 and is required to be applied retrospectively. The adoption of this standard did not change the value of participant loans from the amount previously reported as of December 31, 2009. The amount of participant loans at December 31, 2009 has been reclassified to "Notes receivable from participants" within the statements of net assets available for benefits in conformity with this standard. The adoption of this standard did not have a material effect on the Plans' financial statements.

In May 2011, the FASB amended the standard covering fair value measurements and disclosures, in order to converge the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards ("IFRS"s). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in the previous standard. In addition, the amendments require additional fair value disclosures. The amendments will be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Plans' management is currently evaluating the effect that the provisions of this amended standard will have on the Plans' financial statements and does not believe it will have a material effect on the Plans' net assets available for benefits or changes in net assets available for benefits.

Investment Valuation and Income Recognition - Investments held by the Master Trust are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). See Note 5 for further discussion and disclosures related to fair value measurements. Shares of mutual funds are valued using quoted market prices from national securities exchanges, which represent the net asset value of shares held by the Master Trust at year-end. Common stock is valued at the closing price reported on the active market on which the individual security is traded. Common collective trust funds are stated at net asset value as determined by the issuer of the fund.

The Fidelity Managed Income Portfolio and Portfolio II are common/collective trust funds that invest in fully benefit-responsive investment contracts. The funds may invest in fixed interest insurance investment contracts, money market funds, corporate and government bonds, mortgage-backed securities, bond funds and other fixed income securities. The fair value of the Fidelity Managed Income Portfolio and Portfolio II is calculated by the issuer using a discounted cash flow model, which considers (i) recent fee bids as determined by recognized dealers, (ii) discount rate and (iii) the duration of the underlying portfolio securities. These funds are recorded at fair value (see Note 5); however, since these contracts are fully benefit-responsive, an adjustment is reflected in the statements of net assets available for benefits to present these investments at contract value. Contract value is the relevant measurement

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
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attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plans. The contract value represents contributions plus earnings, less participant withdrawals and administrative expenses.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Payments of Benefits - As of December 31, 2010 and 2009, there were no participant initiated withdrawals from either plan that had not been distributed. Benefit payments are recorded when paid.

Notes Receivable from Participants - Represents participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2010 or 2009. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

Subsequent Events - Management evaluated subsequent events for the Plans through September 9, 2011, the date the financial statements were available to be issued.

3. INVESTMENTS

All investment information disclosed in the accompanying financial statements and supplemental schedules including investments held, notes receivable from participants and the adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2010 and 2009, and plan interest in the Tesoro Corporation Savings Plan Master Trust and interest income on notes receivable from participants for the year ended December 31, 2010, was obtained or derived from information provided to the plans' administrator and certified as complete and accurate by Fidelity, the trustee of the Plans.

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS**

4. INTEREST IN THE TESORO CORPORATION SAVINGS PLAN MASTER TRUST

The Plans' assets are held in the Master Trust. The purpose of the Master Trust is the collective investment of assets of participating plans. Each participating Plans' interest in the Master Trust is based on account balances of the participants and their elected investment fund options. The Master Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating investment income and administrative expenses to the individual plans on a daily basis based on each participant's account balance within each investment fund option.

At December 31, 2010 and 2009, the percentage interest in the net assets of the Master Trust was as follows:

Plan	December 31,	
	2010	2009
Thrift Plan	99%	99%
Retail Savings Plan	1%	1%
	<u>100%</u>	<u>100%</u>

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS**

The percentage interest in each of the investment fund options within the Master Trust as of December 31, 2010 is disclosed below:

Investment Type / Fund Name	December 31, 2010	Thrift Plan	Retail Savings Plan
Common Stock			
Tesoro Stock Fund	\$ 102,913,332	99.17%	0.83%
Mutual Funds			
Bonds			
PIMCO Total Return Inst	31,872,823	99.95%	0.05%
Fidelity Government Income	21,813,289	99.50%	0.50%
Fidelity US BD Index	899,687	99.96%	0.04%
American Century Infl AdjBD Is	1,178,472	100.00%	0.00%
Equities			
Fidelity Contrafund K	80,801,140	99.76%	0.24%
WHG SMid Cap Inst	39,475,226	100.00%	0.00%
Alger SMid Cap Grth I	12,829,213	99.86%	0.14%
Spartan 500 Index	36,272,310	99.97%	0.03%
John Hancock Dscpl Val I	3,540,331	100.00%	0.00%
Spartan Extnd Mkt Index	24,357,818	100.00%	0.00%
Artisan Intl	32,352,370	99.94%	0.06%
Spartan Intl Index	11,735,704	100.00%	0.00%
Fidelity Puritan K	60,300,039	99.65%	0.35%
Lifecycle Funds			
Fidelity Freedom K Income	689,945	97.54%	2.46%
Fidelity Freedom K 2000	183,633	85.89%	14.11%
Fidelity Freedom K 2005	173,590	88.42%	11.58%
Fidelity Freedom K 2010	2,336,302	94.52%	5.48%
Fidelity Freedom K 2015	4,956,030	97.61%	2.39%
Fidelity Freedom K 2020	5,725,198	87.99%	12.01%
Fidelity Freedom K 2025	3,151,180	94.54%	5.46%
Fidelity Freedom K 2030	3,377,977	90.38%	9.62%
Fidelity Freedom K 2035	2,621,017	93.87%	6.13%
Fidelity Freedom K 2040	2,000,861	87.15%	12.85%
Fidelity Freedom K 2045	2,347,368	94.80%	5.20%
Fidelity Freedom K 2050	1,754,470	92.86%	7.14%
Common/collective Trust Funds			
Fidelity Managed Income Portfolio	31,123,560	99.53 %	0.47 %
Fidelity Managed Income Portfolio II	11,519,230	99.86 %	0.14 %
Total net assets available for benefits for participating plans, at fair value			
	532,302,115		
Adjustment from fair value to contract value for fully benefit-responsive investment contracts			
	(366,808)		
Total net assets available for benefits for participating plans			
	<u>\$ 531,935,307</u>		

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS**

Each Plan's percentage interest in each of the investment fund options within the Master Trust as of December 31, 2009 is disclosed below:

Investment Type / Fund Name	December 31, 2009	Thrift Plan	Retail Savings Plan
Common Stock			
Tesoro Stock Fund	\$ 74,983,485	99.12 %	0.88 %
Mutual Funds			
Bonds			
PIMCO Total Return Admin	21,751,571	100.00 %	0.00 %
Fidelity Government Income	21,231,136	99.50 %	0.50 %
Equities			
American Beacon Lg Cap Value	971,881	100.00 %	0.00 %
Fidelity Value	9,842,328	100.00 %	0.00 %
Royce Opportunity	6,488,185	100.00 %	0.00 %
American Funds Fundamental Investment R5	12,865,973	99.97 %	0.03 %
Fidelity Spartan US EQ Index	18,769,685	99.95 %	0.05 %
Fidelity Leverage Company Stock	3,662,887	100.00 %	0.00 %
Fidelity Low Priced-Stock	14,124,154	100.00 %	0.00 %
Lord Abbett Small-Cap Value A	14,614,052	100.00 %	0.00 %
Calamos Growth A	15,244,085	99.87 %	0.13 %
Fidelity Contrafund	21,765,926	100.00 %	0.00 %
Fidelity Capital Appreciation	5,332,153	100.00 %	0.00 %
Fidelity Export & Multinational	29,312,443	99.50 %	0.50 %
Fidelity Puritan	56,361,754	99.71 %	0.29 %
Rainier Small/Mid Cap Equity Instl	1,148,320	100.00 %	0.00 %
Fidelity Small Cap Independence	8,290,142	99.84 %	0.16 %
Fidelity Diversified International	34,294,559	99.93 %	0.07 %
Fidelity Spartan Internation Index Inv	8,009,170	100.00 %	0.00 %
Lifecycle Funds			
Fidelity Freedom Income	506,794	97.49 %	2.51 %
Fidelity Freedom 2000	68,622	62.58 %	37.42 %
Fidelity Freedom 2005	126,362	78.86 %	21.14 %
Fidelity Freedom 2010	1,293,768	89.59 %	10.41 %
Fidelity Freedom 2015	2,861,786	96.22 %	3.78 %
Fidelity Freedom 2020	3,190,263	79.25 %	20.75 %
Fidelity Freedom 2025	2,041,238	92.64 %	7.36 %
Fidelity Freedom 2030	2,160,835	85.11 %	14.89 %
Fidelity Freedom 2035	1,468,851	90.00 %	10.00 %
Fidelity Freedom 2040	1,286,954	79.43 %	20.57 %
Fidelity Freedom 2045	1,332,353	90.61 %	9.39 %
Fidelity Freedom 2050	982,567	85.63 %	14.37 %
Common/collective Trust Fund			
Fidelity Managed Income Portfolio	41,007,368	99.71 %	0.29 %
Total net assets available for benefits for participating plans, at fair value			
	437,391,650		
Adjustment from fair value to contract value for fully benefit-responsive investment contracts			
	762,538		
Total net assets available for benefits for participating plans			
	<u>\$ 438,154,188</u>		

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Investment income of the Master Trust for the year ended December 31, 2010 is as follows:

	<u>December 31, 2010</u>
Net appreciation in fair value of investments:	
Tesoro Stock Fund	\$ 27,799,298
Mutual funds	40,625,981
	<u>68,425,279</u>
Interest and dividend income	<u>8,656,191</u>
Total Master Trust investment income	<u><u>\$ 77,081,470</u></u>

5. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Financial assets and financial liabilities are classified into the following fair value hierarchy:

Level 1- quoted prices in active markets for identical assets and liabilities;

Level 2 - quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability; and

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety.

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NOTES TO THE FINANCIAL STATEMENTS**

The following tables present information about the Plans and related Master Trust's assets measured at fair value on a recurring basis and indicate the fair value hierarchy of the inputs utilized to determine the fair values as of December 31, 2010 and 2009.

Assets at Fair Value as of December 31, 2010				
	Level 1	Level 2	Level 3	Total
Master Trust:				
Tesoro Stock Fund	\$ 102,913,332	\$ —	\$ —	\$ 102,913,332
Mutual Funds				
Bonds	55,764,271	—	—	55,764,271
Domestic Equity				
Large Value	3,540,331	—	—	3,540,331
Large Blend	36,272,310	—	—	36,272,310
Mid Blend	63,833,044	—	—	63,833,044
Large Growth	141,101,179	—	—	141,101,179
Mid Growth	12,829,213	—	—	12,829,213
International Equities	44,088,074	—	—	44,088,074
Lifecycle Funds	29,317,571	—	—	29,317,571
Common/collective Trust Funds (a)				
Stable Value Funds	—	42,642,790	—	42,642,790
Total Master Trust	\$ 489,659,325	\$ 42,642,790	\$ —	\$ 532,302,115

Assets at Fair Value as of December 31, 2009				
	Level 1	Level 2	Level 3	Total
Master Trust:				
Tesoro Stock Fund	\$ 74,983,485	\$ —	\$ —	\$ 74,983,485
Mutual Funds				
Bonds	42,982,707	—	—	42,982,707
Domestic Equity				
Large Value	971,881	—	—	971,881
Mid Value	9,842,328	—	—	9,842,328
Small Value	6,488,185	—	—	6,488,185
Large Blend	31,635,658	—	—	31,635,658
Mid Blend	17,787,041	—	—	17,787,041
Small Blend	14,614,052	—	—	14,614,052
Large Growth	128,016,361	—	—	128,016,361
Mid Growth	1,148,320	—	—	1,148,320
Small Growth	8,290,142	—	—	8,290,142
International Equities	42,303,729	—	—	42,303,729
Lifecycle Funds	17,320,393	—	—	17,320,393
Common/collective Trust Fund (a)				
Stable Value Fund	—	41,007,368	—	41,007,368
Total Master Trust	\$ 396,384,282	\$ 41,007,368	\$ —	\$ 437,391,650

- (a) This category includes common/collective trust funds that are designed to deliver safety and stability by preserving principal and accumulating earnings. These funds are primarily invested in guaranteed investment contracts and synthetic investment contracts. Participant-directed redemptions have no restrictions; however, the Plans are required to provide a one year redemption notice to liquidate their entire share in the funds. The fair value of these funds have been estimated based on the fair value of the underlying investment contracts in the funds as reported by the issuer of the funds. The fair value differs from the contract value. As previously discussed in note 2, contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plans.

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS**

6. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain investments of the Plans are shares of mutual funds managed by Fidelity. Fidelity is the Trustee as defined by the Plans and, therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plans for investment management services were included as a reduction of the return earned on each fund.

At December 31, 2010 and 2009, the Plans held shares of common stock of Tesoro Corporation, the sponsoring employer, in the Master Trust. The number and the cost basis of the shares held by each of the Plans are shown below:

Plan	December 31,	
	2010	2009
Thrift Plan		
Number of shares	3,296,709	3,273,680
Cost basis of shares	\$ 78,423,280	\$ 80,081,658
Retail Savings Plan		
Number of shares	27,702	29,085
Cost basis of shares	\$ 451,929	\$ 470,125

7. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plans to discontinue its contributions at any time and to terminate the Plans subject to the provisions set forth in ERISA. In the event that the Plans are terminated, participants would become 100% vested in their account.

8. FEDERAL INCOME TAX STATUS

The Plans have received determination letters from the IRS (dated as shown below) stating that the Plans are qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation.

Plan	Date
Thrift Plan	March 4, 2010
Retail Savings Plan	August 26, 2010

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS**

The Plans have been amended or restated since the most recent determination letters. Once qualified, the Plans are required to operate in conformity with the Code to maintain their qualification. The plans' administrator believes the Plans are being operated in compliance with the applicable requirements of the Code and therefore believes the Plans, as amended, are qualified and the related trust is tax-exempt.

U.S. GAAP requires management to evaluate uncertain tax positions taken by the Plans. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Plans, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken. The Plans have recognized no interest or penalties related to uncertain tax positions. The Plans are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2007.

9. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of the Plans' net assets available for benefits per the financial statements to the Form 5500:

December 31, 2010	Thrift Plan	Retail Savings Plan
Net assets available for benefits per the financial statements	\$ 546,955,667	\$ 4,804,178
Plus adjustments from fair value to contract value for fully benefit-responsive investment contracts	365,457	1,351
Net assets available for plan benefits per the Form 5500	<u>\$ 547,321,124</u>	<u>\$ 4,805,529</u>
December 31, 2009	Thrift Plan	Retail Savings Plan
Net assets available for benefits per the financial statements	\$ 450,453,457	\$ 3,815,172
Less adjustments from fair value to contract value for fully benefit-responsive investment contracts	760,360	2,178
Net assets available for plan benefits per the Form 5500	<u>\$ 449,693,097</u>	<u>\$ 3,812,994</u>

**TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS**

The following is a reconciliation of the Plans' net change in net assets per the financial statements to the Form 5500:

December 31, 2010	Thrift Plan	Retail Savings Plan
Net increase in net assets available for benefits per the financial statements	\$ 96,502,210	\$ 989,006
Change in adjustments from fair value to contract value for fully benefit-responsive investment contracts	1,125,817	3,529
Total net income per the Form 5500	\$ 97,628,027	\$ 992,535

The accompanying financial statements present fully benefit-responsive contracts at contract value. The Form 5500 requires fully benefit-responsive investment contracts to be reported at fair value. Therefore, the adjustment from fair value to contract value for fully benefit-responsive investment contracts represents a reconciling item.

10. RISKS AND UNCERTAINTIES

The Plans provide for investments in various securities through the Master Trust's investment funds offered to participants, including but not limited to, various mutual funds and equity of the Company, among others. Investment securities, in general, are exposed to various risks such as interest rate, credit, liquidity and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits and participant account balances.

11. SUBSEQUENT EVENTS

The Employee Benefit Committee approved several changes to the company 401(k) plans in August 2011. These changes include removing the requirement that 50% of Tesoro's matching contributions to employees be directed to the Tesoro Stock Fund and allowing employees to use their own contributions to invest in the Tesoro Stock Fund. Tesoro registered these shares with the Securities and Exchange Commission on August 8, 2011.

TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
SCHEDULE H, LINE 4i -SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2010
EIN: 95-0862768

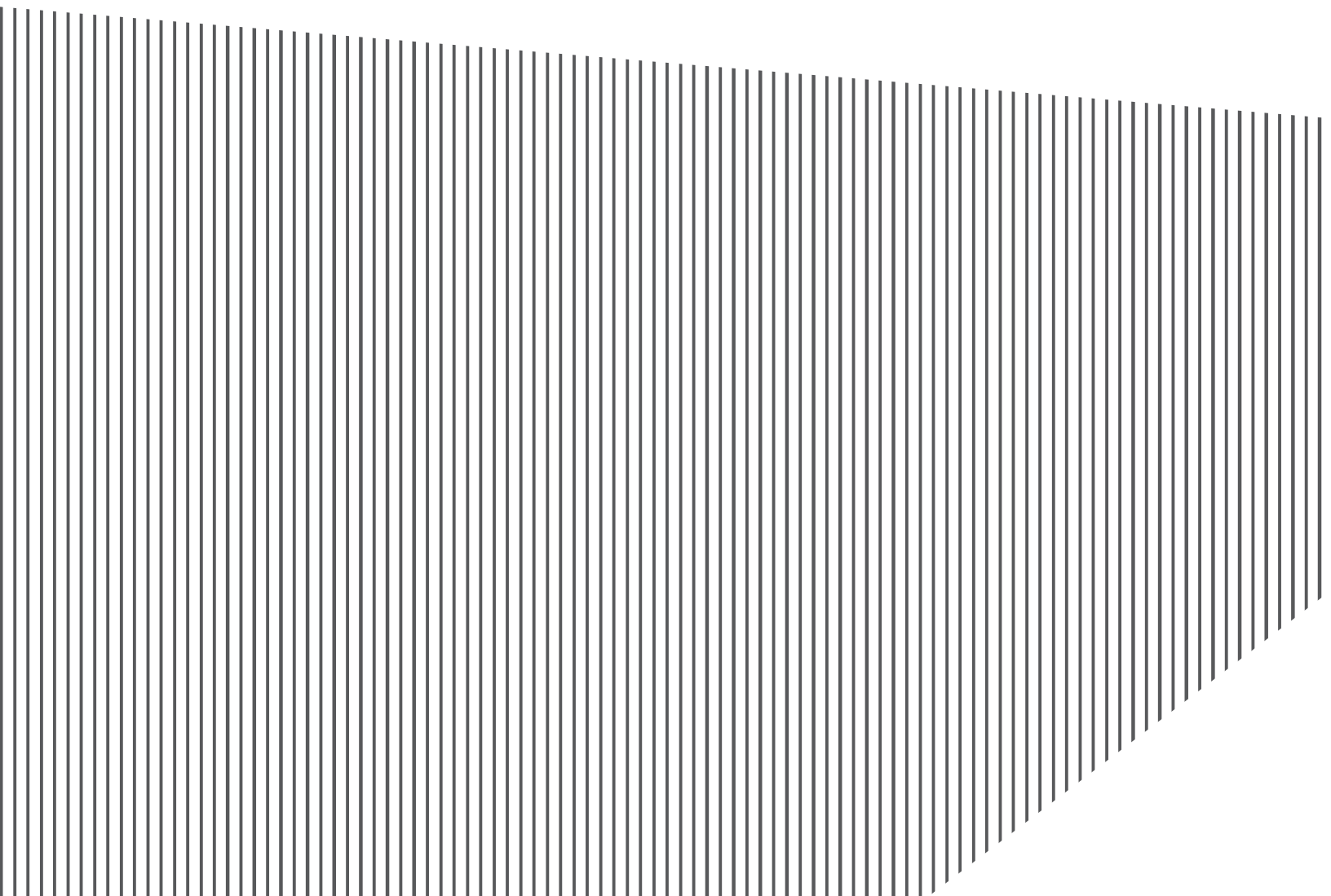
Identity of Issue, Borrower, Lessor, Similar Party	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, Maturity Value	Cost	Current Value
<i>Tesoro Corporation Thrift Plan (Plan No. 002)</i>			
* Participant loans	Varying maturity dates with interest rates ranging from 4.25% to 10.0%	N/A	<u>\$ 18,772,470</u>
<i>Tesoro Corporation Retail Savings Plan (Plan No. 005)</i>			
* Participant loans	Varying maturity dates with interest rates ranging from 4.25% to 9.25%	N/A	<u>\$ 461,447</u>
* Indicates party-in-interest			

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TESORO CORPORATION THRIFT PLAN
TESORO CORPORATION RETAIL SAVINGS PLAN
SCHEDULE H, LINE 4i -SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2010
EIN: 95-0862768

Identity of Issue, Borrower, Lessor, Similar Party	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, Maturity Value	Cost	Current Value
<i>Tesoro Corporation Thrift Plan (Plan No. 002)</i>			
* Participant loans	Varying maturity dates with interest rates ranging from 4.25% to 10.0%	N/A	<u>\$ 18,772,470</u>
<i>Tesoro Corporation Retail Savings Plan (Plan No. 005)</i>			
* Participant loans	Varying maturity dates with interest rates ranging from 4.25% to 9.25%	N/A	<u>\$ 461,447</u>
* Indicates party-in-interest			