FORM 10-K

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

(Mark One)

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

For the fiscal year ended December 31, 2013

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________

Commission file number 1-13175

VALERO ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**74-1828067**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Valero Way **San Antonio, Texas**	**78249**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (210) 345-2000

Securities registered pursuant to Section 12(b) of the Act: Common stock, $0.01 par value per share listed on the New York Stock Exchange.

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates was approximately $18.8 billion based on the last sales price quoted as of June 28, 2013 on the New York Stock Exchange, the last business day of the registrant's most recently completed second fiscal quarter.

As of January 31, 2014, 532,510,263 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

We intend to file with the Securities and Exchange Commission a definitive Proxy Statement for our Annual Meeting of Stockholders scheduled for May 1, 2014, at which directors will be elected. Portions of the 2014 Proxy Statement are incorporated by reference in Part III of this Form 10-K and are deemed to be a part of this report.

CROSS-REFERENCE SHEET

The following table indicates the headings in the 2014 Proxy Statement where certain information required in Part III of this Form 10-K may be found.

Form 10-K Item No. and Caption	**Heading in 2014 Proxy Statement**
10. Directors, Executive Officers and Corporate Governance	*Information Regarding the Board of Directors, Independent Directors, Audit Committee, Proposal No. 1 Election of Directors*, *Information Concerning Nominees and Other Directors, Identification of Executive Officers, Section 16(a) Beneficial Ownership Reporting Compliance,* and *Governance Documents and Codes of Ethics*
11. Executive Compensation	*Compensation Committee, Compensation Discussion and Analysis, Director Compensation, Executive Compensation,* and *Certain Relationships and Related Transactions*
12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	*Beneficial Ownership of Valero Securities* and *Equity Compensation Plan Information*
13. Certain Relationships and Related Transactions, and Director Independence	*Certain Relationships and Related Transactions* and *Independent Directors*
14. Principal Accountant Fees and Services	*KPMG Fees for Fiscal Year 2013, KPMG Fees for Fiscal Year 2012,* and *Audit Committee Pre-Approval Policy*

Copies of all documents incorporated by reference, other than exhibits to such documents, will be provided without charge to each person who receives a copy of this Form 10-K upon written request to Valero Energy Corporation, Attn: Secretary, P.O. Box 696000, San Antonio, Texas 78269-6000.

CONTENTS

PART I

The terms “Valero,” “we,” “our,” and “us,” as used in this report, may refer to Valero Energy Corporation, to one or more of our consolidated subsidiaries, or to all of them taken as a whole. In this Form 10-K, we make certain forward-looking statements, including statements regarding our plans, strategies, objectives, expectations, intentions, and resources, under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You should read our forward-looking statements together with our disclosures beginning on page 23 of this report under the heading: “CAUTIONARY STATEMENT FOR THE PURPOSE OF SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.”

ITEMS 1., 1A., and 2. BUSINESS, RISK FACTORS, AND PROPERTIES

Overview. We are a Fortune 500 company based in San Antonio, Texas. Our corporate offices are at One Valero Way, San Antonio, Texas, 78249 and our telephone number is (210) 345-2000. Our common stock trades on the New York Stock Exchange (NYSE) under the symbol “VLO.” We were incorporated in Delaware in 1981 under the name Valero Refining and Marketing Company. We changed our name to Valero Energy Corporation on August 1, 1997. On January 31, 2014, we had 10,007 employees.

Our 16 petroleum refineries are located in the United States (U.S.), Canada, the United Kingdom (U.K.), and Aruba. Our refineries can produce conventional gasolines, premium gasolines, gasoline meeting the specifications of the California Air Resources Board (CARB), diesel fuel, low-sulfur diesel fuel, ultra-low-sulfur diesel fuel, CARB diesel fuel, other distillates, jet fuel, asphalt, petrochemicals, lubricants, and other refined products.

We market branded and unbranded refined products on a wholesale basis in the U.S., Canada, the Caribbean, the U.K., and Ireland through an extensive bulk and rack marketing network and through approximately 7,400 outlets that carry our brand names.

We also own 10 ethanol plants in the central plains region of the U.S. that primarily produce ethanol, which we market on a wholesale basis through a bulk marketing network.

Available Information. Our website address is www.valero.com. Information on our website is not part of this annual report on Form 10-K. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K filed with (or furnished to) the Securities and Exchange Commission (SEC) are available on our website (under “Investor Relations”) free of charge, soon after we file or furnish such material. In this same location, we also post our corporate governance guidelines, codes of ethics, and the charters of the committees of our board of directors. These documents are available in print to any stockholder that makes a written request to Valero Energy Corporation, Attn: Secretary, P.O. Box 696000, San Antonio, Texas 78269-6000.

SEGMENTS

We have two reportable segments: refining and ethanol. Our refining segment includes refining operations, wholesale marketing, product supply and distribution, and transportation operations in the U.S., Canada, the U.K., Aruba, and Ireland. Our ethanol segment primarily includes sales of internally produced ethanol and distillers grains. Financial information about our segments is presented in Note 18 of Notes to Consolidated Financial Statements and is incorporated herein by reference.

We formerly had a third reportable segment: retail. In 2013, we completed the separation of our retail business by creating an independent public company named CST Brands, Inc. (CST). The separation of our retail business is discussed in Note 3 of Notes to Consolidated Financial Statements and that discussion is incorporated herein by reference.

VALERO'S OPERATIONS

REFINING

On December 31, 2013, our refining operations included 16 petroleum refineries in the U.S., Canada, the U.K., and Aruba, with a combined total throughput capacity of approximately 3.1 million barrels per day (BPD). The following table presents the locations of these refineries and their approximate feedstock throughput capacities as of December 31, 2013.

Refinery	Location	Throughput Capacity [a] (BPD)
U.S. Gulf Coast:		
Corpus Christi [b]	Texas	325,000
Port Arthur	Texas	350,000
St. Charles	Louisiana	280,000
Texas City	Texas	250,000
Aruba [c]	Aruba	235,000
Houston	Texas	165,000
Meraux	Louisiana	135,000
Three Rivers	Texas	100,000
		1,840,000
U.S. Mid-Continent:		
Memphis	Tennessee	195,000
McKee	Texas	170,000
Ardmore	Oklahoma	90,000
		455,000
North Atlantic:		
Pembroke	Wales, U.K.	270,000
Quebec City	Quebec, Canada	235,000
		505,000
U.S. West Coast:		
Benicia	California	170,000
Wilmington	California	135,000
		305,000
Total		**3,105,000**

(a) "Throughput capacity" represents estimated capacity for processing crude oil, intermediates, and other feedstocks. Total estimated crude oil capacity is approximately 2.6 million BPD.

(b) Represents the combined capacities of two refineries – the Corpus Christi East and Corpus Christi West Refineries.

(c) The operations of the Aruba Refinery were suspended in March 2012. For further discussion of this matter, see Note 4 in Notes to Consolidated Financial Statements.

Total Refining System

The following table presents the percentages of principal charges and yields (on a combined basis) for all of our refineries for the year ended December 31, 2013. Our total combined throughput volumes averaged 2.7 million BPD for the year ended December 31, 2013.

Combined Total Refining System Charges and Yields

Charges:		
	sour crude oil	36%
	sweet crude oil	39%
	residual fuel oil	10%
	other feedstocks	4%
	blendstocks	11%
Yields:		
	gasolines and blendstocks	48%
	distillates	36%
	petrochemicals	3%
	other products (includes petrochemicals, gas oils, No. 6 fuel oil, petroleum coke, and asphalt)	13%

U.S. Gulf Coast

The following table presents the percentages of principal charges and yields (on a combined basis) for the nine refineries in this region for the year ended December 31, 2013. Total throughput volumes for the U.S. Gulf Coast refining region averaged 1.52 million BPD for the year ended December 31, 2013.

Combined U.S. Gulf Coast Region Charges and Yields

Charges:		
	sour crude oil	46%
	sweet crude oil	20%
	residual fuel oil	17%
	other feedstocks	4%
	blendstocks	13%
Yields:		
	gasolines and blendstocks	45%
	distillates	36%
	petrochemicals	4%
	other products (includes gas oil, No. 6 fuel oil, petroleum coke, and asphalt)	15%

Corpus Christi East and West Refineries. Our Corpus Christi East and West Refineries are located on the Texas Gulf Coast along the Corpus Christi Ship Channel. The East Refinery processes sour crude oil into conventional gasoline, diesel, jet fuel, asphalt, aromatics, and other light products. The West Refinery specializes in processing primarily sour crude oil and residual fuel oil into premium products such as RBOB (reformulated gasoline blendstock for oxygenate blending). The East and West Refineries allow for the transfer of various feedstocks and blending components between the two refineries and the sharing of resources. The refineries typically receive and deliver feedstocks and products by tanker and barge via deepwater docking facilities along the Corpus Christi Ship Channel. Three truck racks with a total of 16 bays service local markets for gasoline, diesel, jet fuels, liquefied petroleum gases, and asphalt. Finished products are distributed across the refineries' docks into ships or barges, and are transported via third-party pipelines to the Colonial, Explorer, Valley, and other major pipelines.

Port Arthur Refinery. Our Port Arthur Refinery is located on the Texas Gulf Coast approximately 90 miles east of Houston. The refinery processes primarily heavy sour crude oils and other feedstocks into gasoline, diesel, jet fuel, petrochemicals, intermediates, petroleum coke, and sulfur. The refinery's newest major unit is a 60,000 BPD hydrocracker (completed in 2012), constructed to expand the refinery's yield of distillates. The refinery receives crude oil over marine docks and through crude oil pipelines, and has access to the Sunoco and Oiltanking terminals at Nederland, Texas. Finished products are distributed into the Colonial, Explorer, and TEPPCO pipelines and across the refinery docks into ships or barges.

St. Charles Refinery. Our St. Charles Refinery is located approximately 15 miles west of New Orleans along the Mississippi River. The refinery processes sour crude oils and other feedstocks into gasoline, distillates, and other light products. In 2013, we completed construction and placed into operation a 60,000 BPD hydrocracker at this refinery. The refinery receives crude oil over five marine docks and has access to the Louisiana Offshore Oil Port where it can receive crude oil through a 24-inch pipeline. Finished products can be shipped over these docks or through the Colonial pipeline network for distribution to the eastern U.S.

Texas City Refinery. Our Texas City Refinery is located southeast of Houston on the Texas City Ship Channel. The refinery processes crude oils into a wide slate of products. The refinery receives its feedstocks by the Cameron Highway, Houston Offshore Oil, and Seaway Enterprise pipelines, and by ship and barge via deepwater docking facilities along the Texas City Ship Channel. The refinery uses ships and barges, as well as the Colonial, Explorer and TEPPCO pipelines for distribution of its products.

Houston Refinery. Our Houston Refinery is located on the Houston Ship Channel. It processes a mix of crude oils and intermediate oils into reformulated gasoline and distillates. The refinery receives its feedstocks via interstate crude pipelines, tankers at deepwater docking facilities along the Houston Ship Channel and interconnecting pipelines with the Texas City Refinery. It delivers its products through major pipelines, including the Colonial, Explorer, Orion, and TEPPCO pipelines.

Meraux Refinery. Our Meraux Refinery is located in St. Bernard Parish southeast of New Orleans. The refinery processes primarily medium sour crude oils into gasoline, distillates, and other light products. The refinery receives crude oil at its marine dock and has access to the Louisiana Offshore Oil Port where it can receive crude oil via the Clovelly-Alliance-Meraux pipeline system. Finished products can be shipped from the refinery's dock or through the Colonial pipeline network for distribution to the eastern U.S. The Meraux Refinery is located about 40 miles from our St. Charles Refinery, allowing for integration of feedstocks and refined product blending.

Three Rivers Refinery. Our Three Rivers Refinery is located in South Texas between Corpus Christi and San Antonio. It processes sweet and medium sour crude oils into gasoline, distillates, and aromatics. Additionally, the refinery has recently installed processing equipment to facilitate the processing of lighter domestic crude oil. The refinery has access to crude oil from sources outside the U.S. delivered to the Texas Gulf Coast at Corpus Christi as well as crude oil from U.S. sources through third-party pipelines and trucks. A 70-mile pipeline transports crude oil via connections to the Three Rivers Refinery from Corpus Christi. To capitalize on the increase in the production of domestic crude oil in South Texas, the refinery has installed facilities to receive increased volumes of domestic crude oil by truck and new third-party pipelines. The refinery distributes its refined products primarily through third-party pipelines.

Aruba Refinery. Our Aruba Refinery is located on the island of Aruba in the Caribbean Sea. The refinery heretofore processed primarily heavy sour crude oil and produced intermediate feedstocks and finished distillate products. The refinery receives crude oil by ship at its two deepwater marine docks, which can berth ultra-large crude carriers. The operations of the Aruba Refinery were suspended in March 2012, and in September 2012, we reorganized the refinery into a crude oil and refined products terminal. For additional information about this matter, see Note 4 of Notes to Consolidated Financial Statements.

U.S. Mid-Continent

The following table presents the percentages of principal charges and yields (on a combined basis) for the three refineries in this region for the year ended December 31, 2013. Total throughput volumes for the U.S. Mid-Continent refining region averaged approximately 435,000 BPD for the year ended December 31, 2013.

Combined U.S. Mid-Continent Region Charges and Yields

Charges:		
	sour crude oil	8%
	sweet crude oil	83%
	other feedstocks	1%
	blendstocks	8%
Yields:		
	gasolines and blendstocks	55%
	distillates	35%
	petrochemicals	5%
	other products (includes gas oil, No. 6 fuel oil, and asphalt)	5%

Memphis Refinery. Our Memphis Refinery is located in Tennessee along the Mississippi River's Lake McKellar. It processes primarily sweet crude oils. Most of its production is light products, including regular and premium gasoline, diesel, jet fuels, and petrochemicals. Crude oil is supplied to the refinery via the Capline pipeline and can also be received, along with other feedstocks, via barge. The refinery's products are distributed via truck racks, barges, and a pipeline network, including one pipeline directly to the Memphis airport.

McKee Refinery. Our McKee Refinery is located in the Texas Panhandle. It processes primarily sweet crude oils into conventional gasoline, RBOB, low-sulfur diesel, jet fuels, and asphalt. The refinery has access to crude oil from Texas, Oklahoma, Kansas, and Colorado through third-party pipelines. The refinery also has access at Wichita Falls, Texas to third-party pipelines that transport crude oil from West Texas to the U.S. Mid-Continent region. The refinery distributes its products primarily via third-party pipelines to markets in Texas, New Mexico, Arizona, Colorado, and Oklahoma.

Ardmore Refinery. Our Ardmore Refinery is located in Ardmore, Oklahoma, approximately 100 miles south of Oklahoma City. It processes medium sour and sweet crude oils into conventional gasoline, ultra-low-sulfur diesel, liquefied petroleum gas products, and asphalt. Local crude oil is gathered by Enterprise’s crude oil gathering/trunkline systems and trucking operations, and is then transported to the refinery through third-party crude oil pipelines. The refinery also receives crude oil from other locations via third-party pipelines. Refined products are transported to market via railcars, trucks, and the Magellan pipeline system.

North Atlantic

The following table presents the percentages of principal charges and yields (on a combined basis) for the two refineries in this region for the year ended December 31, 2013. Total throughput volumes for the North Atlantic refining region averaged approximately 459,000 BPD for the year ended December 31, 2013.

Combined North Atlantic Region Charges and Yields

Charges:		
	sour crude oil	6%
	sweet crude oil	80%
	residual fuel oil	6%
	other feedstocks	1%
	blendstocks	7%
Yields:		
	gasolines and blendstocks	43%
	distillates	44%
	petrochemicals	1%
	other products (includes gas oil, No. 6 fuel oil, and other products)	12%

Pembroke Refinery. Our Pembroke Refinery is located in the County of Pembrokeshire in southwest Wales, U.K. The refinery processes primarily sweet crude oils into ultra-low sulfur gasoline and diesel, jet fuel, heating oil, and low sulfur fuel oil. The refinery receives all of its feedstocks and delivers the majority of its products by ship and barge via deepwater docking facilities along the Milford Haven Waterway with its remaining products being delivered by our Mainline pipeline system and by tanker trucks.

Quebec City Refinery. Our Quebec City Refinery is located in Lévis, Canada (near Quebec City). It processes sweet, high mercaptan crude oils and lower-quality, sweet acidic crude oils, western Canadian synthetic oil, West Texas Intermediate (WTI) crude oil and shale oil into conventional gasoline, low-sulfur diesel, jet fuel, heating oil, and propane. The refinery receives crude oil by ship at its deepwater dock on the St. Lawrence River and by rail cars. The refinery transports its products through our pipeline from Quebec City to our terminal in Montreal and to various other terminals throughout eastern Canada by trains, ships, trucks and third-party pipelines.

U.S. West Coast

The following table presents the percentages of principal charges and yields (on a combined basis) for the two refineries in this region for the year ended December 31, 2013. Total throughput volumes for the U.S. West Coast refining region averaged approximately 265,000 BPD for the year ended December 31, 2013.

Combined U.S. West Coast Region Charges and Yields

Charges:		
	sour crude oil	70%
	sweet crude oil	4%
	other feedstocks	11%
	blendstocks	15%
Yields:		
	gasolines and blendstocks	59%
	distillates	27%
	other products (includes gas oil, No. 6 fuel oil, petroleum coke, and asphalt)	14%

Benicia Refinery. Our Benicia Refinery is located northeast of San Francisco on the Carquinez Straits of San Francisco Bay. It processes sour crude oils into premium products, primarily CARBOB gasoline, a reformulated gasoline mixture that meets the specifications of the California Air Resources Board (CARB) when blended with ethanol. The refinery receives crude oil feedstocks via a marine dock that can berth large crude oil carriers and a 20-inch crude oil pipeline connected to a southern California crude oil delivery system. Most of the refinery's products are distributed via the Kinder Morgan pipeline system in California.

Wilmington Refinery. Our Wilmington Refinery is located near Los Angeles, California. The refinery processes a blend of lower-cost heavy and high-sulfur crude oils. The refinery can produce all of its gasoline as CARBOB gasoline and produces ultra-low-sulfur diesel, CARB diesel, and jet fuel. The refinery is connected by pipeline to marine terminals and associated dock facilities that can move and store crude oil and other feedstocks. Refined products are distributed via the Kinder Morgan pipeline system and various third-party terminals in southern California, Nevada, and Arizona.

Feedstock Supply

Approximately 51 percent of our current crude oil feedstock requirements are purchased through term contracts while the remaining requirements are generally purchased on the spot market. Our term supply agreements include arrangements to purchase feedstocks at market-related prices directly or indirectly from various national oil companies as well as international and U.S. oil companies. The contracts generally permit the parties to amend the contracts (or terminate them), effective as of the next scheduled renewal date, by giving the other party proper notice within a prescribed period of time (*e.g.*, 60 days, 6 months) before expiration of the current term. The majority of the crude oil purchased under our term contracts is purchased at the producer's official stated price (*i.e.*, the "market" price established by the seller for all purchasers) and not at a negotiated price specific to us.

Refining Segment Sales

Overview

Our refining segment includes sales of refined products in both the wholesale rack and bulk markets. These sales include refined products that are manufactured in our refining operations as well as refined products purchased or received on exchange from third parties. Most of our refineries have access to marine transportation facilities and interconnect with common-carrier pipeline systems, allowing us to sell products in the U.S., Canada, the U.K., and other countries. No customer accounted for more than 10 percent of our total operating revenues in 2013.

Wholesale Marketing

We market branded and unbranded refined products on a wholesale basis through an extensive rack marketing network. The principal purchasers of our refined products from terminal truck racks are wholesalers, distributors, retailers, and truck-delivered end users throughout the U.S., Canada, the U.K., and Ireland.

The majority of our rack volume is sold through unbranded channels. The remainder is sold to distributors and dealers that are members of the Valero-brand family that operate approximately 5,600 branded sites in the U.S., approximately 1,000 branded sites in the U.K. and Ireland, and approximately 800 branded sites in Canada. These sites are independently owned and are supplied by us under multi-year contracts. For wholesale branded sites, we promote the Valero®, Beacon®, and Shamrock® brands in the U.S., the Ultramar® brand in Canada, and the Texaco® brand in the U.K. and Ireland.

Bulk Sales and Trading

We sell a significant portion of our gasoline and distillate production through bulk sales channels in U.S. and international markets. Our bulk sales are made to various oil companies and traders as well as certain bulk end-users such as railroads, airlines, and utilities. Our bulk sales are transported primarily by pipeline, barges, and tankers to major tank farms and trading hubs.

We also enter into refined product exchange and purchase agreements. These agreements help minimize transportation costs, optimize refinery utilization, balance refined product availability, broaden geographic distribution, and provide access to markets not connected to our refined-product pipeline systems. Exchange agreements provide for the delivery of refined products by us to unaffiliated companies at our and third-parties' terminals in exchange for delivery of a similar amount of refined products to us by these unaffiliated companies at specified locations. Purchase agreements involve our purchase of refined products from third parties with delivery occurring at specified locations.

Specialty Products

We sell a variety of other products produced at our refineries, which we refer to collectively as “Specialty Products.” Our Specialty Products include asphalt, lube oils, natural gas liquids (NGLs), petroleum coke, petrochemicals, and sulfur.

- We produce asphalt at five of our refineries. Our asphalt products are sold for use in road construction, road repair, and roofing applications through a network of refinery and terminal loading racks.
- We produce naphthenic oils at one of our refineries suitable for a wide variety of lubricant and process applications.
- NGLs produced at our refineries include butane, isobutane, and propane. These products can be used for gasoline blending, home heating, and petrochemical plant feedstocks.
- We are a significant producer of petroleum coke, supplying primarily power generation customers and cement manufacturers. Petroleum coke is used largely as a substitute for coal.
- We produce and market a number of commodity petrochemicals including aromatics (benzene, toluene, and xylene) and two grades of propylene. Aromatics and propylenes are sold to customers in the chemical industry for further processing into such products as paints, plastics, and adhesives.
- We are a large producer of sulfur with sales primarily to customers serving the agricultural sector. Sulfur is used in manufacturing fertilizer.

Logistics and Transportation

We own several transportation and logistics assets (crude oil pipelines, refined product pipelines, terminals, tanks, marine docks, truck rack bays, railcars, and rail facilities) that support our refining and ethanol operations. In addition, through subsidiaries, we own 100 percent of the general partner interest of Valero Energy Partners LP and approximately 70 percent of its limited partner interests. Valero Energy Partners LP is a midstream master limited partnership. Its common units representing limited partner interests are traded on the NYSE under the symbol “VLP.” Its assets support the operations of our Port Arthur, McKee, and Memphis Refineries. Valero Energy Partners LP is discussed more fully in Note 5 of Notes to Consolidated Financial Statements.

ETHANOL

We own 10 ethanol plants with a combined ethanol production capacity of about 1.2 billion gallons per year. Our ethanol plants are dry mill facilities [1] that process corn to produce ethanol and distillers grains. [2] We source our corn supply from local farmers and commercial elevators. Our facilities receive corn primarily by rail and truck. We publish on our website a corn bid for local farmers and cooperative dealers to use to facilitate corn supply transactions.

After processing, our ethanol is held in storage tanks on-site pending loading to trucks and railcars. We sell our ethanol (i) to large customers – primarily refiners and gasoline blenders – under term and spot contracts, and (ii) in bulk markets such as New York, Chicago, the U.S. Gulf Coast, Florida, and the U.S. West Coast. We ship our dry distillers grains (DDG) by truck or rail primarily to animal feed customers in the U.S. and Mexico, with some sales into the Far East. We also sell modified distillers grains locally at our plant sites.

The following table presents the locations of our ethanol plants, their approximate ethanol and DDG production capacities, and their approximate corn processing capacities.

State	City	Ethanol Production Capacity (in gallons per year)	Production of DDG (in tons per year)	Corn Processed (in bushels per year)
Indiana	Linden	120 million	355,000	42 million
Iowa	Albert City	120 million	355,000	42 million
	Charles City	125 million	370,000	44 million
	Fort Dodge	125 million	370,000	44 million
	Hartley	125 million	370,000	44 million
Minnesota	Welcome	125 million	370,000	44 million
Nebraska	Albion	120 million	355,000	42 million
Ohio	Bloomingburg	120 million	355,000	42 million
South Dakota	Aurora	125 million	370,000	44 million
Wisconsin	Jefferson	100 million	320,000	37 million
	total	1,205 million	3,590,000	425 million

The combined production of denatured ethanol from our plants in 2013 averaged 3.3 million gallons per day.

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1 Ethanol is commercially produced using either the wet mill or dry mill process. Wet milling involves separating the grain kernel into its component parts (germ, fiber, protein, and starch) prior to fermentation. In the dry mill process, the entire grain kernel is ground into flour. The starch in the flour is converted to ethanol during the fermentation process, creating carbon dioxide and distillers grains.

2 During fermentation, nearly all of the starch in the grain is converted into ethanol and carbon dioxide, while the remaining nutrients (proteins, fats, minerals, and vitamins) are concentrated to yield modified distillers grains, or, after further drying, dried distillers grains. Distillers grains generally are an economical partial replacement for corn, soybean, and dicalcium phosphate in feeds for livestock, swine, and poultry.

RISK FACTORS

Risk Factors Related to Our Business

Our financial results are affected by volatile refining margins, which are dependent upon factors beyond our control.

Our financial results are primarily affected by the relationship, or margin, between refined product prices and the prices for crude oil and other feedstocks. Our cost to acquire feedstocks and the price at which we can ultimately sell refined products depend upon several factors beyond our control, including regional and global supply of and demand for crude oil, gasoline, diesel, and other feedstocks and refined products. These in turn depend on, among other things, the availability and quantity of imports, the production levels of U.S. and international suppliers, levels of refined product inventories, productivity and growth (or the lack thereof) of U.S. and global economies, U.S. relationships with foreign governments, political affairs, and the extent of governmental regulation. Historically, refining margins have been volatile, and we believe they will continue to be volatile in the future.

Economic turmoil and political unrest or hostilities, including the threat of future terrorist attacks, could affect the economies of the U.S. and other countries. Lower levels of economic activity could result in declines in energy consumption, including declines in the demand for and consumption of our refined products, which could cause our revenues and margins to decline and limit our future growth prospects.

Refining margins are also significantly impacted by additional refinery conversion capacity through the expansion of existing refineries or the construction of new refineries. Worldwide refining capacity expansions may result in refining production capability exceeding refined product demand, which would have an adverse effect on refining margins.

A significant portion of our profitability is derived from the ability to purchase and process crude oil feedstocks that historically have been cheaper than benchmark crude oils, such as Louisiana Light Sweet (LLS) and Brent crude oils. These crude oil feedstock differentials vary significantly depending on overall economic conditions and trends and conditions within the markets for crude oil and refined products, and they could decline in the future, which would have a negative impact on our results of operations.

Uncertainty and illiquidity in credit and capital markets can impair our ability to obtain credit and financing on acceptable terms, and can adversely affect the financial strength of our business partners.

Our ability to obtain credit and capital depends in large measure on capital markets and liquidity factors that we do not control. Our ability to access credit and capital markets may be restricted at a time when we would like, or need, to access those markets, which could have an impact on our flexibility to react to changing economic and business conditions. In addition, the cost and availability of debt and equity financing may be adversely impacted by unstable or illiquid market conditions. Protracted uncertainty and illiquidity in these markets also could have an adverse impact on our lenders, commodity hedging counterparties, or our customers, causing them to fail to meet their obligations to us. In addition, decreased returns on pension fund assets may also materially increase our pension funding requirements.

Our access to credit and capital markets also depends on the credit ratings assigned to our debt by independent credit rating agencies. We currently maintain investment-grade ratings by Standard & Poor’s Ratings Services (S&P), Moody’s Investors Service (Moody’s), and Fitch Ratings (Fitch) on our senior unsecured debt. Ratings from credit agencies are not recommendations to buy, sell, or hold our securities. Each rating should be evaluated independently of any other rating. We cannot provide assurance that any of our current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Specifically, if ratings agencies were to downgrade our long-term rating, particularly below investment grade, our borrowing costs would increase, which could adversely affect our ability to attract potential investors and our funding sources could decrease. In addition, we may not be able to obtain favorable credit terms from our suppliers or they may require us to provide collateral, letters of credit, or other forms of security, which would increase our operating costs. As a result, a downgrade below investment grade in our credit ratings could have a material adverse impact on our financial position, results of operations, and liquidity.

From time to time, our cash needs may exceed our internally generated cash flow, and our business could be materially and adversely affected if we were unable to obtain necessary funds from financing activities. From time to time, we may need to supplement our cash generated from operations with proceeds from financing activities. We have existing revolving credit facilities, committed letter of credit facilities, and an accounts receivable sales facility to provide us with available financing to meet our ongoing cash needs. In addition, we rely on the counterparties to our derivative instruments to fund their obligations under such arrangements. Uncertainty and illiquidity in financial markets may materially impact the ability of the participating financial institutions and other counterparties to fund their commitments to us under our various financing facilities or our derivative instruments, which could have a material adverse effect on our financial position, results of operations, and liquidity.

Compliance with and changes in environmental laws, including proposed climate change laws and regulations, could adversely affect our performance.

The principal environmental risks associated with our operations are emissions into the air and releases into the soil, surface water, or groundwater. Our operations are subject to extensive environmental laws and regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures, greenhouse gas emissions, and characteristics and composition of gasoline and diesel fuels. Certain of these laws and regulations could impose obligations to conduct assessment or remediation efforts at our facilities as well as at formerly owned properties or third-party sites where we have taken wastes for disposal or where our wastes have migrated. Environmental laws and regulations also may impose liability on us for the conduct of third parties, or for actions that complied with applicable requirements when taken, regardless of negligence or fault. If we violate or fail to comply with these laws and regulations, we could be fined or otherwise sanctioned.

Because environmental laws and regulations are becoming more stringent and new environmental laws and regulations are continuously being enacted or proposed, such as those relating to greenhouse gas emissions and climate change, the level of expenditures required for environmental matters could increase in the future. Current and future legislative action and regulatory initiatives could result in changes to operating permits, material changes in operations, increased capital expenditures and operating costs, increased costs of the goods we sell, and decreased demand for our products that cannot be assessed with certainty at this time. We may be required to make expenditures to modify operations or install pollution control equipment that could materially and adversely affect our business, financial condition, results of operations, and liquidity. For example, in 2012, the U.S. Environmental Protection Agency (EPA) proposed more stringent requirements for refinery air emissions through revisions to existing New Source Performance Standards and National Emission Standards for Hazardous Air Pollutants. The EPA also issued final amendments to Subpart Ja of the New Source Performance Standards, which included revisions to certain emission limits, monitoring requirements, fuel gas concentration limits, and waste gas flow limits for process heaters and flares. In addition, the EPA has, in recent years, adopted final rules making more stringent the National Ambient Air Quality Standards (NAAQS) for ozone, sulfur dioxide and nitrogen dioxide, and the EPA is considering further revisions to the NAAQS. Emerging rules and permitting requirements implementing these revised standards may require us to install more stringent controls at our facilities, which may result in increased capital expenditures. Governmental restrictions on greenhouse gas emissions – including so-called “cap-and-trade” programs targeted at reducing carbon dioxide emissions – could result in material increased compliance costs, additional operating restrictions or permitting delays for our business, and an increase in the cost of, and reduction in demand for, the products we produce, which could have a material adverse effect on our financial position, results of operations, and liquidity.

Disruption of our ability to obtain crude oil could adversely affect our operations .

A significant portion of our feedstock requirements is satisfied through supplies originating in the Middle East, Africa, Asia, North America, and South America. We are, therefore, subject to the political, geographic, and economic risks attendant to doing business with suppliers located in, and supplies originating from, these areas. If one or more of our supply contracts were terminated, or if political events disrupt our traditional crude oil supply, we believe that adequate alternative supplies of crude oil would be available, but it is possible that we would be unable to find alternative sources of supply. If we are unable to obtain adequate crude oil volumes or are able to obtain such volumes only at unfavorable prices, our results of operations could be materially adversely affected, including reduced sales volumes of refined products or reduced margins as a result of higher crude oil costs.

In addition, the U.S. government can prevent or restrict us from doing business in or with other countries. These restrictions, and those of other governments, could limit our ability to gain access to business opportunities in various countries. Actions by both the U.S. and other countries have affected our operations in the past and will continue to do so in the future.

We are subject to interruptions of supply and increased costs as a result of our reliance on third-party transportation of crude oil and refined products.

We often use the services of third parties to transport feedstocks and refined products to and from our facilities. If we experience prolonged interruptions of supply or increases in costs to deliver refined products to market, or if the ability of the pipelines or vessels to transport feedstocks or refined products is disrupted because of weather events, accidents, governmental regulations, or third-party actions, it could have a material adverse effect on our financial position, results of operations, and liquidity.

Competitors that produce their own supply of feedstocks, own their own retail sites, have greater financial resources, or provide alternative energy sources may have a competitive advantage .

The refining and marketing industry is highly competitive with respect to both feedstock supply and refined product markets. We compete with many companies for available supplies of crude oil and other feedstocks and for sites for our refined products. We do not produce any of our crude oil feedstocks and, following the separation of our retail business, we do not have a company-owned retail network. Many of our competitors, however, obtain a significant portion of their feedstocks from company-owned production and some have extensive retail sites. Such competitors are at times able to offset losses from refining operations with profits from producing or retailing operations, and may be better positioned to withstand periods of depressed refining margins or feedstock shortages.

Some of our competitors also have materially greater financial and other resources than we have. Such competitors have a greater ability to bear the economic risks inherent in all phases of our industry. In addition, we compete with other industries that provide alternative means to satisfy the energy and fuel requirements of our industrial, commercial, and individual consumers.

A significant interruption in one or more of our refineries or our information technology systems could adversely affect our business.

Our refineries are our principal operating assets. As a result, our operations could be subject to significant interruption if one or more of our refineries were to experience a major accident or mechanical failure, encounter work stoppages relating to organized labor issues, be damaged by severe weather or other natural or man-made disaster, such as an act of terrorism, or otherwise be forced to shut down. If any refinery were to experience an interruption in operations, earnings from the refinery could be materially adversely affected (to the extent not recoverable through insurance) because of lost production and repair costs. Significant interruptions in our refining system could also lead to increased volatility in prices for crude oil feedstocks and refined products, and could increase instability in the financial and insurance markets, making it more difficult for us to access capital and to obtain insurance coverage that we consider adequate.

In addition, our information technology systems and network infrastructure may be subject to unauthorized access or attack, which could result in a loss of sensitive business information, systems interruption, or the disruption of our business operations. There can be no assurance that our infrastructure protection technologies and disaster recovery plans can prevent a technology systems breach or systems failure, which could have a material adverse effect on our financial position or results of operations.

We are subject to operational risks and our insurance may not be sufficient to cover all potential losses arising from operating hazards. Failure by one or more insurers to honor its coverage commitments for an insured event could materially and adversely affect our financial position, results of operations, and liquidity.

Our refining and marketing operations are subject to various hazards common to the industry, including explosions, fires, toxic emissions, maritime hazards, and natural catastrophes. As protection against these hazards, we maintain insurance coverage against some, but not all, potential losses and liabilities. We may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies could increase substantially. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. For example, coverage for hurricane damage is very limited, and coverage for terrorism risks includes very broad exclusions. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our financial position, results of operations, and liquidity.

Our insurance program includes a number of insurance carriers. Significant disruptions in financial markets could lead to a deterioration in the financial condition of many financial institutions, including insurance companies. We can make no assurances that we will be able to obtain the full amount of our insurance coverage for insured events.

Compliance with and changes in tax laws could adversely affect our performance.

We are subject to extensive tax liabilities imposed by multiple jurisdictions, including income taxes, indirect taxes (excise/duty, sales/use, gross receipts, and value-added taxes), payroll taxes, franchise taxes, withholding taxes, and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted or proposed that could result in increased expenditures for tax liabilities in the future. Many of these liabilities are subject to periodic audits by the respective taxing authority. Subsequent changes to our tax liabilities as a result of these audits may subject us to interest and penalties.

We may incur losses as a result of our forward-contract activities and derivative transactions.

We currently use commodity derivative instruments, and we expect to continue their use in the future. If the instruments we use to hedge our exposure to various types of risk are not effective, we may incur losses.

One of our subsidiaries acts as the general partner of a publicly traded master limited partnership, Valero Energy Partners LP, which may involve a greater exposure to legal liability than our historic business operations.

One of our subsidiaries acts as the general partner of Valero Energy Partners LP, a publicly traded master limited partnership. Our control of the general partner of Valero Energy Partners LP may increase the possibility of claims of breach of fiduciary duties, including claims of conflicts of interest, related to Valero Energy Partners LP. Liability resulting from such claims could have a material adverse effect on our financial position, results of operations, and liquidity.

If our spin-off of CST Brands, Inc. (the "Spin-off"), or certain internal transactions undertaken in anticipation of the Spin-off, were determined to be taxable for U.S. federal income tax purposes, then we and our stockholders could be subject to significant tax liability.

We have received a private letter ruling from the Internal Revenue Service (IRS) substantially to the effect that, for U.S. federal income tax purposes, the Spin-off, except for cash received in lieu of fractional shares, will qualify as tax-free under sections 355 and 361 of the U.S. Internal Revenue Code of 1986, as amended (Code), and that certain internal transactions undertaken in anticipation of the Spin-off qualified for favorable treatment. The IRS did not rule, however, on whether the Spin-off satisfied certain requirements necessary to obtain tax-free treatment under section 355 of the Code. Instead, the private letter ruling was based on representations by us that those requirements were satisfied, and any inaccuracy in those representations could invalidate the private letter ruling. In connection with the private letter ruling, we also obtained an opinion from a nationally recognized accounting firm, substantially to the effect that, for U.S. federal income tax purposes, the Spin-off qualified under sections 355 and 361 of the Code. The opinion relied on, among other things, the continuing validity of the private letter ruling and various assumptions and representations as to factual matters made by CST and us which, if inaccurate or incomplete in any material respect, would jeopardize the conclusions reached by such counsel in its opinion. The opinion is not binding on the IRS or the courts, and there can be no assurance that the IRS or the courts would not challenge the conclusions stated in the opinion or that any such challenge would not prevail. Furthermore, notwithstanding the private letter ruling, the IRS could determine on audit that the Spin-off or the internal transactions undertaken in anticipation of the Spin-off should be treated as taxable transactions if it determines that any of the facts, assumptions, representations, or undertakings we or CST have made or provided to the IRS is incorrect or incomplete, or that the Spin-off or the internal transactions should be taxable for other reasons, including as a result of a significant change in stock or asset ownership after the Spin-off.

If the Spin-off ultimately were determined to be taxable, each holder of our common stock who received shares of CST common stock in the Spin-off generally would be treated as receiving a Spin-off of property in an amount equal to the fair market value of the shares of CST common stock received by such holder. Any such Spin-off would be a dividend to the extent of our current earnings and profits as of the end of 2013, and any accumulated earnings and profits. Any amount that exceeded our relevant earnings and profits would be treated first as a non-taxable return of capital to the extent of such holder's tax basis in our shares of common stock with any remaining amount generally being taxed as a capital gain. In addition, we would recognize gain in an amount equal to the excess of the fair market value of shares of CST common stock distributed to our holders on the Spin-off date over our tax basis in such shares of CST common stock. Moreover, we could incur significant U.S. federal income tax liabilities if it ultimately were determined that certain internal transactions undertaken in anticipation of the Spin-off were taxable.

Under the terms of the tax matters agreement we entered into with CST in connection with the Spin-off, we generally are responsible for any taxes imposed on us and our subsidiaries in the event that the Spin-off and/or certain related internal transactions were to fail to qualify for tax-free treatment. However, if the Spin-off and/or such internal transactions were to fail to qualify for tax-free treatment because of actions or failures to act by CST or its subsidiaries, CST would be responsible for all such taxes. If we were to become liable for taxes under the tax matters agreement, that liability could have a material adverse effect on us. The Spin-off is more fully described in Note 3 of Notes to Consolidated Financial Statements.

ENVIRONMENTAL MATTERS

We incorporate by reference into this Item the environmental disclosures contained in the following sections of this report:

- Item 1 under the caption "Risk Factors – Compliance with and changes in environmental laws, including proposed climate change laws and regulations, could adversely affect our performance,"
- Item 3, "Legal Proceedings" under the caption "Environmental Enforcement Matters," and
- Item 8, "Financial Statements and Supplementary Data" in Note 10 of Notes to Consolidated Financial Statements under the caption "*Environmental Liabilities,*" and Note 12 of Notes to Consolidated Financial Statements under the caption "*Environmental Matters.*"

Capital Expenditures Attributable to Compliance with Environmental Regulations. In 2013, our capital expenditures attributable to compliance with environmental regulations were $69 million, and are currently estimated to be $90 million for 2014 and $204 million for 2015. The estimates for 2014 and 2015 do not include amounts related to capital investments at our facilities that management has deemed to be strategic investments. These amounts could materially change as a result of governmental and regulatory actions.

PROPERTIES

Our principal properties are described above under the caption "Valero's Operations," and that information is incorporated herein by reference. We believe that our properties and facilities are generally adequate for our operations and that our facilities are maintained in a good state of repair. As of December 31, 2013, we were the lessee under a number of cancelable and noncancelable leases for certain properties. Our leases are discussed more fully in Notes 11 and 12 of Notes to Consolidated Financial Statements. Financial information about our properties is presented in Note 8 of Notes to Consolidated Financial Statements and is incorporated herein by reference.

Our patents relating to our refining operations are not material to us as a whole. The trademarks and tradenames under which we conduct our branded wholesale business – including Valero®, Diamond Shamrock®, Shamrock®, Ultramar®, Beacon®, Texaco® – and other trademarks employed in the marketing of petroleum products are integral to our wholesale marketing operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 3. LEGAL PROCEEDINGS

Litigation

We incorporate by reference into this Item our disclosures made in Part II, Item 8 of this report included in Note 12 of Notes to Consolidated Financial Statements under the caption "*Litigation Matters.*"

Environmental Enforcement Matters

While it is not possible to predict the outcome of the following environmental proceedings, if any one or more of them were decided against us, we believe that there would be no material effect on our financial position, results of operations, or liquidity. We are reporting these proceedings to comply with SEC regulations, which require us to disclose certain information about proceedings arising under federal, state, or local provisions regulating the discharge of materials into the environment or protecting the environment if we reasonably believe that such proceedings will result in monetary sanctions of $100,000 or more.

EPA (St. Charles Refinery). In our quarterly report on Form 10-Q for the quarter ended June 30, 2013, we reported that the EPA had issued to our St. Charles Refinery a draft Compliance Agreement and Final Order assessing a penalty of $440,000 for various alleged violations under the Clean Air Act's Section 112(r) and the EPA's Risk Management Program. Recently, we resolved the matter with the EPA.

People of the State of Illinois, ex rel. v. The Premcor Refining Group Inc., et al., Third Judicial Circuit Court, Madison County (Case No. 03-CH-00459, filed May 29, 2003) (Hartford Refinery and terminal). The Illinois Environmental Protection Agency has issued several Notices of Violation (NOVs) alleging violations of air and waste regulations at Premcor's Hartford, Illinois terminal and closed refinery. We are negotiating the terms of a consent order for corrective action.

Bay Area Air Quality Management District (BAAQMD) (Benicia Refinery). We currently have multiple outstanding Violation Notices (VNs) issued by the BAAQMD in 2011, 2012, and 2013, which we reasonably believe may result in penalties of $100,000 or more. These VNs are for various alleged air regulation and air permit violations at our Benicia Refinery and asphalt plant. We continue to work with the BAAQMD to resolve these VNs.

South Coast Air Quality Management District (SCAQMD) (Wilmington Refinery). We currently have multiple NOVs issued by the SCAQMD, which we reasonably believe may result in penalties of $100,000 or more. These NOVs are for alleged reporting violations and excess emissions at our Wilmington Refinery. We continue to work with the SCAQMD to resolve these NOVs.

Texas Commission on Environmental Quality (TCEQ) (Port Arthur Refinery). In our annual report on Form 10-K for the year ended December 31, 2012, we reported that our Port Arthur Refinery received a proposed agreed order from the TCEQ that assessed a penalty of $180,911 for various alleged air emission and reporting violations. The Port Arthur Refinery has also received additional Notices of Enforcement (NOEs), for which we have not received proposed penalty amounts but reasonably believe may result in penalties of $100,000 or more. We are working with the TCEQ to resolve all of these outstanding violations.

TCEQ (Port Arthur Refinery). In our annual report on Form 10-K for the year ended December 31, 2012, we reported that the TCEQ issued an NOE for unauthorized flare emissions. Potential stipulated penalties under our EPA §114 Clean Air Act Consent Decree for these incidents are expected to be $166,000 should the EPA issue a stipulated penalty demand letter for these events.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

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

Our common stock trades on the NYSE under the symbol "VLO."

As of January 31, 2014, there were 6,628 holders of record of our common stock.

The following table shows the high and low sales prices of and dividends declared on our common stock for each quarter of 2013 and 2012.

	Sales Prices of the Common Stock		Dividends Per Common Share
Quarter Ended	**High**	**Low**	
2013:			
December 31	$ 50.40	$ 33.73	$ 0.225
September 30	37.13	33.54	0.225
June 30	44.97	33.76	0.200
March 31	48.51	34.35	0.200
2012:			
December 31	34.38	28.20	0.175
September 30	33.75	23.64	0.175
June 30	26.33	20.37	0.150
March 31	28.56	19.61	0.150

On January 22, 2014, our board of directors declared a quarterly cash dividend of $0.25 per common share payable March 12, 2014 to holders of record at the close of business on February 12, 2014.

Dividends are considered quarterly by the board of directors and may be paid only when approved by the board.

The following table discloses purchases of shares of Valero's common stock made by us or on our behalf during the fourth quarter of 2013.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Not Purchased as Part of Publicly Announced Plans or Programs (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (b)
October 2013	2,692,850	$ 34.10	85,708	2,607,142	$ 2.9 billion
November 2013	2,413,232	$ 41.76	343,227	2,070,005	$ 2.8 billion
December 2013	3,172,462	$ 46.37	1,134	3,171,328	$ 2.6 billion
Total	8,278,544	$ 41.04	430,069	7,848,475	$ 2.6 billion

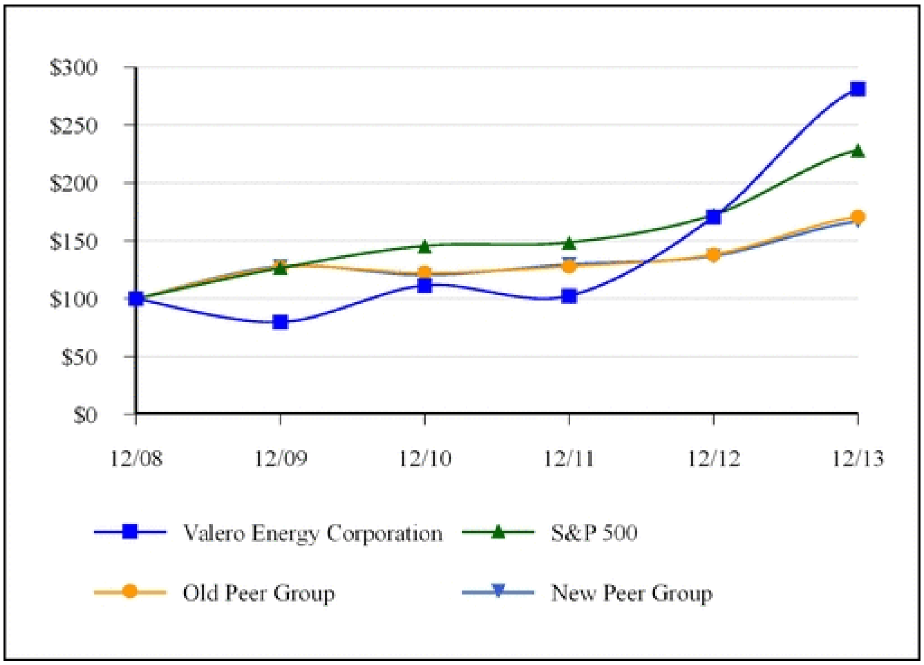
(a) The shares reported in this column represent purchases settled in the fourth quarter of 2013 relating to (i) our purchases of shares in open-market transactions to meet our obligations under stock-based compensation plans, and (ii) our purchases of shares from our employees and non-employee directors in connection with the exercise of stock options, the vesting of restricted stock, and other stock compensation transactions in accordance with the terms of our stock-based compensation plans.

(b) On April 26, 2007, we publicly announced an increase in our common stock purchase program from $2 billion to $6 billion, as authorized by our board of directors on April 25, 2007. During 2013, we completed the $6 billion program. On February 28, 2008, we announced that our board of directors approved a $3 billion common stock purchase program, which was in addition to the $6 billion program. This $3 billion program has no expiration date.

The following performance graph is not "soliciting material," is not deemed filed with the SEC, and is not to be incorporated by reference into any of Valero's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, respectively.

This performance graph and the related textual information are based on historical data and are not indicative of future performance. The following line graph compares the cumulative total return [1] on an investment in our common stock against the cumulative total return of the S&P 500 Composite Index and an index of peer companies (that we selected) for the five-year period commencing December 31, 2008 and ending December 31, 2013. Our peer group comprises the following 11 companies: Alon USA Energy, Inc.; BP plc; CVR Energy, Inc.; Delek US Holdings, Inc. (DK); HollyFrontier Corporation; Marathon Petroleum Corporation; PBF Energy Inc. (PBF); Phillips 66; Royal Dutch Shell plc; Tesoro Corporation; and Western Refining, Inc. Our peer group previously included Hess Corporation, but it has exited the refining business, and was replaced in our peer group by DK and PBF who are also engaged in refining operations.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN[1]
Among Valero Energy Corporation, the S&P 500 Index,
Old Peer Group, and New Peer Group



	12/2008	12/2009	12/2010	12/2011	12/2012	12/2013
Valero Common Stock	$ 100.00	$ 79.77	$ 111.31	$ 102.57	$ 170.45	$ 281.24
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
Old Peer Group	100.00	126.98	122.17	127.90	138.09	170.45
New Peer Group	100.00	127.95	120.42	129.69	136.92	166.57

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1 Assumes that an investment in Valero common stock and each index was $100 on December 31, 2008. "Cumulative total return" is based on share price appreciation plus reinvestment of dividends from December 31, 2008 through December 31, 2013.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data for the five-year period ended December 31, 2013 was derived from our audited financial statements. The following table should be read together with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the historical financial statements and accompanying notes included in Item 8, "Financial Statements and Supplementary Data."

The following summaries are in millions of dollars, except for per share amounts:

	Year Ended December 31,				
	2013 (a)	2012 (b)	2011 (c)	2010 (d)	2009 (d)
Operating revenues	$ 138,074	$ 139,250	$ 125,987	$ 82,233	$ 64,599
Income (loss) from continuing operations	2,728	2,080	2,096	923	(273)
Earnings per common share from continuing operations – assuming dilution	4.97	3.75	3.69	1.62	(0.50)
Dividends per common share	0.85	0.65	0.30	0.20	0.60
Total assets	47,260	44,477	42,783	37,621	35,572
Debt and capital lease obligations, less current portion	6,261	6,463	6,732	7,515	7,163

(a) Includes the operations of our retail business prior to its separation from us on May 1, 2013, as further described in Note 3 of Notes to Consolidated Financial Statements.

(b) The operations of the Aruba Refinery were suspended in March 2012, as further described in Note 4 of Notes to Consolidated Financial Statements.

(c) We acquired the Meraux Refinery on October 1, 2011 and the Pembroke Refinery on August 1, 2011. The information presented for 2011 includes the results of operations from these acquisitions commencing on their respective acquisition dates.

(d) We acquired three ethanol plants in the first quarter of 2010 and seven ethanol plants in the second quarter of 2009. The information presented for 2010 and 2009 includes the results of operations of these plants commencing on their respective acquisition dates.

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

The following review of our results of operations and financial condition should be read in conjunction with Items 1, 1A, and 2, "Business, Risk Factors, and Properties," and Item 8, "Financial Statements and Supplementary Data," included in this report.

CAUTIONARY STATEMENT FOR THE PURPOSE OF SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report, including without limitation our disclosures below under the heading "OVERVIEW AND OUTLOOK," includes 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. You can identify our forward-looking statements by the words "anticipate," "believe," "expect," "plan," "intend," "estimate," "project," "projection," "predict," "budget," "forecast," "goal," "guidance," "target," "could," "should," "may," and similar expressions.

These forward-looking statements include, among other things, statements regarding:

- future refining margins, including gasoline and distillate margins;
- future ethanol margins;
- expectations regarding feedstock costs, including crude oil differentials, and operating expenses;
- anticipated levels of crude oil and refined product inventories;
- our anticipated level of capital investments, including deferred refinery turnaround and catalyst costs and capital expenditures for environmental and other purposes, and the effect of these capital investments on our results of operations;
- anticipated trends in the supply of and demand for crude oil and other feedstocks and refined products globally and in the regions where we operate;
- expectations regarding environmental, tax, and other regulatory initiatives; and
- the effect of general economic and other conditions on refining, and ethanol industry fundamentals.

We based our forward-looking statements on our current expectations, estimates, and projections about ourselves and our industry. We caution that these statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that we cannot predict. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual results may differ materially from the future performance that we have expressed or forecast in the forward-looking statements. Differences between actual results and any future performance suggested in these forward-looking statements could result from a variety of factors, including the following:

- acts of terrorism aimed at either our facilities or other facilities that could impair our ability to produce or transport refined products or receive feedstocks;
- political and economic conditions in nations that produce crude oil or consume refined products;
- demand for, and supplies of, refined products such as gasoline, diesel fuel, jet fuel, petrochemicals, and ethanol;
- demand for, and supplies of, crude oil and other feedstocks;

- the ability of the members of the Organization of Petroleum Exporting Countries to agree on and to maintain crude oil price and production controls;
- the level of consumer demand, including seasonal fluctuations;
- refinery overcapacity or undercapacity;
- our ability to successfully integrate any acquired businesses into our operations;
- the actions taken by competitors, including both pricing and adjustments to refining capacity in response to market conditions;
- the level of competitors' imports into markets that we supply;
- accidents, unscheduled shutdowns, or other catastrophes affecting our refineries, machinery, pipelines, equipment, and information systems, or those of our suppliers or customers;
- changes in the cost or availability of transportation for feedstocks and refined products;
- the price, availability, and acceptance of alternative fuels and alternative-fuel vehicles;
- the levels of government subsidies for ethanol and other alternative fuels;
- delay of, cancellation of, or failure to implement planned capital projects and realize the various assumptions and benefits projected for such projects or cost overruns in constructing such planned capital projects;
- earthquakes, hurricanes, tornadoes, and irregular weather, which can unforeseeably affect the price or availability of natural gas, crude oil, grain and other feedstocks, and refined products and ethanol;
- rulings, judgments, or settlements in litigation or other legal or regulatory matters, including unexpected environmental remediation costs, in excess of any reserves or insurance coverage;
- legislative or regulatory action, including the introduction or enactment of legislation or rulemakings by governmental authorities, including tax and environmental regulations, such as those to be implemented under the California Global Warming Solutions Act (also known as AB 32) and the EPA's regulation of greenhouse gases, which may adversely affect our business or operations;
- changes in the credit ratings assigned to our debt securities and trade credit;
- changes in currency exchange rates, including the value of the Canadian dollar, the pound sterling, and the euro relative to the U.S. dollar;
- overall economic conditions, including the stability and liquidity of financial markets; and
- other factors generally described in the "Risk Factors" section included in Items 1, 1A, and 2, "Business, Risk Factors, and Properties" in this report.

Any one of these factors, or a combination of these factors, could materially affect our future results of operations and whether any forward-looking statements ultimately prove to be accurate. Our forward-looking statements are not guarantees of future performance, and actual results and future performance may differ materially from those suggested in any forward-looking statements. We do not intend to update these statements unless we are required by the securities laws to do so.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing. We undertake no obligation to publicly release any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

OVERVIEW AND OUTLOOK

Overview

For the year ended December 31, 2013, we reported net income attributable to Valero stockholders of $2.7 billion, or $4.97 per share (assuming dilution), compared to $2.1 billion, or $3.75 per share (assuming dilution), for the year ended December 31, 2012.

The increase in net income attributable to Valero stockholders of $637 million was primarily due to the effect of asset impairment losses of $1.0 billion recorded during the year ended December 31, 2012, which lowered net income for 2012, as compared to the year ended December 31, 2013. In addition, during 2013, we recorded a $325 million nontaxable gain related to the disposition of our retained interest in CST Brands, Inc. (CST), which is more fully described in Notes 3 and 11 of Notes to Consolidated Financial Statements. Excluding these significant items, net income attributable to Valero stockholders for 2013 declined by $702 million due primarily to lower refining segment operating income as discussed below.

Our operating income decreased $47 million from 2012 to 2013 as outlined by business segment in the following table (in millions):

	Year Ended December 31,		
	2013	2012	Change
Operating income (loss) by business segment:			
Refining	$ 4,217	$ 4,450	$ (233)
Retail	81	348	(267)
Ethanol	491	(47)	538
Corporate	(826)	(741)	(85)
Total	$ 3,963	$ 4,010	$ (47)

Operating income for 2012 was negatively impacted by asset impairment losses of $1.0 billion, of which $928 million related to our Aruba refinery (as further discussed in Note 4 of Notes to Consolidated Financial Statements), and severance expense of $41 million, which was also related to our Aruba Refinery (as further discussed in Note 10 of Notes to Consolidated Financial Statements). Excluding these significant items, total operating income and refining segment operating income for 2012 would have been $5.1 billion and $5.5 billion, respectively, resulting in a $1.1 billion decrease in total operating income and a $1.3 billion decrease in refining segment operating income from 2012 to 2013.

The $1.3 billion decrease in refining segment operating income for 2013 compared to 2012 was primarily due to lower refining margins in each of our regions. The decrease in refining margins was the result of lower gasoline margins, lower discounts on light sweet crude oils, and higher costs of biofuel credits (primarily Renewable Identification Numbers (RINs) needed to comply with the U.S. federal Renewable Fuel Standard (RFS)), which were partially offset by higher distillate margins and higher discounts on sour crude oils between the years.

On May 1, 2013, we completed the separation of our retail business by spinning off 80 percent of CST as an independent public company. As a result, we no longer operate a retail business and had no retail segment operating results after April 30, 2013, resulting in the $267 million decrease in retail segment operating income for 2013 compared to 2012. The separation of our retail business is more fully discussed in Note 3 of Notes to Consolidated Financial Statements.

Our ethanol segment operating income in 2013 increased $538 million compared to 2012 due to higher gross margin per gallon of ethanol and higher production volumes. Lower corn prices and higher ethanol prices contributed to the improved gross margin. We increased our production of ethanol following the first quarter of 2013 to capture the improved economics of higher gross margins per gallon during 2013.

On December 16, 2013, Valero Energy Partners LP (VLP) completed its initial public offering of 17,250,000 common units at a price of $23.00 per unit, which included a 2,250,000 common unit over-allotment option that was fully exercised by the underwriters. VLP received $369 million in net proceeds from the sale of the units, after deducting underwriting fees, structuring fees and other offering costs. VLP's initial assets include crude oil and refined petroleum products pipeline and terminal systems in the U.S. Gulf Coast and U.S. Mid-Continent regions that are integral to the operations of our Port Arthur, McKee, and Memphis Refineries. See Note 5 of Notes to Consolidated Financial Statements for additional information.

Outlook
Our refining segment benefits from processing sour crude oils (such as Maya crude oil) in our U.S. Gulf Coast region and light sweet crude oils (such as WTI crude oil) in our U.S. Mid-Continent region due to the favorable discounts between the prices of these types of crude oil and the price of Brent crude oil. Because the market for refined products generally tracks the price of Brent crude oil, which is a benchmark sweet crude oil, we benefit when we process crude oils that are priced at a discount to Brent crude oil. The discounts in the prices of light sweet and sour crude oils compared to the price of Brent crude oil widened significantly during the fourth quarter of 2013. For the first quarter of 2014, discounts on light sweet and sour crude oils narrowed slightly compared to the fourth quarter and we expect these discounts to remain volatile for the remainder of the first quarter.

In addition, gasoline margins across all regions were seasonally weak during the fourth quarter of 2013 and remain seasonally weak thus far in the first quarter of 2014. Distillate margins across all regions, thus far in 2014, have remained consistent with those realized during the fourth quarter of 2013. We are exposed to the volatility in the market prices of crude oil and refined products, and we expect such prices to continue to be volatile in the near to mid-term.

We are also exposed to the volatility in the market price of biofuel credits (primarily RINs in the U.S.), which we purchase in the open market to meet our obligation to blend biofuels into the products we produce. To date during the first quarter of 2014, the market price of RINs has increased compared to year end levels, but the price remains lower than prices experienced during 2013. Therefore, we estimate that the cost of meeting our obligation for the full year of 2014 will be between $250 million and $350 million. Because the market price of RINs is volatile and is significantly impacted by biofuel blending rates that are established by the EPA, it is difficult for us to predict reliably the market price of RINs.

RESULTS OF OPERATIONS

The following tables highlight our results of operations, our operating performance, and market prices that directly impact our operations. The narrative following these tables provides an analysis of our results of operations.

2013 Compared to 2012

Financial Highlights
(millions of dollars, except per share amounts)

	Year Ended December 31,		
	2013 (a)	2012	Change
Operating revenues	$ 138,074	$ 139,250	$ (1,176)
Costs and expenses:			
Cost of sales	127,316	127,268	48
Operating expenses:			
Refining (b)	3,704	3,668	36
Retail	226	686	(460)
Ethanol	387	332	55
General and administrative expenses	758	698	60
Depreciation and amortization expense:			
Refining	1,566	1,370	196
Retail	41	119	(78)
Ethanol	45	42	3
Corporate	68	43	25
Asset impairment losses (c)	—	1,014	(1,014)
Total costs and expenses	134,111	135,240	(1,129)
Operating income	3,963	4,010	(47)
Gain on disposition of retained interest in CST Brands, Inc. (a)	325	—	325
Other income, net	59	9	50
Interest and debt expense, net of capitalized interest	(365)	(313)	(52)
Income before income tax expense	3,982	3,706	276
Income tax expense	1,254	1,626	(372)
Net income	2,728	2,080	648
Less: Net income (loss) attributable to noncontrolling interests	8	(3)	11
Net income attributable to Valero stockholders	$ 2,720	$ 2,083	$ 637
Earnings per common share – assuming dilution	$ 4.97	$ 3.75	$ 1.22

See note references on page 32.

Refining Operating Highlights
(millions of dollars, except per barrel amounts)

	Year Ended December 31,		
	2013	2012	Change
Refining (b) (c):			
Operating income	$ 4,217	$ 4,450	$ (233)
Throughput margin per barrel (e)	$ 9.69	$ 10.96	$ (1.27)
Operating costs per barrel:			
Operating expenses	3.78	3.79	(0.01)
Depreciation and amortization expense	1.60	1.44	0.16
Total operating costs per barrel	5.38	5.23	0.15
Operating income per barrel	$ 4.31	$ 5.73	$ (1.42)
Throughput volumes (thousand BPD):			
Feedstocks:			
Heavy sour crude	486	453	33
Medium/light sour crude	466	547	(81)
Sweet crude	1,039	991	48
Residuals	282	200	82
Other feedstocks	106	120	(14)
Total feedstocks	2,379	2,311	68
Blendstocks and other	303	302	1
Total throughput volumes	2,682	2,613	69
Yields (thousand BPD):			
Gasolines and blendstocks	1,287	1,251	36
Distillates	984	918	66
Other products (f)	440	467	(27)
Total yields	2,711	2,636	75

See note references on page 32.

Refining Operating Highlights by Region (g)
(millions of dollars, except per barrel amounts)

	Year Ended December 31,		
	2013	2012	Change
U.S. Gulf Coast (b) (c):			
Operating income	$ 2,381	$ 2,541	$ (160)
Throughput volumes (thousand BPD)	1,523	1,488	35
Throughput margin per barrel (e)	$ 9.57	$ 9.65	$ (0.08)
Operating costs per barrel:			
Operating expenses	3.66	3.55	0.11
Depreciation and amortization expense	1.63	1.44	0.19
Total operating costs per barrel	5.29	4.99	0.30
Operating income per barrel	$ 4.28	$ 4.66	$ (0.38)
U.S. Mid-Continent:			
Operating income	$ 1,293	$ 2,044	$ (751)
Throughput volumes (thousand BPD)	435	430	5
Throughput margin per barrel (e)	$ 13.37	$ 18.49	$ (5.12)
Operating costs per barrel:			
Operating expenses	3.58	4.02	(0.44)
Depreciation and amortization expense	1.64	1.48	0.16
Total operating costs per barrel	5.22	5.50	(0.28)
Operating income per barrel	$ 8.15	$ 12.99	$ (4.84)
North Atlantic:			
Operating income	$ 570	$ 752	$ (182)
Throughput volumes (thousand BPD)	459	428	31
Throughput margin per barrel (e)	$ 7.93	$ 9.24	$ (1.31)
Operating costs per barrel:			
Operating expenses	3.50	3.59	(0.09)
Depreciation and amortization expense	1.03	0.85	0.18
Total operating costs per barrel	4.53	4.44	0.09
Operating income per barrel	$ 3.40	$ 4.80	$ (1.40)
U.S. West Coast:			
Operating income (loss)	$ (27)	$ 147	$ (174)
Throughput volumes (thousand BPD)	265	267	(2)
Throughput margin per barrel (e)	$ 7.43	$ 8.84	$ (1.41)
Operating costs per barrel:			
Operating expenses	5.35	5.09	0.26
Depreciation and amortization expense	2.35	2.25	0.10
Total operating costs per barrel	7.70	7.34	0.36
Operating income (loss) per barrel	$ (0.27)	$ 1.50	$ (1.77)
Operating income for regions above	$ 4,217	$ 5,484	$ (1,267)
Severance expense (b)	—	(41)	41
Asset impairment losses (c)	—	(993)	993
Total refining operating income	$ 4,217	$ 4,450	$ (233)

See note references on page 32.

Average Market Reference Prices and Differentials
(dollars per barrel, except as noted)

	Year Ended December 31,		
	2013	2012	Change
Feedstocks:			
Brent crude oil	$ 108.74	$ 111.70	(2.96)
Brent less West Texas Intermediate (WTI) crude oil	10.80	17.55	(6.75)
Brent less Alaska North Slope (ANS) crude oil	1.00	1.08	(0.08)
Brent less Louisiana Light Sweet (LLS) crude oil	0.41	(0.91)	1.32
Brent less Mars crude oil	5.52	3.97	1.55
Brent less Maya crude oil	11.31	12.06	(0.75)
LLS crude oil	108.33	112.61	(4.28)
LLS less Mars crude oil	5.11	4.88	0.23
LLS less Maya crude oil	10.90	12.97	(2.07)
WTI crude oil	97.94	94.15	3.79
Natural gas (dollars per million British thermal units)	3.69	2.71	0.98
Products:			
U.S. Gulf Coast:			
CBOB gasoline less Brent	2.69	4.89	(2.20)
Ultra-low-sulfur diesel less Brent	15.95	16.48	(0.53)
Propylene less Brent	(2.72)	(22.38)	19.66
CBOB gasoline less LLS	3.10	3.98	(0.88)
Ultra-low-sulfur diesel less LLS	16.36	15.57	0.79
Propylene less LLS	(2.31)	(23.29)	20.98
U.S. Mid-Continent:			
CBOB gasoline less WTI (d)	16.77	25.40	(8.63)
Ultra-low-sulfur diesel less WTI	28.33	34.96	(6.63)
North Atlantic:			
CBOB gasoline less Brent	8.50	10.66	(2.16)
Ultra-low-sulfur diesel less Brent	17.84	19.06	(1.22)
U.S. West Coast:			
CARBOB 87 gasoline less ANS	12.69	15.39	(2.70)
CARB diesel less ANS	18.83	19.93	(1.10)
CARBOB 87 gasoline less WTI	22.49	31.86	(9.37)
CARB diesel less WTI	28.63	36.40	(7.77)
New York Harbor corn crush (dollars per gallon)	0.42	(0.15)	0.57

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See note references on page 32.

Retail and Ethanol Operating Highlights
(millions of dollars, except per gallon amounts)

	Year Ended December 31,		
	2013	2012	Change
Retail:			
Operating income (a) (c)	$ 81	$ 348	$ (267)
Ethanol:			
Operating income (loss)	$ 491	$ (47)	$ 538
Ethanol production (thousand gallons per day)	3,294	2,967	327
Gross margin per gallon of production (e)	$ 0.77	$ 0.30	$ 0.47
Operating costs per gallon of production:			
Operating expenses	0.32	0.30	0.02
Depreciation and amortization expense	0.04	0.04	—
Total operating costs per gallon of production	0.36	0.34	0.02
Operating income (loss) per gallon of production	$ 0.41	$ (0.04)	$ 0.45

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See note references on page 32.

The following notes relate to references on pages 27 through 31.

(a) On May 1, 2013, we completed the separation of our retail business by spinning off 80 percent of CST. This transaction is more fully discussed in Note 3 of Notes to Consolidated Financial Statements. As a result and effective May 1, 2013, our results of operations no longer include those of CST, except for our share of CST's results of operations associated with the equity interest in CST retained by us through November 14, 2013, which is reflected in "other income, net" for the year ended December 31, 2013. The nature and significance of our post-separation participation in the supply of motor fuel to CST represents a continuation of activities with CST for accounting purposes. As such, the historical results of operations related to CST have not been reported as discontinued operations in the statements of income. In October 2013, we borrowed $525 million under a short-term debt agreement with a third-party financial institution in anticipation of liquidating our retained interest in CST. This liquidation was completed on November 14, 2013 by transferring all remaining shares of CST common stock owned by us to the financial institution in exchange for $467 million of our short-term debt, and we paid the remaining $58 million of short-term debt in cash. After paying $19 million of fees, we recognized a $325 million nontaxable gain.

(b) In September 2012, we decided to reorganize our Aruba Refinery into a crude oil and refined products terminal. The reorganization resulted in the termination of the majority of our employees in Aruba, and we recognized severance expense of $41 million in September 2012. This expense is reflected in refining segment operating income for the year ended December 31, 2012, but it is excluded from operating costs per barrel for the refining segment and the U.S. Gulf Coast region. No income tax benefits were recognized related to this severance expense.

(c) Asset impairment losses for the year ended December 31, 2012 include a $928 million loss on the write-down of the Aruba Refinery. In addition, we recorded asset impairment losses of $65 million ($42 million after taxes) related to equipment associated with permanently cancelled capital projects at several of our refineries and $21 million ($13 million after taxes) related to certain retail stores in 2012 that we owned prior to the separation of our retail business. The total asset impairment losses of $1.0 billion are reflected in the operating income of the respective segments for the year ended December 31, 2012, but the asset impairment losses associated with the Aruba Refinery and the cancelled capital projects are excluded from the operating costs per barrel and operating income per barrel for the refining segment and the U.S. Gulf Coast region.

(d) U.S. Mid-Continent product specifications for gasoline changed on September 16, 2013 from Conventional 87 gasoline to CBOB gasoline. Therefore, average market reference prices for comparable products meeting the new specifications required in this region are now being provided for all periods presented.

(e) Throughput margin per barrel represents operating revenues less cost of sales of our refining segment divided by throughput volumes. Gross margin per gallon of production represents operating revenues less cost of sales of our ethanol segment divided by production volumes.

(f) Other products primarily include petrochemicals, gas oils, No. 6 fuel oil, petroleum coke, sulfur, and asphalt.

(g) The regions reflected herein contain the following refineries: the U.S. Gulf Coast region includes the Aruba, Corpus Christi East, Corpus Christi West, Houston, Meraux, Port Arthur, St. Charles, Texas City, and Three Rivers Refineries; the U.S. Mid-Continent region includes the Ardmore, McKee, and Memphis Refineries; the North Atlantic region includes the Pembroke and Quebec City Refineries; and the U.S. West Coast region includes the Benicia and Wilmington Refineries.

General

Operating revenues decreased $1.2 billion (or 1 percent) for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily as a result of lower average refined product prices between the two years related to our refining segment operations. In addition, operating income decreased $47 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to a $233 million decrease in refining segment operating income, a $267 million decrease in retail segment operating income, and a $60 million increase in general and administrative expenses, partially offset by a $538 million increase in ethanol segment operating income. The reasons for these changes in the operating results of our segments and general and administrative expenses, as well as other items that affected our income, are discussed below.

Refining

Refining segment operating income decreased $233 million from $4.5 billion for the year ended December 31, 2012 to $4.2 billion for the year ended December 31, 2013. Excluding asset impairment losses and severance expenses of $993 million and $41 million in 2012 primarily related to our Aruba Refinery, which are more fully described in Notes 4 and 10 of Notes to Consolidated Financial Statements, respectively, refining segment operating income decreased $1.3 billion from 2012 to 2013. The decrease in refining segment operating income was primarily due to a $994 million decrease in refining margin, a $196 million increase in depreciation and amortization expense, and a $36 million increase in operating expenses.

Refining margin decreased $994 million (a $1.27 per barrel decrease) in 2013 compared to 2012, primarily due to the following:

- *Decrease in gasoline margins* - We experienced a decline in gasoline margins throughout all of our regions during 2013 compared to 2012. For example, the WTI-based benchmark reference margin for U.S. Mid-Continent CBOB gasoline was $16.77 per barrel during 2013 compared to $25.40 per barrel during 2012, representing an unfavorable decrease of $8.63 per barrel. We estimate that the decline in gasoline margins per barrel during 2013 compared to 2012 had a negative impact to our refining margin of approximately $790 million for all refining regions.

- *Lower discounts on WTI-type crude oils in the U.S. Mid-Continent region* - Because the market for refined products generally tracks the price of Brent crude oil, which is a benchmark sweet crude oil, we benefit when we process crude oils that are priced at a discount to Brent crude oil. In 2013, the discount in the price of WTI compared to the price of Brent crude oil narrowed compared to 2012. WTI crude oil sold at a discount of $10.80 per barrel to Brent crude oil in 2013 compared to a discount of $17.55 per barrel in 2012, representing an unfavorable decrease of $6.75 per barrel. Therefore, the lower discount on WTI-type crude oils that we processed negatively impacted our refining margin. We estimate that the decrease in the discounts for WTI-type crude oils that we processed during 2013 reduced our refining margin by approximately $640 million.

- *Higher costs of biofuel credits* - As more fully described in Note 21 of Notes to Consolidated Financial Statements, we must purchase biofuel credits in order to meet our biofuel blending obligation under various government and regulatory compliance programs, and the cost of these credits (primarily RINs in the U.S.) increased by $267 million from $250 million in 2012 to $517 million in 2013. This increase was due to an increase in the market price of RINs caused by an expectation in the market of a shortage in available RINs.

- *Increase in distillate margins* - Despite lower distillate prices throughout all of our regions during 2013 compared to 2012, we experienced an increase in distillate margins during 2013 compared to 2012 as a result of increased production volumes of distillate between the years. This production volume increase of 66,000 barrels per day was primarily due to the start up of our new hydrocracker units at our Port Arthur and St. Charles Refineries, resulting in a $370 million increase in our refining margin in 2013.

- *Higher discounts on medium sour crude oils* - In 2013, the discount in the price of medium sour crude oils compared to the price of Brent crude oil widened. For example, Mars crude oil, which is a medium sour crude oil, sold at a discount of $5.52 per barrel to Brent crude oil in 2013 compared to a discount of $3.97 per barrel during 2012, representing a favorable increase of $1.55 per barrel.Therefore, the higher discounts on the medium sour crude oils we processed favorably impacted our refining margin. We estimate that the increase in the discounts for medium sour crude oils that we processed during 2013 had a favorable impact to our refining margin of approximately $260 million.

The increase of $36 million in operating expenses was primarily due to a $185 million increase in energy costs related to higher natural gas costs and higher use of natural gas associated with our new hydrocracker units at our Port Arthur and St. Charles Refineries. This increase was partially offset by a $124 million decrease in operating expenses incurred by the Aruba Refinery, whose operations were suspended in March 2012.

The increase of $196 million in depreciation and amortization expense was due to additional depreciation expense primarily associated with our new hydrocracker units at our Port Arthur and St. Charles Refineries that began operating in late 2012 and the third quarter of 2013, respectively, and an increase in refinery turnaround and catalyst amortization.

Retail

Retail segment operating income was $81 million for the year ended December 31, 2013 compared to $348 million for the year December 31, 2012. The $267 million decrease was primarily due to the separation of our retail business on May 1, 2013, which is more fully described in Note 3 of Notes to Consolidated Financial Statements. As a result of the separation, retail segment operating income for 2013 reflects the operations of our former retail business for only the first four months of 2013.

Ethanol

Ethanol segment operating income was $491 million for the year ended December 31, 2013 compared to an operating loss of $47 million for the year ended December 31, 2012. The $538 million increase in operating income was primarily due to a $596 million increase in gross margin, partially offset by a $55 million increase in operating expenses.

Ethanol gross margin per gallon increased $0.47 per gallon from $0.30 per gallon in 2012 to $0.77 per gallon in 2013 due to the following:

- *Lower corn prices* - Corn prices decreased year over year as many of the corn-producing regions of the U.S. Mid-Continent recovered from a drought that began in the second quarter of 2012. For example, the Chicago Board of Trade corn price was $5.80 per bushel in 2013 compared to $6.94 per bushel in 2012. The decrease in the price of corn that we processed during 2013 favorably impacted our ethanol margin by approximately $290 million.

- *Higher ethanol prices* - Ethanol prices increased year over year due to a decrease in the supply of ethanol in the market. The decrease in supply resulted from reduced production in 2012 and early 2013 as the industry responded to a narrowing of ethanol gross margin per gallon, which were due to higher corn prices primarily caused by the drought in the corn-producing regions of the U.S. Mid-

Continent described above. By mid-2013, ethanol inventory levels in the U.S. had declined to their lowest level in over three years and as a result, prices increased significantly beginning late in the first quarter of 2013. For example, the New York Harbor ethanol price was $2.53 per gallon in 2013 compared to $2.37 per gallon in 2012. The increase in the price of ethanol per gallon during 2013 had a favorable impact to our ethanol margin of approximately $160 million.

- *Increased production volumes* - Ethanol margin also improved due to increased production volumes between the years of 327,000 gallons per day in 2013 compared to 2012 in response to the improved ethanol gross margin per gallon. The increase in production volumes during 2013 had a favorable impact to our ethanol gross margin of approximately $85 million.

The $55 million increase in operating expenses during 2013 compared to 2012 was primarily due to a $40 million increase in energy costs compared to 2012 resulting from higher natural gas prices during 2013 and a $12 million year over year increase in chemical costs due to higher production.

Corporate Expenses and Other

General and administrative expenses increased $60 million from the year ended December 31, 2012 to the year ended December 31, 2013 primarily due to $52 million of environmental and legal reserve adjustments that were recorded during 2013 and $30 million for transaction costs related to the separation of our retail business on May 1, 2013. These increases were partially offset by an $11 million reduction in insurance reserves during 2013. The increase in corporate depreciation and amortization expense was primarily due to $20 million of losses incurred on the sale of certain corporate property.

During the year ended December 31, 2013, we recognized a nontaxable gain of $325 million, or $0.60 per share, related to the disposition of our retained interest in CST, which is more fully described in Note 11 of Notes to Consolidated Financial Statements.

“Interest and debt expense, net of capitalized interest” for year ended December 31, 2013 increased $52 million from the year ended December 31, 2012. This increase was primarily due to a $103 million decrease in capitalized interest due to completion of several large capital projects, including the new hydrocrackers at our Port Arthur and St. Charles Refineries, offset by a $44 million favorable impact from the decrease in average borrowings and a $12 million write-off of unamortized debt discounts related to the early redemption of certain industrial revenue bonds in the first quarter of 2012.

Income tax expense decreased $372 million from the year ended December 31, 2012 to the year ended December 31, 2013. The variation in the customary relationship between income tax expense and income from continuing operations before income tax expense for the year ended December 31, 2013 was primarily due to the nontaxable gain on the disposition of our retained interest in CST. The variation in the customary relationship between income tax expense and income before income tax expense for 2012 was primarily due to not recognizing the tax benefits associated with the asset impairment loss of $928 million and the severance expense of $41 million related to the Aruba Refinery as we did not expect to realize a tax benefit from these losses.

2012 Compared to 2011

Financial Highlights (a) (b)
(millions of dollars, except per share amounts)

	Year Ended December 31,		
	2012	2011	Change
Operating revenues	$ 139,250	$ 125,987	$ 13,263
Costs and expenses:			
Cost of sales (c)	127,268	115,719	11,549
Operating expenses:			
Refining (d)	3,668	3,406	262
Retail	686	678	8
Ethanol	332	399	(67)
General and administrative expenses	698	571	127
Depreciation and amortization expense:			
Refining	1,370	1,338	32
Retail	119	115	4
Ethanol	42	39	3
Corporate	43	42	1
Asset impairment loss (e)	1,014	—	1,014
Total costs and expenses	135,240	122,307	12,933
Operating income	4,010	3,680	330
Other income, net	9	43	(34)
Interest and debt expense, net of capitalized interest	(313)	(401)	88
Income from continuing operations before income tax expense	3,706	3,322	384
Income tax expense	1,626	1,226	400
Income from continuing operations	2,080	2,096	(16)
Loss from discontinued operations, net of income taxes	—	(7)	7
Net income	2,080	2,089	(9)
Less: Net loss attributable to noncontrolling interest	(3)	(1)	(2)
Net income attributable to Valero stockholders	$ 2,083	$ 2,090	$ (7)
Net income attributable to Valero stockholders:			
Continuing operations	$ 2,083	$ 2,097	$ (14)
Discontinued operations	—	(7)	7
Total	$ 2,083	$ 2,090	$ (7)
Earnings per common share – assuming dilution:			
Continuing operations	$ 3.75	$ 3.69	$ 0.06
Discontinued operations	—	(0.01)	0.01
Total	$ 3.75	$ 3.68	$ 0.07

See note references on page 41.

Refining Operating Highlights
(millions of dollars, except per barrel amounts)

	Year Ended December 31,		
	2012	2011	Change
Refining (a) (b):			
Operating income (c) (d) (e)	$ 4,450	$ 3,516	$ 934
Throughput margin per barrel (c) (f)	$ 10.96	$ 9.91	$ 1.05
Operating costs per barrel:			
Operating expenses (d)	3.79	3.83	(0.04)
Depreciation and amortization expense	1.44	1.51	(0.07)
Total operating costs per barrel (e)	5.23	5.34	(0.11)
Operating income per barrel	$ 5.73	$ 4.57	$ 1.16
Throughput volumes (thousand BPD):			
Feedstocks:			
Heavy sour crude	453	454	(1)
Medium/light sour crude	547	442	105
Sweet crude	991	861	130
Residuals	200	282	(82)
Other feedstocks	120	122	(2)
Total feedstocks	2,311	2,161	150
Blendstocks and other	302	273	29
Total throughput volumes	2,613	2,434	179
Yields (thousand BPD):			
Gasolines and blendstocks	1,251	1,120	131
Distillates	918	834	84
Other products (g)	467	494	(27)
Total yields	2,636	2,448	188

See note references on page 41.

Refining Operating Highlights by Region (h)
(millions of dollars, except per barrel amounts)

	Year Ended December 31,		
	2012	2011	Change
U.S. Gulf Coast (a):			
Operating income (c) (d) (e)	$ 2,541	$ 2,205	$ 336
Throughput volumes (thousand BPD)	1,488	1,450	38
Throughput margin per barrel (c) (f)	$ 9.65	$ 9.33	$ 0.32
Operating costs per barrel:			
Operating expenses (d)	3.55	3.66	(0.11)
Depreciation and amortization expense	1.44	1.50	(0.06)
Total operating costs per barrel (d) (e)	4.99	5.16	(0.17)
Operating income per barrel	$ 4.66	$ 4.17	$ 0.49
U.S. Mid-Continent:			
Operating income (c)	$ 2,044	$ 1,535	$ 509
Throughput volumes (thousand BPD)	430	411	19
Throughput margin per barrel (c) (f)	$ 18.49	$ 15.91	$ 2.58
Operating costs per barrel:			
Operating expenses	4.02	4.15	(0.13)
Depreciation and amortization expense	1.48	1.52	(0.04)
Total operating costs per barrel	5.50	5.67	(0.17)
Operating income per barrel	$ 12.99	$ 10.24	$ 2.75
North Atlantic (b):			
Operating income	$ 752	$ 171	$ 581
Throughput volumes (thousand BPD)	428	317	111
Throughput margin per barrel (f)	$ 9.24	$ 5.43	$ 3.81
Operating costs per barrel:			
Operating expenses	3.59	3.08	0.51
Depreciation and amortization expense	0.85	0.87	(0.02)
Total operating costs per barrel	4.44	3.95	0.49
Operating income per barrel	$ 4.80	$ 1.48	$ 3.32
U.S. West Coast:			
Operating income (c)	$ 147	$ 147	$ —
Throughput volumes (thousand BPD)	267	256	11
Throughput margin per barrel (c) (f)	$ 8.84	$ 9.11	$ (0.27)
Operating costs per barrel:			
Operating expenses	5.09	5.25	(0.16)
Depreciation and amortization expense	2.25	2.29	(0.04)
Total operating costs per barrel	7.34	7.54	(0.20)
Operating income per barrel	$ 1.50	$ 1.57	$ (0.07)
Operating income for regions above	$ 5,484	$ 4,058	$ 1,426
Loss on derivative contracts related to the forward sales of refined product (c)	—	(542)	542
Severance expense (d)	(41)	—	(41)
Asset impairment loss applicable to refining (e)	(993)	—	(993)
Total refining operating income	$ 4,450	$ 3,516	$ 934

See note references on page 41.

Average Market Reference Prices and Differentials
(dollars per barrel, except as noted)

	Year Ended December 31,		
	2012	2011	Change
Feedstocks:			
Brent crude oil	$ 111.70	$ 110.93	$ 0.77
Brent less WTI crude oil	17.55	15.88	1.67
Brent less ANS crude oil	1.08	1.39	(0.31)
Brent less LLS crude oil	(0.91)	(0.54)	(0.37)
Brent less Mars crude oil	3.97	3.46	0.51
Brent less Maya crude oil	12.06	12.18	(0.12)
LLS crude oil	112.61	111.47	1.14
LLS less Mars crude oil	4.88	4.00	0.88
LLS less Maya crude oil	12.97	12.72	0.25
WTI crude oil	94.15	95.05	(0.90)
Natural gas (dollars per million British thermal units)	2.71	3.96	(1.25)
Products:			
U.S. Gulf Coast:			
CBOB gasoline less Brent	4.89	5.17	(0.28)
Ultra-low-sulfur diesel less Brent	16.48	13.78	2.70
Propylene less Brent	(22.38)	8.23	(30.61)
CBOB gasoline less LLS	3.98	4.63	(0.65)
Ultra-low-sulfur diesel less LLS	15.57	13.24	2.33
Propylene less LLS	(23.29)	7.69	(30.98)
U.S. Mid-Continent:			
CBOB gasoline less WTI (i)	25.40	22.37	3.03
Ultra-low-sulfur diesel less WTI	34.96	31.06	3.90
North Atlantic:			
CBOB gasoline less Brent	10.66	5.95	4.71
Ultra-low-sulfur diesel less Brent	19.06	15.64	3.42
U.S. West Coast:			
CARBOB 87 gasoline less ANS	15.39	11.48	3.91
CARB diesel less ANS	19.93	18.47	1.46
CARBOB 87 gasoline less WTI	31.86	25.97	5.89
CARB diesel less WTI	36.40	32.96	3.44
New York Harbor corn crush (dollars per gallon)	(0.15)	0.25	(0.40)

See note references on page 41.

Retail and Ethanol Operating Highlights
(millions of dollars, except per gallon amounts)

	Year Ended December 31,		
	2012	2011	Change
Retail–U.S.:			
Operating income (e)	$ 240	$ 213	$ 27
Company-operated fuel sites (average)	1,013	994	19
Fuel volumes (gallons per day per site)	5,083	5,060	23
Fuel margin per gallon	$ 0.162	$ 0.144	$ 0.018
Merchandise sales	$ 1,239	$ 1,223	$ 16
Merchandise margin (percentage of sales)	29.7%	28.7%	1.0 %
Margin on miscellaneous sales	$ 89	$ 88	$ 1
Operating expenses	$ 434	$ 416	$ 18
Depreciation and amortization expense	$ 77	$ 77	$ —
Asset impairment loss (e)	$ 12	$ —	$ 12
Retail–Canada:			
Operating income (e)	$ 108	$ 168	$ (60)
Fuel volumes (thousand gallons per day)	3,096	3,195	(99)
Fuel margin per gallon	$ 0.258	$ 0.299	$ (0.041)
Merchandise sales	$ 257	$ 261	$ (4)
Merchandise margin (percentage of sales)	29.0%	29.4%	(0.4)%
Margin on miscellaneous sales	$ 44	$ 43	$ 1
Operating expenses	$ 252	$ 262	$ (10)
Depreciation and amortization expense	$ 42	$ 38	$ 4
Asset impairment loss (e)	$ 9	$ —	$ 9
Ethanol:			
Operating income (loss)	$ (47)	$ 396	$ (443)
Ethanol production (thousand gallons per day)	2,967	3,352	(385)
Gross margin per gallon of production (f)	$ 0.30	$ 0.68	$ (0.38)
Operating costs per gallon of production:			
Operating expenses	0.30	0.33	(0.03)
Depreciation and amortization expense	0.04	0.03	0.01
Total operating costs per gallon of production	0.34	0.36	(0.02)
Operating income (loss) per gallon of production	$ (0.04)	$ 0.32	$ (0.36)

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See note references on page 41.

The following notes relate to references on pages 36 through 40.

(a) The financial highlights and operating highlights for the refining segment and U.S. Gulf Coast region reflect the results of operations of our Meraux Refinery, including related logistics assets, from the date of its acquisition on October 1, 2011.

(b) The financial highlights and operating highlights for the refining segment and North Atlantic region reflect the results of operations of our Pembroke Refinery, including the related market and logistics business, from the date of its acquisition on August 1, 2011.

(c) Cost of sales for the year ended December 31, 2011 includes a loss of $542 million ($352 million after taxes) on commodity derivative contracts related to the forward sales of refined product. These contracts were closed and realized during the first quarter of 2011. This loss is reflected in refining segment operating income for the year ended December 31, 2011, but throughput margin per barrel for the refining segment excludes this $542 million loss ($0.61 per barrel). In addition, operating income and throughput margin per barrel for the U.S. Gulf Coast, the U.S. Mid-Continent, and the U.S. West Coast regions for the year ended December 31, 2011 exclude the portion of this loss that had been allocated to them of $372 million ($0.70 per barrel), $122 million ($0.81 per barrel), and $48 million ($0.51 per barrel), respectively.

(d) In September 2012, we decided to reorganize our Aruba Refinery into a crude oil and refined products terminal. The reorganization resulted in the termination of the majority of our employees in Aruba, and we recognized severance expense of $41 million in September 2012. This expense is reflected in refining segment operating income for the year ended December 31, 2012, but it is excluded from operating costs per barrel for the refining segment and the U.S. Gulf Coast region. No income tax benefits were recognized related to this severance expense.

(e) Asset impairment losses for the year ended December 31, 2012 include a $928 million loss on the write-down of the Aruba Refinery. In addition, we recorded asset impairment losses of $65 million ($42 million after taxes) related to equipment associated with a permanently cancelled capital project at another refinery and $21 million ($13 million after taxes) related to certain retail stores in 2012. The total asset impairment losses of $1.0 billion are reflected in the operating income of the respective segments for the year ended December 31, 2012, but the asset impairment losses associated with the Aruba Refinery and the cancelled capital projects are excluded from the operating costs per barrel and operating income per barrel for the refining segment and the U.S. Gulf Coast region.

(f) Throughput margin per barrel represents operating revenues less cost of sales of our refining segment divided by throughput volumes. Gross margin per gallon of production represents operating revenues less cost of sales of our ethanol segment divided by production volumes.

(g) Other products primarily include petrochemicals, gas oils, No. 6 fuel oil, petroleum coke, and asphalt.

(h) The regions reflected herein contain the following refineries: the U.S. Gulf Coast region includes Aruba, Corpus Christi East, Corpus Christi West, Houston, Meraux, Port Arthur, St. Charles, Texas City, and Three Rivers Refineries; the U.S. Mid-Continent region includes the Ardmore, McKee, and Memphis Refineries; the North Atlantic region includes the Pembroke and Quebec City Refineries; and the U.S.West Coast region includes the Benicia and Wilmington Refineries.

(i) U.S. Mid-Continent product specifications for gasoline changed on September 16, 2013 to CBOB gasoline. Therefore, average market reference prices for comparable products meeting the new specifications required in this region are now being provided for all periods presented.

General

Operating revenues increased 11 percent (or $13.3 billion) for the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily as a result of higher average refined product prices for most of the products we produce and higher throughput volumes between the two years related to our refining segment operations. Refined product prices are most significantly influenced by the price of crude oil, which is a worldwide commodity whose price is influenced by many factors, including, but not limited to, worldwide supply and demand characteristics, worldwide political conditions, and worldwide economic conditions. However, regional factors also impact the price of refined product prices in those geographic regions. Regional factors can be similar to those that affect the worldwide price of crude oil, but they can also be significantly influenced by weather conditions that disrupt the supply of and demand for refined products in the region. For example, in October 2012, Hurricane Sandy struck the U.S. East Coast and disrupted the supply of refined products in that region for some time, which contributed to the increase of $5.99 per barrel in the North Atlantic benchmark reference price of CBOB gasoline in 2012 compared to 2011. The higher throughput volumes in 2012 resulted primarily from the incremental throughput of 75,000 BPD from the Meraux Refinery, which was acquired on October 1, 2011, and incremental throughput of 95,000 BPD from the Pembroke Refinery, which was acquired on August 1, 2011.

Operating income increased $330 million and income from continuing operations before income tax expense increased $384 million for the year ended December 31, 2012 compared to the amounts reported for the year ended December 31, 2011 due to a $934 million increase in refining segment operating income, a $33 million decrease in retail segment operating income, a $443 million decrease in ethanol segment operating income, and a $128 million increase in corporate expenses. The reasons for these changes are described below.

Refining

Refining segment operating income increased from $3.5 billion for the year ended December 31, 2011 to $4.5 billion for the year ended December 31, 2012. This increase was impacted by asset impairment losses of $928 million related to the Aruba Refinery and $65 million related to cancelled capital projects in 2012, $41 million of severance expense related to the Aruba Refinery, and a $542 million loss on derivative contracts in 2011. (See Notes 4 and 10 of Notes to Consolidated Financial Statements for further discussions of the asset impairment losses and the severance expense, respectively). Excluding these amounts, our refining segment operating income increased $1.4 billion from $4.1 billion for the year ended December 31, 2011 to $5.5 billion for the year ended December 31, 2012. This $1.4 billion improvement in operating income was primarily due to a $1.7 billion increase in refining margin, partially offset by a $262 million increase in operating expenses.

The $1.7 billion increase in refining margin (a $1.05 per barrel, or 11 percent, increase between 2012 and 2011) was primarily the result of improvements in the margin generated in our U.S. Mid-Continent and North Atlantic regions, which experienced increases in refining margin of $526 million (a $2.58 per barrel increase), and $821 million (a $3.81 per barrel increase), respectively.

The $526 million increase in refining margin in the U.S. Mid-Continent region was largely due to improved gasoline and distillate margins in that region in 2012 compared to 2011. For example, the U.S. Mid-Continent benchmark reference margins for CBOB gasoline (conventional 87 gasoline prior to September 16, 2013) and ultra-low-sulfur diesel, a type of distillate, increased year over year by $3.03 per barrel and $3.90 per barrel, respectively, and these increases were primarily the result of a $1.67 per barrel increase in the discount between the price of WTI crude oil versus Brent crude oil. Brent crude oil is the type of crude oil used by the market to set the price of refined products, but our refineries in the U.S. Mid-Continent region primarily process WTI-type crude oil; therefore, the increase in the price discount between WTI crude oil versus Brent crude oil had a positive impact to our refining margin in this region of approximately $300 million. WTI crude oil priced at a significant discount to Brent crude oil during 2012 because of increases in crude oil reserves within the U.S. Mid-Continent region and increased deliveries of crude oil from Canada into that region, coupled with the inability to transport significant quantities of that crude oil to refineries in other regions of the country.

The $821 million increase in refining margin in the North Atlantic region was also due to improved gasoline and distillate margins in that region in 2012 compared to 2011. For example, the North Atlantic benchmark reference margins for CBOB gasoline and ultra-low-sulfur diesel increased year over year by $4.71 per barrel and $3.42 per barrel, respectively, and these increases were due largely to a reduction in the supply of refined products, which resulted from the continued shutdown of refineries in the U.S. East Coast, Caribbean, and

Western Europe during 2012, and supply disruptions caused by Hurricane Sandy, which struck the U.S. East Coast in October 2012.

The increase of $262 million in operating expenses discussed above was primarily due to an increase of $123 million in operating expenses of the Meraux Refinery, an increase of $214 million in operating expenses incurred by the Pembroke Refinery, and a decrease of $123 million in operating expenses incurred by the Aruba Refinery. We acquired the Pembroke Refinery on August 1, 2011 and the Meraux Refinery on October 1, 2011; therefore, operating expenses for 2011 only reflected five months of operating expenses of the Pembroke Refinery and three months of operating expenses of the Meraux Refinery. In addition, in March 2012, we suspended the operations of the Aruba Refinery, which resulted in a significant decrease in operating expenses related to that refinery in 2012. The remaining increase in operating expenses of $48 million was primarily due to an increase of $31 million in employee-related expenses due to higher compensation expense related to merit increases and promotions and higher expenses for employee benefit costs, an increase of $9 million in catalyst and chemical costs due to higher prices of rare earth metals used in our fluid catalytic cracking units, an increase of $61 million in ad valorem taxes and insurance expense due to increased insurance reserves in 2012 combined with a nonrecurring favorable ad valorem tax adjustment in 2011, and a decrease of $63 million in energy costs due to lower natural gas prices. Even though operating expenses increased year over year, operating expenses per barrel in 2012 were comparable to 2011 due to the incremental throughput of 179,000 BPD, which primarily resulted from the incremental throughput of the Pembroke and Meraux Refineries discussed above.

Retail

Retail operating income was $348 million for the year ended December 31, 2012 compared to $381 million for the year ended December 31, 2011. This 9 percent (or $33 million) decrease was primarily due to a $21 million noncash asset impairment loss related to certain convenience stores (see Note 4 of Notes to Consolidated Financial Statements), a $56 million decrease in fuel margin from our Canadian retail operations, and a $41 million increase in fuel margin in our U.S. retail operations.

The Canadian retail fuel margin for 2012 was impacted by a decline in fuel volumes sold as a result of fewer retail sites combined with a decline in the fuel margin per gallon, which was due to pricing pressure from our competitors and changes in wholesale motor fuel prices during the year. Our U.S. retail fuel margin improved during 2012 due to increased fuel volumes sold as a result of more retail sites combined with improved fuel margin per gallon as wholesale motor fuel prices peaked in March 2012 and declined throughout the remainder of the year.

Ethanol

Ethanol segment operating loss was $47 million for the year ended December 31, 2012 compared to operating income of $396 million for the year ended December 31, 2011. This decrease of $443 million was primarily due to a $507 million decrease in gross margin, partially offset by a $67 million decrease in operating expenses.

The decrease in gross margin was due to a 56 percent decrease in the gross margin per gallon of ethanol production (a $0.38 per gallon decrease between the comparable periods) primarily due to lower ethanol prices in 2012 versus 2011. Ethanol prices during 2012 were pressured by a surplus of ethanol supply due to reduced demand for ethanol associated with the decline in gasoline demand in the U.S., lower exports of ethanol to Europe, and increased imports of ethanol from Brazil. In addition, ethanol production decreased 385,000 gallons per day between the comparable periods due to lower utilization rates at our ethanol plants during 2012. The reduction in operating expenses was due primarily to a $57 million decrease in energy costs resulting from decreased consumption because of the lower utilization rates previously discussed, combined with lower natural gas prices versus the comparable period of 2011.

Corporate Expenses and Other

General and administrative expenses increased $127 million for the year ended December 31, 2012 compared to the year ended December 31, 2011 due to $58 million in administrative costs related to our European operations, which we acquired on August 1, 2011, a $23 million increase in employee benefits expense (primarily related to increased costs for medical and retirement benefits), and favorable legal settlements of $47 million in 2011, which did not recur in 2012.

"Other income, net" for the year ended December 31, 2012 decreased $34 million from the year ended December 31, 2011 due to an increase of $15 million of foreign currency transaction losses, an $11 million reduction in interest income due to the collection of a note receivable from PBF Holdings LLC in February 2012, and a $7 million reduction in bank interest income due to lower levels of temporary cash investments during 2012 as compared to the prior year.

"Interest and debt expense, net of capitalized interest" for the year ended December 31, 2012 decreased $88 million from the year ended December 31, 2011. This decrease is primarily due to an increase of $69 million in capitalized interest related to an increase in capital expenditures between the years and a $33 million favorable impact from the decrease in average borrowings, partially offset by a $12 million write-off of unamortized debt discounts related to the early redemption of certain industrial revenue bonds in the first quarter of 2012.

Income tax expense for the year ended December 31, 2012 increased $400 million from the year ended December 31, 2011 partially as a result of higher operating income in 2012. The variation in the customary relationship between income tax expense and income from continuing operations before income tax expense for the year ended December 31, 2012 was primarily due to not recognizing the tax benefits associated with the asset impairment loss of $928 million and the severance expense of $41 million related to the Aruba Refinery as we do not expect to realize a tax benefit from these losses.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows for the Year Ended December 31, 2013

Net cash provided by operating activities for the year ended December 31, 2013 was $5.6 billion compared to $5.3 billion for the year ended December 31, 2012. Changes in cash provided by or used for working capital during the years ended December 31, 2013 and 2012 are shown in Note 19 of Notes to Consolidated Financial Statements.

The net cash generated from operating activities during the year ended December 31, 2013 combined with $735 million of net cash received in connection with the separation of our retail business (consisting of $550 million of proceeds on short-term debt, a $500 million cash distribution from CST less $315 million of cash retained by CST), and $525 million of proceeds on short-term debt related to the disposition of our retained interest in CST were used mainly to:

- fund $2.8 billion of capital expenditures and deferred turnaround and catalyst costs;
- make scheduled long-term note repayments of $480 million;
- make a short-term debt repayment of $58 million;
- purchase common stock for treasury of $928 million;
- pay common stock dividends of $462 million; and
- increase available cash on hand by $2.2 billion.

In addition, VLP completed its initial public offering of common units for net proceeds of $369 million. Because we consolidate VLP's financial statements, the total cash reported by us also increased by these net proceeds; however, such proceeds can only be used by VLP for its purposes.

Cash Flows for the Year Ended December 31, 2012

Net cash provided by operating activities for the year ended December 31, 2012 was $5.3 billion compared to $4.0 billion for the year ended December 31, 2011. The increase in cash generated from operating activities was primarily due to the increase in operating income discussed above under "RESULTS OF OPERATIONS," after excluding the effect of the asset impairment loss included in the 2012 operating income that had no effect on cash. Changes in cash provided by or used for working capital during the years ended December 31, 2012 and 2011 are shown in Note 19 of Notes to Consolidated Financial Statements.

The net cash generated from operating activities during the year ended December 31, 2012 combined with $300 million of proceeds from the remarketing of the 4.0% Gulf Opportunity Zone Revenue Bonds Series 2010 (GO Zone Bonds), $1.1 billion of borrowings under our revolving credit facility, and $1.5 billion of proceeds from the sale of receivables under our accounts receivable sales facility were used mainly to:

- fund $3.4 billion of capital expenditures and deferred turnaround and catalyst costs;
- redeem our Series 1997 5.6%, Series 1998 5.6%, Series 1999 5.7%, Series 2001 6.65%, and Series 1997A 5.45% industrial revenue bonds for $108 million;
- make scheduled long-term note repayments of $754 million;
- repay borrowings under our revolving credit facility of $1.1 billion;
- make repayments under our accounts receivable sales facility of $1.7 billion;
- purchase common stock for treasury of $281 million;
- pay common stock dividends of $360 million; and
- increase available cash on hand by $699 million.

Capital Investments

Our operations, especially those of our refining segment, are highly capital intensive. Each of our refineries comprises a large base of property assets, consisting of a series of interconnected, highly integrated and interdependent crude oil processing facilities and supporting logistical infrastructure (Units), and these Units are improved continuously. The cost of improvements, which consist of the addition of new Units and betterments of existing Units, can be significant. We have historically acquired our refineries at amounts significantly below their replacement costs, whereas our improvements are made at full replacement value. As such, the costs for improving our refinery assets increase over time and are significant in relation to the amounts we paid to acquire our refineries. We plan for these improvements by developing a multi-year capital program that is updated and revised based on changing internal and external factors.

We make improvements to our refineries in order to maintain and enhance their operating reliability, to meet environmental obligations with respect to reducing emissions and removing prohibited elements from the products we produce, or to enhance their profitability. Reliability and environmental improvements generally do not increase the throughput capacities of our refineries. Improvements that enhance refinery profitability may increase throughput capacity, but many of these improvements allow our refineries to process different types of crude oil and refine crude oil into products with higher market values. Therefore, many of our improvements do not increase throughput capacity significantly.

For 2014, we expect to incur approximately $2.3 billion for capital expenditures and approximately $700 million for deferred turnaround and catalyst costs. The capital expenditure estimate excludes expenditures related to potential strategic acquisitions. We continuously evaluate our capital budget and make changes as conditions warrant.

Contractual Obligations

Our contractual obligations as of December 31, 2013 are summarized below (in millions).

	Payments Due by Period						
	2014	2015	2016	2017	2018	Thereafter	Total
Debt and capital lease obligations (including interest on capital lease obligations)	$ 308	$ 483	$ 7	$ 957	$ 6	$ 4,851	$ 6,612
Operating lease obligations	305	230	162	111	95	321	1,224
Purchase obligations	33,159	3,501	994	453	279	1,126	39,512
Other long-term liabilities	—	138	113	112	103	863	1,329
Total	$ 33,772	$ 4,352	$ 1,276	$ 1,633	$ 483	$ 7,161	$ 48,677

Debt and Capital Lease Obligations

During 2013, we made scheduled long-term note repayments of $480 million as described in Note 11 of Notes to Consolidated Financial Statements.

We have an accounts receivable sales facility with a group of third-party entities and financial institutions to sell eligible trade receivables on a revolving basis up to $1.5 billion. As of December 31, 2013, the amount of eligible receivables sold was $100 million. All amounts outstanding under this facility are reflected as debt.

Our debt and financing agreements do not have rating agency triggers that would automatically require us to post additional collateral. However, in the event of certain downgrades of our senior unsecured debt by the ratings agencies, the cost of borrowings under some of our bank credit facilities and other arrangements would increase. As of December 31, 2013, all of our ratings on our senior unsecured debt are at or above investment grade level as follows:

Rating Agency	Rating
Moody's Investors Service	Baa2 (stable outlook)
Standard & Poor's Ratings Services	BBB (negative outlook)
Fitch Ratings	BBB (stable outlook)

We cannot provide assurance that these ratings will remain in effect for any given period of time or that one or more of these ratings will not be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to buy, sell, or hold our securities and may be revised or withdrawn at any time by the rating agency. Each rating should be evaluated independently of any other rating. Any future reduction below investment grade or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to obtain short- and long-term financing and the cost of such financings.

Operating Lease Obligations

Our operating lease obligations include leases for land, office facilities and equipment, transportation equipment, time charters for ocean-going tankers and coastal vessels, dock facilities, and various facilities and equipment used in the storage, transportation, production, and sale of refinery feedstocks, refined product, and corn inventories. Operating lease obligations include all operating leases that have initial or remaining noncancelable terms in excess of one year, and are not reduced by minimum rentals to be received by us under subleases.

Purchase Obligations

A purchase obligation is an enforceable and legally binding agreement to purchase goods or services that specifies significant terms, including (i) fixed or minimum quantities to be purchased, (ii) fixed, minimum, or variable price provisions, and (iii) the approximate timing of the transaction. We have various purchase obligations including industrial gas and chemical supply arrangements (such as hydrogen supply arrangements), crude oil and other feedstock supply arrangements, and various throughput and terminalling agreements. We enter into these contracts to ensure an adequate supply of utilities and feedstock and adequate storage capacity to operate our refineries. Substantially all of our purchase obligations are based on market prices or adjustments based on market indices. Certain of these purchase obligations include fixed or minimum volume requirements, while others are based on our usage requirements. The purchase obligation amounts shown in the table above include both short- and long-term obligations and are based on (a) fixed or minimum quantities to be purchased and (b) fixed or estimated prices to be paid based on current market conditions. As of December 31, 2013, there was no significant change in the amount of our short- and long-term purchase obligations as compared to December 31, 2012.

Other Long-term Liabilities

Our other long-term liabilities are described in Note 10 of Notes to Consolidated Financial Statements. For purposes of reflecting amounts for other long-term liabilities in the table above, we made our best estimate of expected payments for each type of liability based on information available as of December 31, 2013.

Other Commercial Commitments

As of December 31, 2013, our outstanding letters of credit under our committed lines of credit were as follows (in millions):

	Borrowing Capacity		Expiration	Outstanding Letters of Credit	
Letter of credit facilities	$	550	June 2014	$	278
U.S. revolving credit facility	$	3,000	November 2018	$	59
Canadian revolving credit facility	C$	50	November 2014	C$	10

As of December 31, 2013, we had no amounts borrowed under our revolving credit facilities. The letters of credit outstanding as of December 31, 2013 expire during 2014 and 2015.

Off-Balance Sheet Arrangements

We have not entered into any transactions, agreements, or other contractual arrangements that would result in off-balance sheet liabilities.

Other Matters Impacting Liquidity and Capital Resources

Stock Purchase Programs

As of December 31, 2013, we have approvals under common stock purchase programs to purchase approximately $2.6 billion of our common stock. In January 2014, we purchased 4 million shares for $208 million.

Pension Plan Funding

We plan to contribute approximately $38 million to our pension plans and $19 million to our postretirement plans during 2014.

On February 15, 2013, we announced changes to certain of our pension plans that reduced our pension obligations. In addition, we expect that these changes will also reduce our benefit costs for future years, as further discussed in Note 14 of Notes to Consolidated Financial Statements.

Environmental Matters

Our operations are subject to extensive environmental regulations by governmental authorities relating to the discharge of materials into the environment, waste management, pollution prevention measures, greenhouse gas emissions, and characteristics and composition of gasolines and distillates. Because environmental laws and regulations are becoming more complex and stringent and new environmental laws and regulations are continuously being enacted or proposed, the level of future expenditures required for environmental matters could increase in the future. In addition, any major upgrades in any of our operating facilities could require material additional expenditures to comply with environmental laws and regulations. See Notes 10 and 12 of Notes to Consolidated Financial Statements for a further discussion of our environmental matters.

Tax Matters

During the first quarter of 2014, we expect to pay approximately $400 million in tax payments that relate to 2013 and that were recorded in income taxes payable as of December 31, 2013. In addition, we currently believe the cash we will pay for income taxes for 2014 will increase and that such amount may exceed the total income tax expense that will be reflected on our statement of income. This belief is primarily due to an expected decrease in deductions that we will claim on our U.S. federal income tax return for depreciation on our property, plant, and equipment. In prior years, the U.S. federal government enacted certain legislation that provided for the deduction of depreciation on an accelerated basis on newly built equipment as a means of encouraging capital investment by businesses. This legislation, however, generally does not extend beyond 2013. Although we expect the amount of cash required to pay our 2014 income taxes to increase compared to recent prior years, we believe that we will generate sufficient cash from operations and have sufficient cash on hand to make our tax payments as they become due.

As of December 31, 2013, the IRS has ongoing tax audits related to our U.S. federal tax returns from 2002 through 2011. We have received Revenue Agent Reports in connection with the 2002 through 2009 audits, and we are vigorously contesting certain tax positions and assertions from the IRS. We made significant progress during 2013 in resolving certain of these matters, and in January 2014, we settled the audit related to the 2004 and 2005 tax years for a group of our subsidiaries for an amount consistent with the recorded amount of unrecognized tax benefits associated with that audit. We are continuing to work with the IRS to resolve the remaining matters and expect to settle other audits within the next 12 months for amounts consistent with the recorded amounts of unrecognized tax benefits associated with those audits. Because these settlements are expected to occur in 2014, we classified certain of our long-term uncertain tax position liabilities to current liabilities as of December 31, 2013. The total amount of uncertain tax position liabilities was $443 million as of December 31, 2013, with $238 million reflected in “income taxes payable” and $205 million reflected in “other long-term liabilities”, and this total amount did not change significantly during the year ended December 31, 2013. Should we ultimately settle for amounts consistent with our estimates, we believe that we will have sufficient cash on hand at that time to make such payments.

Cash Held by Our International Subsidiaries

We operate in countries outside the U.S. through subsidiaries incorporated in these countries, and the earnings of these subsidiaries are taxed by the countries in which they are incorporated. We intend to reinvest these earnings indefinitely in our international operations even though we are not restricted from repatriating such earnings to the U.S. in the form of cash dividends. Should we decide to repatriate such earnings, we would incur and pay taxes on the amounts repatriated. In addition, such repatriation could cause us to record deferred tax expense that could significantly impact our results of operations, as further discussed in Note 16 of Notes to Consolidated Financial Statements. We believe, however, that a substantial portion of our international cash can be returned to the U.S. without significant tax consequences through means other than a repatriation of earnings. As of December 31, 2013, $1.1 billion of our cash and temporary cash investments was held by our international subsidiaries.

Financial Regulatory Reform

In July 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (Wall Street Reform Act). Key provisions of the Wall Street Reform Act create new statutory requirements that require most derivative instruments to be traded on exchanges and routed through clearinghouses, as well as impose new recordkeeping and reporting responsibilities on market participants. While certain final rules implementing the Wall Street Reform Act became effective in the fourth quarter of 2012, others continue to become effective in 2013 and 2014. Although we cannot predict the ultimate impact of these rules, which may result in higher clearing costs and more reporting requirements with respect to our derivative activities, we believe they will not have a material impact on our financial position, results of operations, or liquidity.

Concentration of Customers

Our refining and marketing operations have a concentration of customers in the refining industry and customers who are refined product wholesalers and retailers. These concentrations of customers may impact our overall exposure to credit risk, either positively or negatively, in that these customers may be similarly affected by changes in economic or other conditions. However, we believe that our portfolio of accounts receivable is sufficiently diversified to the extent necessary to minimize potential credit risk. Historically, we have not had any significant problems collecting our accounts receivable.

Sources of Liquidity

We believe that we have sufficient funds from operations and, to the extent necessary, from borrowings under our credit facilities, to fund our ongoing operating requirements. We expect that, to the extent necessary, we can raise additional funds from time to time through equity or debt financings in the public and private capital markets or the arrangement of additional credit facilities. However, there can be no assurances regarding the availability of any future financings or additional credit facilities or whether such financings or additional credit facilities can be made available on terms that are acceptable to us.

NEW ACCOUNTING PRONOUNCEMENTS

As discussed in Note 1 of Notes to Consolidated Financial Statements, certain new financial accounting pronouncements will become effective for our financial statements in the future. The adoption of these pronouncements is not expected to have a material effect on our financial statements.

CRITICAL ACCOUNTING POLICIES INVOLVING CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The following summary provides further information about our critical accounting policies that involve critical accounting estimates, and should be read in conjunction with Note 1 of Notes to Consolidated Financial Statements, which summarizes our significant accounting policies. The following accounting policies involve estimates that are considered critical due to the level of subjectivity and judgment involved, as well as the impact on our financial position and results of operations. We believe that all of our estimates are reasonable.

Property, Plant, and Equipment

Depreciation of property assets used in our refining segment is recorded on a straight-line basis over the estimated useful lives of these assets primarily using the composite method of depreciation. We maintain a separate composite group of property assets for each of our refineries. We estimate the useful life of each group based on an evaluation of the property assets comprising the group, and such evaluations consist of, but are not limited to, the physical inspection of the assets to determine their condition, consideration of the manner in which the assets are maintained, assessment of the need to replace assets, and evaluation of the manner in which improvements impact the useful life of the group. The estimated useful lives of our composite groups range primarily from 25 to 30 years.

Under the composite method of depreciation, the cost of an improvement is added to the composite group to which it relates and is depreciated over that group’s estimated useful life. We design improvements to our refineries in accordance with engineering specifications, design standards and practices accepted in our industry, and these improvements have design lives consistent with our estimated useful lives. Therefore, we believe the use of the group life to depreciate the cost of improvements made to the group is reasonable because the estimated useful life of each improvement is consistent with that of the group. It should be noted, however, that factors such as competition, regulation, or environmental matters could cause us to change our estimates, thus impacting depreciation expense in the future.

Impairment of Assets
Long-lived assets (which include property, plant, and equipment, intangible assets, and refinery turnaround and catalyst costs) and equity method investments are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss should be recognized if the carrying amount of the asset exceeds its fair value.

In order to test for recoverability, we must make estimates of projected cash flows related to the asset being evaluated, which include, but are not limited to, assumptions about the use or disposition of the asset, its estimated remaining life, and future expenditures necessary to maintain its existing service potential. In order to determine fair value, management must make certain estimates and assumptions including, among other things, an assessment of market conditions, projected cash flows, investment rates, interest/equity rates, and growth rates, that could significantly impact the fair value of the asset being tested for impairment. Our impairment evaluations are based on assumptions that we deem to be reasonable. Providing sensitivity analyses if other assumptions were used in performing the impairment evaluations is not practicable due to the significant number of assumptions involved in the estimates. See Note 4 of Notes to Consolidated Financial Statements for a further discussion of our asset impairment analysis and certain losses resulting from those analyses.

Environmental Matters
Our operations are subject to extensive environmental regulations by governmental authorities relating primarily to the discharge of materials into the environment, waste management, and pollution prevention measures. Future legislative action and regulatory initiatives, as discussed in Note 12 of Notes to Consolidated Financial Statements could result in changes to required operating permits, additional remedial actions, or increased capital expenditures and operating costs that cannot be assessed with certainty at this time.

Accruals for environmental liabilities are based on best estimates of probable undiscounted future costs over a 20-year time period using currently available technology and applying current regulations, as well as our own internal environmental policies. However, environmental liabilities are difficult to assess and estimate due to uncertainties related to the magnitude of possible remediation, the timing of such remediation, and the determination of our obligation in proportion to other parties. Such estimates are subject to change due to many factors, including the identification of new sites requiring remediation, changes in environmental laws and regulations and their interpretation, additional information related to the extent and nature of remediation efforts, and potential improvements in remediation technologies. An estimate of the sensitivity to earnings for changes in those factors is not practicable due to the number of contingencies that must be assessed, the number of underlying assumptions, and the wide range of possible outcomes.

The amount of and changes in our accruals for environmental matters as of and for the years ended December 31, 2013, 2012, and 2011 is included in Note 10 of Notes to Consolidated Financial Statements.

Pension and Other Postretirement Benefit Obligations
We have significant pension and other postretirement benefit liabilities and costs that are developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates, expected return on plan assets, future compensation increases, and health care cost trend rates, and these assumptions are disclosed and described in Note 14 of Notes to Consolidated Financial Statements. Changes in these assumptions are primarily influenced by factors outside our control. For example, the discount rate assumption represents a yield curve comprised of various long-term bonds that have an average rating of double-A when averaging all available ratings by the recognized rating agencies, while the expected return on plan assets is based on a compounded return calculated assuming an asset allocation that is representative of the asset mix in our pension plans. To determine the expected return on plan assets, we utilized a forward-

looking model of asset returns. The historical geometric average return over the 10 years prior to December 31, 2013 was 8.86 percent. The actual return on assets for the years ended December 31, 2013, 2012 and 2011 was 19.38 percent, 11.84 percent, and 0.10 percent, respectively. These assumptions can have a significant effect on the amounts reported in our financial statements. For example, a 0.25 percent decrease in the assumptions related to the discount rate or expected return on plan assets or a 0.25 percent increase in the assumptions related to the health care cost trend rate or rate of compensation increase would have the following effects on the projected benefit obligation as of December 31, 2013 and net periodic benefit cost for the year ending December 31, 2014 (in millions):

	Pension Benefits	Other Postretirement Benefits
Increase in projected benefit obligation resulting from:		
Discount rate decrease	$ 83	$ 10
Compensation rate increase	6	n/a
Health care cost trend rate increase	n/a	1
Increase in expense resulting from:		
Discount rate decrease	8	—
Expected return on plan assets decrease	4	n/a
Compensation rate increase	2	n/a
Health care cost trend rate increase	n/a	—

See Note 14 of Notes to Consolidated Financial Statements for a further discussion of our pension and other postretirement benefit obligations.

Tax Matters

We record tax liabilities based on our assessment of existing tax laws and regulations. A contingent loss related to an indirect tax claim is recorded if the loss is both probable and estimable. The recording of our tax liabilities requires significant judgments and estimates. Actual tax liabilities can vary from our estimates for a variety of reasons, including different interpretations of tax laws and regulations and different assessments of the amount of tax due. In addition, in determining our income tax provision, we must assess the likelihood that our deferred tax assets, primarily consisting of net operating loss and tax credit carryforwards, will be recovered through future taxable income. Significant judgment is required in estimating the amount of valuation allowance, if any, that should be recorded against those deferred income tax assets. If our actual results of operations differ from such estimates or our estimates of future taxable income change, the valuation allowance may need to be revised. However, an estimate of the sensitivity to earnings that would result from changes in the assumptions and estimates used in determining our tax liabilities is not practicable due to the number of assumptions and tax laws involved, the various potential interpretations of the tax laws, and the wide range of possible outcomes. See Notes 12 and 16 of Notes to Consolidated Financial Statements for a further discussion of our tax liabilities.

Legal Matters

A variety of claims have been made against us in various lawsuits. We record a liability related to a loss contingency attributable to such legal matters if we determine that it is probable that a loss has been incurred and that the loss is reasonably estimable. The recording of such liabilities requires judgments and estimates, the results of which can vary significantly from actual litigation results due to differing interpretations of relevant law and differing opinions regarding the degree of potential liability and the assessment of reasonable damages. However, an estimate of the sensitivity to earnings if other assumptions were used in recording our legal liabilities is not practicable due to the number of contingencies that must be assessed and the wide range of reasonably possible outcomes, both in terms of the probability of loss and the estimates of such loss.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

COMMODITY PRICE RISK

We are exposed to market risks related to the volatility in the price of crude oil, refined products (primarily gasoline and distillate), grain (primarily corn), and natural gas used in our operations. To reduce the impact of price volatility on our results of operations and cash flows, we use commodity derivative instruments, including swaps, futures, and options to hedge:

- inventories and firm commitments to purchase inventories generally for amounts by which our current year inventory levels (determined on a last-in, first-out (LIFO) basis) differ from our previous year-end LIFO inventory levels and
- forecasted feedstock and refined product purchases, refined product sales, natural gas purchases, and corn purchases to lock in the price of those forecasted transactions at existing market prices that we deem favorable.

We use the futures markets for the available liquidity, which provides greater flexibility in transacting our hedging and trading operations. We use swaps primarily to manage our price exposure. We also enter into certain commodity derivative instruments for trading purposes to take advantage of existing market conditions related to future results of operations and cash flows.

Our positions in commodity derivative instruments are monitored and managed on a daily basis by a risk control group to ensure compliance with our stated risk management policy that has been approved by our board of directors.

The following sensitivity analysis includes all positions at the end of the reporting period with which we have market risk (in millions):

	Derivative Instruments Held For	
	Non-Trading Purposes	**Trading Purposes**
December 31, 2013:		
Gain (loss) in fair value resulting from:		
10% increase in underlying commodity prices	$ (91)	$ 3
10% decrease in underlying commodity prices	91	(2)
December 31, 2012:		
Gain (loss) in fair value resulting from:		
10% increase in underlying commodity prices	(131)	(9)
10% decrease in underlying commodity prices	135	(1)

See Note 21 of Notes to Consolidated Financial Statements for notional volumes associated with these derivative contracts as of December 31, 2013.

COMPLIANCE PROGRAM PRICE RISK

We are exposed to market risk related to the volatility in the price of biofuel credits needed to comply with various governmental and regulatory programs. To manage this risk, we enter into contracts to purchase these credits when prices are deemed favorable. Some of these contracts are derivative instruments; however, we elect the normal purchase exception and do not record these contracts at their fair values. As of December 31, 2013, there was no gain or loss in the fair value of derivative instruments that would result from a 10 percent increase or decrease in the underlying price of the contracts. See Note 21 of Notes to Consolidated Financial Statements for a discussion about these compliance programs.

INTEREST RATE RISK

The following table provides information about our debt instruments, excluding capital lease obligations (dollars in millions), the fair values of which are sensitive to changes in interest rates. Principal cash flows and related weighted-average interest rates by expected maturity dates are presented. We had no interest rate derivative instruments outstanding as of December 31, 2013 and 2012.

	December 31, 2013							
	Expected Maturity Dates							
	2014	2015	2016	2017	2018	There-after	Total	Fair Value
Debt:								
Fixed rate	$ 200	$ 475	$ —	$ 950	$ —	$ 4,824	$ 6,449	$ 7,559
Average interest rate	4.8%	5.2%	—%	6.4%	—%	7.3%	6.9%	
Floating rate	$ 100	$ —	$ —	$ —	$ —	$ —	$ 100	$ 100
Average interest rate	0.9%	—%	—%	—%	—%	—%	0.9%	

	December 31, 2012							
	Expected Maturity Dates							
	2013	2014	2015	2016	2017	There-after	Total	Fair Value
Debt:								
Fixed rate	$ 480	$ 200	$ 475	$ —	$ 950	$ 4,824	$ 6,929	$ 8,521
Average interest rate	5.5%	4.8%	5.2%	—%	6.4%	7.3%	6.8%	
Floating rate	$ 100	$ —	$ —	$ —	$ —	$ —	$ 100	$ 100
Average interest rate	0.9%	—%	—%	—%	—%	—%	0.9%	

FOREIGN CURRENCY RISK

As of December 31, 2013, we had commitments to purchase $716 million of U.S. dollars. Our market risk was minimal on the contracts, as the majority of them matured on or before January 31, 2014, resulting in a gain of $12 million in the first quarter of 2014.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate "internal control over financial reporting" (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) for Valero. Our management evaluated the effectiveness of Valero's internal control over financial reporting as of December 31, 2013. In its evaluation, management used the criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management believes that as of December 31, 2013, our internal control over financial reporting was effective based on those criteria.

Our independent registered public accounting firm has issued an attestation report on the effectiveness of our internal control over financial reporting, which begins on page 58 of this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
of Valero Energy Corporation and subsidiaries:

We have audited the accompanying consolidated balance sheets of Valero Energy Corporation and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Valero Energy Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the PCAOB, the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

San Antonio, Texas
February 27, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
of Valero Energy Corporation and subsidiaries:

We have audited Valero Energy Corporation and subsidiaries' (the Company's) internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Valero Energy Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by COSO.

We also have audited, in accordance with the standards of the PCAOB, the consolidated balance sheets of Valero Energy Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 27, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

San Antonio, Texas
February 27, 2014

VALERO ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(Millions of Dollars, Except Par Value)

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and temporary cash investments	$ 4,292	$ 1,723
Receivables, net	8,751	8,167
Inventories	5,758	5,973
Income taxes receivable	72	169
Deferred income taxes	266	274
Prepaid expenses and other	138	154
Total current assets	19,277	16,460
Property, plant, and equipment, at cost	33,933	34,132
Accumulated depreciation	(8,226)	(7,832)
Property, plant, and equipment, net	25,707	26,300
Intangible assets, net	156	213
Deferred charges and other assets, net	2,120	1,504
Total assets	$ 47,260	$ 44,477
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt and capital lease obligations	$ 303	$ 586
Accounts payable	9,931	9,348
Accrued expenses	522	590
Taxes other than income taxes	1,345	1,026
Income taxes payable	773	1
Deferred income taxes	249	378
Total current liabilities	13,123	11,929
Debt and capital lease obligations, less current portion	6,261	6,463
Deferred income taxes	6,601	5,860
Other long-term liabilities	1,329	2,130
Commitments and contingencies		
Equity:		
Valero Energy Corporation stockholders' equity:		
Common stock, $0.01 par value; 1,200,000,000 shares authorized; 673,501,593 and 673,501,593 shares issued	7	7
Additional paid-in capital	7,187	7,322
Treasury stock, at cost; 137,932,138 and 121,406,520 common shares	(7,054)	(6,437)
Retained earnings	18,970	17,032
Accumulated other comprehensive income	350	108
Total Valero Energy Corporation stockholders' equity	19,460	18,032
Noncontrolling interests	486	63
Total equity	19,946	18,095
Total liabilities and equity	$ 47,260	$ 44,477

See Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Millions of Dollars, Except per Share Amounts)

	Year Ended December 31,		
	2013	2012	2011
Operating revenues	$ 138,074	$ 139,250	$ 125,987
Costs and expenses:			
Cost of sales	127,316	127,268	115,719
Operating expenses:			
Refining	3,704	3,668	3,406
Retail	226	686	678
Ethanol	387	332	399
General and administrative expenses	758	698	571
Depreciation and amortization expense	1,720	1,574	1,534
Asset impairment losses	—	1,014	—
Total costs and expenses	134,111	135,240	122,307
Operating income	3,963	4,010	3,680
Gain on disposition of retained interest in CST Brands, Inc.	325	—	—
Other income, net	59	9	43
Interest and debt expense, net of capitalized interest	(365)	(313)	(401)
Income from continuing operations before income tax expense	3,982	3,706	3,322
Income tax expense	1,254	1,626	1,226
Income from continuing operations	2,728	2,080	2,096
Loss from discontinued operations, net of income taxes	—	—	(7)
Net income	2,728	2,080	2,089
Less: Net income (loss) attributable to noncontrolling interests	8	(3)	(1)
Net income attributable to Valero Energy Corporation stockholders	$ 2,720	$ 2,083	$ 2,090
Net income attributable to Valero Energy Corporation stockholders:			
Continuing operations	$ 2,720	$ 2,083	$ 2,097
Discontinued operations	—	—	(7)
Total	$ 2,720	$ 2,083	$ 2,090
Earnings per common share:			
Continuing operations	$ 4.99	$ 3.77	$ 3.70
Discontinued operations	—	—	(0.01)
Total	$ 4.99	$ 3.77	$ 3.69
Weighted-average common shares outstanding (in millions)	542	550	563
Earnings per common share – assuming dilution:			
Continuing operations	$ 4.97	$ 3.75	$ 3.69
Discontinued operations	—	—	(0.01)
Total	$ 4.97	$ 3.75	$ 3.68
Weighted-average common shares outstanding – assuming dilution (in millions)	548	556	569
Dividends per common share	$ 0.85	$ 0.65	$ 0.30

See Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Millions of Dollars)

	Year Ended December 31, 2013	2012	2011
Net income	$ 2,728	$ 2,080	$ 2,089
Other comprehensive income (loss):			
Foreign currency translation adjustment	(98)	164	(122)
Net gain (loss) on pension and other postretirement benefits	763	(211)	(292)
Net gain (loss) on derivative instruments designated and qualifying as cash flow hedges	(2)	(28)	29
Other comprehensive income (loss) before income tax expense (benefit)	663	(75)	(385)
Income tax expense (benefit) related to items of other comprehensive income (loss)	262	(87)	(93)
Other comprehensive income (loss)	401	12	(292)
Comprehensive income	3,129	2,092	1,797
Less: Comprehensive income (loss) attributable to noncontrolling interests	8	(3)	(1)
Comprehensive income attributable to Valero Energy Corporation stockholders	$ 3,121	$ 2,095	$ 1,798

See Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(Millions of Dollars)

	Valero Energy Corporation Stockholders' Equity							
	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Non-controlling Interests	Total Equity
Balance as of December 31, 2010	$ 7	$ 7,704	$ (6,462)	$ 13,388	$ 388	$ 15,025	$ —	$ 15,025
Net income (loss)	—	—	—	2,090	—	2,090	(1)	2,089
Dividends on common stock	—	—	—	(169)	—	(169)	—	(169)
Stock-based compensation expense	—	57	—	—	—	57	—	57
Tax deduction in excess of stock-based compensation expense	—	22	—	—	—	22	—	22
Transactions in connection with stock-based compensation plans:								
Stock issuances	—	(287)	336	—	—	49	—	49
Stock repurchases	—	(10)	(349)	—	—	(359)	—	(359)
Contributions from noncontrolling interest	—	—	—	—	—	—	23	23
Recognition of noncontrolling interests in Mainline Pipelines Limited in connection with Pembroke Acquisition	—	—	—	—	—	—	5	5
Acquisition of noncontrolling interests in Mainline Pipelines Limited	—	—	—	—	—	—	(5)	(5)
Other comprehensive loss	—	—	—	—	(292)	(292)	—	(292)
Balance as of December 31, 2011	7	7,486	(6,475)	15,309	96	16,423	22	16,445
Net income (loss)	—	—	—	2,083	—	2,083	(3)	2,080
Dividends on common stock	—	—	—	(360)	—	(360)	—	(360)
Stock-based compensation expense	—	57	—	—	—	57	—	57
Tax deduction in excess of stock-based compensation expense	—	29	—	—	—	29	—	29
Transactions in connection with stock-based compensation plans:								
Stock issuances	—	(260)	319	—	—	59	—	59
Stock repurchases	—	10	(163)	—	—	(153)	—	(153)
Stock repurchases under buyback program	—	—	(118)	—	—	(118)	—	(118)
Contributions from noncontrolling interest	—	—	—	—	—	—	44	44
Other comprehensive income	—	—	—	—	12	12	—	12
Balance as of December 31, 2012	7	7,322	(6,437)	17,032	108	18,032	63	18,095
Net income	—	—	—	2,720	—	2,720	8	2,728
Dividends on common stock	—	—	—	(462)	—	(462)	—	(462)
Stock-based compensation expense	—	64	—	—	—	64	—	64
Tax deduction in excess of stock-based compensation expense	—	47	—	—	—	47	—	47
Transactions in connection with stock-based compensation plans:								
Stock issuances	—	(243)	302	—	—	59	—	59
Stock repurchases	—	—	(236)	—	—	(236)	—	(236)
Stock repurchases under buyback program	—	—	(692)	—	—	(692)	—	(692)
Separation of retail business	—	(9)	9	(320)	(159)	(479)	—	(479)
Net proceeds from initial public offering of common units of Valero Energy Partners LP	—	—	—	—	—	—	369	369
Contributions from noncontrolling interests	—	—	—	—	—	—	46	46
Other	—	6	—	—	—	6	—	6
Other comprehensive income	—	—	—	—	401	401	—	401

Balance as of December 31, 2013	$ 7	$ 7,187	$ (7,054)	$ 18,970	$ 350	$ 19,460	$ 486	$ 19,946

See Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of Dollars)

	Year Ended December 31, 2013	2012	2011
Cash flows from operating activities:			
Net income	$ 2,728	$ 2,080	$ 2,089
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	1,720	1,574	1,534
Gain on disposition of retained interest in CST Brands, Inc.	(325)	—	—
Asset impairment losses	—	1,014	—
Loss on sales of refinery assets, net	—	—	12
Stock-based compensation expense	64	58	58
Deferred income tax expense	501	963	461
Changes in current assets and current liabilities	922	(302)	81
Changes in deferred charges and credits and other operating activities, net	(46)	(117)	(197)
Net cash provided by operating activities	5,564	5,270	4,038
Cash flows from investing activities:			
Capital expenditures	(2,121)	(2,931)	(2,355)
Deferred turnaround and catalyst costs	(634)	(479)	(629)
Acquisition of Pembroke Refinery, net of cash acquired	—	—	(1,691)
Acquisition of Meraux Refinery	—	—	(547)
Proceeds from the sale of the Paulsboro Refinery	—	160	—
Other investing activities, net	(57)	(101)	(76)
Net cash used in investing activities	(2,812)	(3,351)	(5,298)
Cash flows from financing activities:			
Proceeds from debt borrowings	—	2,900	150
Repayments of debt	(480)	(3,612)	(778)
Proceeds from the exercise of stock options	59	59	49
Purchase of common stock for treasury	(928)	(281)	(349)
Common stock dividends	(462)	(360)	(169)
Net proceeds from initial public offering of common units of Valero Energy Partners LP	369	—	—
Contributions from noncontrolling interests	45	44	22
Disposition of retail business:			
Proceeds from short-term debt in anticipation of separation	550	—	—
Cash distributed to Valero by CST Brands, Inc.	500	—	—
Cash held and retained by CST Brands, Inc. upon separation	(315)	—	—
Proceeds from short-term debt related to disposition of retained interest	525	—	—
Repayments of short-term debt related to disposition of retained interest	(58)	—	—
Other financing activities, net	32	17	9
Net cash used in financing activities	(163)	(1,233)	(1,066)
Effect of foreign exchange rate changes on cash	(20)	13	16
Net increase (decrease) in cash and temporary cash investments	2,569	699	(2,310)
Cash and temporary cash investments at beginning of year	1,723	1,024	3,334
Cash and temporary cash investments at end of year	$ 4,292	$ 1,723	$ 1,024

See Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

General

As used in this report, the terms "Valero," "we," "us," or "our" may refer to Valero Energy Corporation, one or more of its consolidated subsidiaries, or all of them taken as a whole. We are an independent petroleum refining and marketing company and own 16 refineries with a combined throughput capacity of approximately 3.1 million barrels per day as of December 31, 2013. We market branded and unbranded refined products on a wholesale basis in the United States (U.S.), Canada, the Caribbean, the United Kingdom (U.K.), and Ireland through an extensive bulk and rack marketing network and through approximately 7,400 outlets that carry the Valero®, Shamrock®, Ultramar®, Beacon®, and Texaco® brand names. We also own 10 ethanol plants in the U.S. that primarily produce ethanol with a combined production capacity of approximately 1.2 billion gallons per year as of December 31, 2013. Our operations are affected by:

- company-specific factors, primarily refinery utilization rates and refinery maintenance turnarounds;
- seasonal factors, such as the demand for refined products during the summer driving season and heating oil during the winter season; and
- industry factors, such as movements in and the level of crude oil prices including the effect of quality differentials between grades of crude oil, the demand for and prices of refined products, industry supply capacity, and competitor refinery maintenance turnarounds.

We have evaluated subsequent events that occurred after December 31, 2013 through the filing of this Form 10-K. Any material subsequent events that occurred during this time have been properly recognized or disclosed in these financial statements.

Significant Accounting Policies

Reclassifications

Certain amounts previously reported in our annual report on Form 10-K for the year ended December 31, 2012 have been reclassified to conform to the 2013 presentation.

Principles of Consolidation

General

These financial statements include the accounts of Valero and subsidiaries in which Valero has a controlling interest. Intercompany balances and transactions have been eliminated in consolidation. Investments in significant noncontrolled entities are accounted for using the equity method.

Noncontrolling Interests

Because of our controlling financial interest in each of the following entities, we have included their financial statements in our financial statements and have separately disclosed the related noncontrolling interests.

- Valero Energy Partners LP (VLP) is a master limited partnership formed in July 2013 to own, operate, develop, and acquire primarily fee-based crude oil and refined petroleum product pipelines and terminals. As further described in Note 5, VLP completed an initial public offering of its common units on December 16, 2013 and we owned a 70.6 percent controlling financial interest in VLP as of December 31, 2013.
- Diamond Green Diesel Holdings LLC (DGD Holdings) is a 50/50 joint venture with Darling Green Energy LLC, a subsidiary of Darling International, Inc., that constructed and now operates a biomass-

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

based diesel unit having a design feed capacity of 10,000 barrels per day that processes animal fats, used cooking oils, and other vegetable oils into renewable green diesel. As of December 31, 2013, we had loaned $221 million to a subsidiary of DGD Holdings to finance a portion of the construction costs of the unit. The unit began operations in June 2013.

- PI Dock Facilities LLC (PI Dock) is a 50/50 joint venture with TGSD PI, LLC that will construct and operate crude oil docks and related facilities near our Port Arthur Refinery. In December 2012, we agreed to lend PI Dock up to $90 million to finance the construction of the initial crude dock, which is expected to be completed in late third quarter or early fourth quarter of 2014. As of December 31, 2013, we had loaned PI Dock $13 million to finance its construction projects.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, we review our estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Cash and Temporary Cash Investments

Our temporary cash investments are highly liquid, low-risk debt instruments that have a maturity of three months or less when acquired.

Receivables

Trade receivables are carried at original invoice amount. We maintain an allowance for doubtful accounts, which is adjusted based on management's assessment of our customers' historical collection experience, known credit risks, and industry and economic conditions.

Inventories

Inventories are carried at the lower of cost or market. The cost of refinery feedstocks purchased for processing, refined products, and grain and ethanol inventories are determined under the last-in, first-out (LIFO) method using the dollar-value LIFO method, with any increments valued based on average purchase prices during the year. The cost of feedstocks and products purchased for resale and the cost of materials and supplies are determined principally under the weighted-average cost method.

Property, Plant, and Equipment

The cost of property, plant, and equipment (property assets) purchased or constructed, including betterments of property assets, is capitalized. However, the cost of repairs to and normal maintenance of property assets is expensed as incurred. Betterments of property assets are those that extend the useful life, increase the capacity or improve the operating efficiency of the asset, or improve the safety of our operations. The cost of property assets constructed includes interest and certain overhead costs allocable to the construction activities.

Our operations, especially those of our refining segment, are highly capital intensive. Each of our refineries comprises a large base of property assets, consisting of a series of interconnected, highly integrated and interdependent crude oil processing facilities and supporting logistical infrastructure (Units), and these Units are continuously improved. Improvements consist of the addition of new Units and betterments of existing

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Units. We plan for these improvements by developing a multi-year capital program that is updated and revised based on changing internal and external factors.

Depreciation of property assets used in our refining segment is recorded on a straight-line basis over the estimated useful lives of these assets primarily using the composite method of depreciation. We maintain a separate composite group of property assets for each of our refineries. We estimate the useful life of each group based on an evaluation of the property assets comprising the group, and such evaluations consist of, but are not limited to, the physical inspection of the assets to determine their condition, consideration of the manner in which the assets are maintained, assessment of the need to replace assets, and evaluation of the manner in which improvements impact the useful life of the group. The estimated useful lives of our composite groups range primarily from 25 to 30 years.

Under the composite method of depreciation, the cost of an improvement is added to the composite group to which it relates and is depreciated over that group's estimated useful life. We design improvements to our refineries in accordance with engineering specifications, design standards and practices accepted in our industry, and these improvements have design lives consistent with our estimated useful lives. Therefore, we believe the use of the group life to depreciate the cost of improvements made to the group is reasonable because the estimated useful life of each improvement is consistent with that of the group. It should be noted, however, that factors such as competition, regulation, or environmental matters could cause us to change our estimates, thus impacting depreciation expense in the future.

Also under the composite method of depreciation, the historical cost of a minor property asset (net of salvage value) that is retired or replaced is charged to accumulated depreciation and no gain or loss is recognized in income. However, a gain or loss is recognized in income for a major property asset that is retired, replaced or sold and for an abnormal disposition of a property asset (primarily involuntary conversions). Gains and losses are reflected in depreciation and amortization expense, unless such amounts are reported separately due to materiality.

Depreciation of property assets used in our ethanol segment and our former retail segment (see Note 3) is recorded on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the related asset. Assets acquired under capital leases are amortized on a straight-line basis over (i) the lease term if transfer of ownership does not occur at the end of the lease term or (ii) the estimated useful life of the asset if transfer of ownership does occur at the end of the lease term.

Deferred Charges and Other Assets

"Deferred charges and other assets, net" include the following:

- turnaround costs, which are incurred in connection with planned major maintenance activities at our refineries and ethanol plants and which are deferred when incurred and amortized on a straight-line basis over the period of time estimated to lapse until the next turnaround occurs;
- fixed-bed catalyst costs, representing the cost of catalyst that is changed out at periodic intervals when the quality of the catalyst has deteriorated beyond its prescribed function, which are deferred when incurred and amortized on a straight-line basis over the estimated useful life of the specific catalyst;
- investments in entities that we do not control; and

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- other noncurrent assets such as investments of certain benefit plans (related primarily to certain U.S. nonqualified defined benefit plans whose plan assets are not protected from our creditors and therefore cannot be reflected as a reduction from our obligations under those pension plans), debt issuance costs, and various other costs.

Impairment of Assets

Long-lived assets, which include property, plant, and equipment, intangible assets, and refinery turnaround and catalysts costs, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. A long-lived asset is not recoverable if its carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. If a long-lived asset is not recoverable, an impairment loss is recognized for the amount by which the carrying amount of the long-lived asset exceeds its fair value, with fair value determined based on discounted estimated net cash flows or other appropriate methods. See Note 4 for our impairment analysis of our long-lived assets.

We evaluate our equity method investments for impairment when there is evidence that we may not be able to recover the carrying amount of our investments or the investee is unable to sustain an earnings capacity that justifies the carrying amount. A loss in the value of an investment that is other than a temporary decline is recognized currently in income, and is based on the difference between the estimated current fair value of the investment and its carrying amount.

Environmental Matters

Liabilities for future remediation costs are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Other than for assessments, the timing and magnitude of these accruals generally are based on the completion of investigations or other studies or a commitment to a formal plan of action. Amounts recorded for environmental liabilities have not been reduced by possible recoveries from third parties and have not been measured on a discounted basis.

Asset Retirement Obligations

We record a liability, which is referred to as an asset retirement obligation, at fair value for the estimated cost to retire a tangible long-lived asset at the time we incur that liability, which is generally when the asset is purchased, constructed, or leased. We record the liability when we have a legal obligation to incur costs to retire the asset and when a reasonable estimate of the fair value of the liability can be made. If a reasonable estimate cannot be made at the time the liability is incurred, we record the liability when sufficient information is available to estimate the liability's fair value.

Foreign Currency Translation

The functional currency of each of our international operations is generally the respective local currency, which includes the Canadian dollar, the Aruban florin, the pound sterling, and the euro. Balance sheet accounts are translated into U.S. dollars using exchange rates in effect as of the balance sheet date. Revenue and expense accounts are translated using the weighted-average exchange rates during the year presented. Foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue Recognition

Revenues for products sold by the refining and ethanol segments and our former retail segment (see Note 3) are recorded upon delivery of the products to our customers, which is the point at which title to the products is transferred, and when payment has either been received or collection is reasonably assured.

Excise taxes on sales by our U.S. retail system were presented on a gross basis. All other excise taxes are presented on a net basis.

We enter into certain purchase and sale arrangements with the same counterparty that are deemed to be made in contemplation of one another. We combine these transactions and, as a result, revenues and cost of sales are not recognized in connection with these arrangements. We also enter into refined product exchange transactions to fulfill sales contracts with our customers by accessing refined products in markets where we do not operate our own refineries. These refined product exchanges are accounted for as exchanges of non-monetary assets, and no revenues are recorded on these transactions.

Product Shipping and Handling Costs

Costs incurred for shipping and handling of products are included in cost of sales.

Cost of Biofuel Credits

We purchase biofuel credits (primarily Renewable Identification Numbers (RINs) in the U.S.) to comply with government regulations that require us to blend a certain percentage of biofuels into the products we produce, as further described in Note 21 under “Compliance Program Price Risk.” To the degree that we are unable to blend biofuels at the required percentage, we must purchase biofuel credits in the open market to meet our obligation. The cost of purchased biofuel credits is charged to cost of sales as such credits are needed to satisfy our obligation. To the extent we have not purchased enough biofuel credits to satisfy our obligation as of the balance sheet date, we charge cost of sales for such deficiency based on the market price of the biofuel credits as of the balance sheet date, and we record a liability for our obligation to purchase those credits. See Note 20 for disclosure of our fair value liability.

Stock-Based Compensation

Compensation expense for our share-based compensation plans is based on the fair value of the awards granted and is recognized in income on a straight-line basis over the requisite service period of each award. For new grants that have retirement-eligibility provisions, we use the non-substantive vesting period approach, under which compensation cost is recognized immediately for awards granted to retirement-eligible employees or over the period from the grant date to the date retirement eligibility is achieved if that date is expected to occur during the nominal vesting period.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred amounts are measured using enacted tax rates expected to apply to taxable income in the year those temporary differences are expected to be recovered or settled.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We have elected to classify any interest expense and penalties related to the underpayment of income taxes in income tax expense.

Earnings per Common Share

Earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding for the year. Participating share-based payment awards, including shares of restricted stock granted under certain of our stock-based compensation plans, are included in the computation of basic earnings per share using the two-class method. Earnings per common share – assuming dilution reflects the potential dilution arising from our outstanding stock options and nonvested shares granted to employees in connection with our stock-based compensation plans. Potentially dilutive securities are excluded from the computation of earnings per common share – assuming dilution when the effect of including such shares would be antidilutive.

Financial Instruments

Our financial instruments include cash and temporary cash investments, receivables, payables, debt, capital lease obligations, commodity derivative contracts, and foreign currency derivative contracts. The estimated fair values of these financial instruments approximate their carrying amounts, except for certain debt as discussed in Note 20.

Derivatives and Hedging

All derivative instruments are recorded in the balance sheet as either assets or liabilities measured at their fair values. When we enter into a derivative instrument, it is designated as a fair value hedge, a cash flow hedge, an economic hedge, or a trading derivative. The gain or loss on a derivative instrument designated and qualifying as a fair value hedge, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized currently in income in the same period. The effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedge is initially reported as a component of other comprehensive income and is then recorded in income in the period or periods during which the hedged forecasted transaction affects income. The ineffective portion of the gain or loss on the cash flow derivative instrument, if any, is recognized in income as incurred. For our economic hedging relationships (derivative instruments not designated as fair value or cash flow hedges) and for derivative instruments entered into for trading purposes, the derivative instrument is recorded at fair value and changes in the fair value of the derivative instrument are recognized currently in income. The cash flow effects of all of our derivative instruments are reflected in operating activities in the statements of cash flows.

New Accounting Pronouncements

In July 2013, the provisions of Accounting Standards Codification Topic 740, “Income Taxes,” were amended to provide specific guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendment requires entities to present an unrecognized tax benefit as a reduction to the deferred tax asset generated by the net operating loss carryforward, similar tax loss, or tax credit carryforward, if such items are available to be used to offset the unrecognized tax benefit. These provisions are effective for interim and annual reporting periods beginning after December 15, 2013 and should be applied prospectively to all unrecognized tax benefits that exist at the effective date, with retrospective application permitted. The adoption of this guidance effective January 1, 2014 will not affect our financial position or results of

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

operations, nor will it require any additional disclosures, but may result in a change in presentation to our consolidated balance sheets.

2. ACQUISITIONS

Acquisitions of Refineries

The acquired refining and marketing businesses discussed below involve the production and marketing of refined petroleum products. These acquisitions are consistent with our general business strategy and complement our existing refining and marketing network.

Meraux Acquisition

On October 1, 2011, we acquired the Meraux Refinery and related logistics assets from Murphy Oil Corporation for an initial payment of $586 million, which was funded from available cash. This acquisition is referred to as the Meraux Acquisition. The Meraux Refinery has a total throughput capacity of 135,000 barrels per day and is located in Meraux, Louisiana.

In the fourth quarter of 2011, we recorded an adjustment related to inventories acquired that reduced the purchase price to $547 million. In the fourth quarter of 2012, an independent appraisal of the assets acquired and liabilities assumed and certain other evaluations of the fair values related to the Meraux Acquisition were completed and finalized. The purchase price of the Meraux Acquisition was allocated based on the fair values of the assets acquired and the liabilities assumed at the date of acquisition resulting from this final appraisal and other evaluations. The primary adjustments to the preliminary purchase price allocation disclosed in 2011 consisted of an $8 million increase in materials and supplies inventories, a $27 million decrease in property, plant, and equipment, and a $19 million increase in deferred charges and other assets, net. The final amounts assigned to the assets acquired and liabilities assumed in the Meraux Acquisition were recognized at their acquisition-date fair values as follows (in millions):

Inventories	$	227
Property, plant, and equipment		293
Deferred charges and other assets, net		28
Other long-term liabilities		(1)
Purchase price	$	547

Pembroke Acquisition

On August 1, 2011, we acquired 100 percent of the outstanding shares of a subsidiary of Chevron Corporation (Chevron) that owned and operated the Pembroke Refinery. The refinery has a total throughput capacity of 270,000 barrels per day and is located in Wales, U.K. We also acquired an extensive network of marketing and logistics assets throughout the U.K. and Ireland as part of this acquisition. On the acquisition date, we initially paid $1.8 billion from available cash, of which $1.1 billion was for working capital. Subsequent to the acquisition date, we recorded an adjustment to working capital (primarily inventory), resulting in an adjusted purchase price of $1.7 billion. This acquisition is referred to as the Pembroke Acquisition.

In the third quarter of 2012, an independent appraisal of the assets acquired and liabilities assumed and certain other evaluations of the fair values related to the Pembroke Acquisition were completed and finalized.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The purchase price of the Pembroke Acquisition was allocated based on the fair values of the assets acquired and the liabilities assumed at the date of acquisition resulting from this final appraisal and other evaluations. The primary adjustments to the preliminary purchase price allocation disclosed in 2011 consisted of a $143 million increase in property, plant, and equipment, a $124 million increase in deferred income taxes, and a $17 million increase in other long-term liabilities. The final amounts assigned to the assets acquired and liabilities assumed in the Pembroke Acquisition were recognized at their acquisition-date fair values as follows (in millions):

Current assets, net of cash acquired	$	2,215
Property, plant, and equipment		947
Intangible assets		22
Deferred charges and other assets, net		37
Current liabilities, less current portion of debt and capital lease obligations		(1,294)
Debt and capital leases assumed, including current portion		(12)
Deferred income taxes		(159)
Other long-term liabilities		(60)
Noncontrolling interest		(5)
Purchase price, net of cash acquired	$	1,691

Because of the adjustment to property, plant, and equipment discussed above, we recorded an additional $6 million of depreciation expense in the third quarter of 2012 to true-up depreciation expense for the period from the date of the Pembroke Acquisition (August 1, 2011) through July 31, 2012.

In connection with the Pembroke Acquisition, we acquired an 85 percent interest in Mainline Pipelines Limited (MLP). MLP owns a pipeline that distributes refined products from the Pembroke Refinery to terminals in the U.K. In the fourth quarter of 2011, we acquired the remaining 15 percent interest in MLP.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. DISPOSITIONS OF BUSINESSES

Separation of Retail Business

On May 1, 2013, we completed the separation of our retail business by creating an independent public company named CST Brands, Inc. (CST) and distributing 80 percent of the outstanding shares of CST common stock to our stockholders. Each Valero stockholder received one share of CST common stock for every nine shares of Valero common stock held at the close of business on the record date of April 19, 2013. Fractional shares of CST common stock were not distributed, but instead were aggregated and sold in the open market at prevailing rates with net cash proceeds then distributed pro rata to each Valero stockholder who was entitled to receive fractional shares.

In connection with the separation, we received an aggregate of $1.05 billion in cash, consisting of $550 million from the issuance of short-term debt to a third-party financial institution on April 16, 2013 and $500 million distributed to us by CST on May 1, 2013. The cash distributed to us by CST was borrowed by CST on May 1, 2013 under its senior secured credit facility. See Note 11 for further discussion of that credit facility. Also on May 1, 2013, CST issued $550 million of its senior unsecured bonds to us, and we exchanged those bonds with the third-party financial institution in satisfaction of our short-term debt. Immediately prior to May 1, 2013, subsidiaries of CST held $315 million of cash, and CST retained that cash following the distribution on May 1, 2013. Also in connection with the separation, we incurred a tax liability of approximately $189 million primarily related to the manner in which the transaction is treated for tax purposes in Canada; the majority of this liability was paid during 2013 and the remaining amounts will be paid in the first quarter of 2014. Therefore, the cash we received as a result of the separation, net of our tax liability, was $546 million. We also incurred $30 million in costs during the three months ended June 30, 2013 to effect the separation, which are included in general and administrative expenses.

We also entered into long-term motor fuel supply agreements with CST in the U.S. and Canada. The nature and significance of our agreements to supply motor fuel to CST through 2028 represents a continuation of activities with CST for accounting purposes. As such, the historical results of operations of our retail business have not been reported as discontinued operations in our statements of income.

On November 14, 2013, we disposed of our 20 percent retained interest in CST by transferring all remaining shares of CST common stock owned by us to a third-party financial institution in exchange for $467 million of our short-term debt and recognized a $325 million nontaxable gain, as further described in Note 11.

Selected historical results of operations of our retail business prior to the separation are disclosed in Note 18. Subsequent to May 1, 2013 and through November 14, 2013, our share of CST's results of operations is reflected in "other income, net." Our share of income taxes incurred directly by CST during this period is reported in the equity in earnings from CST, and as such is not included in income taxes in our statements of income.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the carrying values of the major categories of assets and liabilities of our retail business, immediately preceding its separation on May 1, 2013, which are excluded from our consolidated balance sheet as of December 31, 2013 (in millions):

Assets		
Cash and temporary cash investments	$	315
Credit card receivables from Valero		44
Other receivables, net		109
Inventories		170
Deferred income taxes		14
Prepaid expenses and other		13
Total current assets		665
Property, plant, and equipment, at cost		1,891
Accumulated depreciation		(611)
Property, plant, and equipment, net		1,280
Intangible assets, net		38
Deferred charges and other assets, net		191
Total assets	$	2,174

Liabilities		
Current portion of capital lease obligations	$	2
Trade payable to Valero		242
Other accounts payable		96
Accrued expenses		31
Taxes other than income taxes		20
Total current liabilities		391
Debt and capital lease obligations, less current portion		1,053
Deferred income taxes		83
Other long-term liabilities		112
Total liabilities	$	1,639

We retained certain environmental and other liabilities related to our former retail business and we have indemnified CST for certain self-insurance liabilities related to its employees and property.

Sales of Refineries
In 2010, we sold our Paulsboro and our Delaware City Refineries. The results of operations of these refineries have been presented as discontinued operations for the year ended December 31, 2011.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. IMPAIRMENTS

Benicia Refinery

We evaluated the Benicia Refinery for potential impairment as of December 31, 2013 due to its actual operating and cash flow results during 2013 and its forecasted results over the next five years. We developed cash flows expected to be generated by the refinery, considering the probability of both current disposition of the refinery and realization through operations, using various scenarios of forecasted throughput volumes and refined product margins, with refined product margins based on our expectation of future margins coupled with historical margins realized by the refinery. The undiscounted cash flows exceeded the carrying amount of the refinery as of December 31, 2013; therefore, we concluded that the refinery was not impaired.

Aruba Refinery

In March 2012, we suspended the operations of the Aruba Refinery because of its inability to generate positive cash flows on a sustained basis subsequent to its restart in January 2011 and the sensitivity of its profitability to sour crude oil differentials, which had narrowed significantly in the fourth quarter of 2011. Shortly thereafter, we received a non-binding offer to purchase the refinery for $350 million, plus working capital as of the closing date. Because of our decision to suspend operations and the possibility of selling the refinery, we evaluated the refinery for potential impairment as of March 31, 2012 and concluded that it was impaired. We recognized an asset impairment loss of $595 million in March 2012. We did not, however, classify the Aruba Refinery as "held for sale" in our balance sheet because all of the accounting criteria required for that classification had not been met.

In September 2012, we decided to reorganize the Aruba Refinery into a crude oil and refined products terminal in response to the withdrawal of the non-binding offer to purchase the refinery. We bifurcated the idled crude oil processing units and related infrastructure (refining assets) from the terminal assets and evaluated the refining assets for potential impairment as of September 30, 2012. We concluded that the refining assets were impaired and recognized an asset impairment loss of $308 million that was recorded in September 2012. We also recognized an asset impairment loss of $25 million related to materials and supplies inventories that supported the refining operations, resulting in a total asset impairment loss of $333 million in September 2012 related to the Aruba Refinery. The terminal assets were not impaired.

We have continued to maintain the refining assets to allow them to be restarted and do not consider them to be abandoned. Therefore, we have not reflected the Aruba Refinery as a discontinued operation in our financial statements. It is possible, however, that we may abandon these assets in the future. Should we ultimately decide to abandon these assets, we may be required under our land lease agreement with the Government of Aruba to dismantle and remove the abandoned assets, which would require us to recognize an asset retirement obligation that would be immediately charged to expense. We do not expect these amounts to be material to our financial position or results of operations.

Cancelled Capital Projects

During 2012, we wrote down the carrying value of equipment associated with permanently cancelled capital projects at several of our refineries and recognized asset impairment losses of $65 million.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Retail Stores
During 2012, we evaluated certain of our convenience stores operated by our former retail segment for potential impairment and concluded that they were impaired, and we wrote down the carrying values of these stores to their estimated fair values and recognized asset impairment losses of $21 million.

5. INITIAL PUBLIC OFFERING OF VALERO ENERGY PARTNERS LP

In July 2013, we formed VLP, a master limited partnership, to own, operate, develop, and acquire crude oil and refined petroleum products pipelines, terminals, and other transportation and logistics assets. On December 16, 2013, VLP completed its initial public offering (the Offering) of 17,250,000 common units at a price of $23.00 per unit, which included a 2,250,000 common unit over-allotment option that was fully exercised by the underwriters. VLP received $369 million in net proceeds from the sale of the units, after deducting underwriting fees, structuring fees, and other offering costs. VLP’s assets include crude oil and refined petroleum products pipeline and terminal systems in the U.S Gulf Coast and U.S. Mid-Continent regions that are integral to the operations of our Port Arthur, McKee and Memphis Refineries.

As of December 31, 2013, we owned a 68.6 percent limited partner interest and a 2 percent general partner interest in VLP, and the public owned a 29.4 percent limited partner interest. VLP’s cash and temporary cash investments was $375 million as of December 31, 2013, which can be used only to settle its obligations. The public’s ownership interest in VLP of $370 million is reflected in noncontrolling interests as of December 31, 2013.

The following table is a reconciliation of net proceeds from the Offering (in millions):

Total proceeds from the Offering	$	397
Less offering costs		(28)
Net proceeds from the Offering	$	369

We have agreements with VLP, which establish fees for certain general and administrative services, and operational and maintenance services provided by us. In addition, we have a master transportation services agreement and a master terminal services agreement with VLP where VLP provides commercial transportation and terminaling services to us. These transactions are eliminated in consolidation.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. RECEIVABLES

Receivables consisted of the following (in millions):

	December 31,	
	2013	2012
Accounts receivable	$ 8,650	$ 8,061
Commodity derivative and foreign currency contract receivables	98	136
Notes receivable and other	49	26
	8,797	8,223
Allowance for doubtful accounts	(46)	(56)
Receivables, net	$ 8,751	$ 8,167

Changes in the allowance for doubtful accounts consisted of the following (in millions):

	Year Ended December 31,		
	2013	2012	2011
Balance as of beginning of year	$ 56	$ 48	$ 42
Increase in allowance charged to expense	13	21	21
Accounts charged against the allowance, net of recoveries	(23)	(13)	(14)
Foreign currency translation	—	—	(1)
Balance as of end of year	$ 46	$ 56	$ 48

7. INVENTORIES

Inventories consisted of the following (in millions):

	December 31,	
	2013	2012
Refinery feedstocks	$ 2,135	$ 2,458
Refined products and blendstocks	3,231	2,995
Ethanol feedstocks and products	166	191
Convenience store merchandise	—	112
Materials and supplies	226	217
Inventories	$ 5,758	$ 5,973

During the years ended December 31, 2013, 2012, and 2011, we had net liquidations of LIFO inventory layers that were established in prior years, which decreased cost of sales in each of those years by $17 million, $134 million, and $247 million, respectively.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2013 and 2012, the replacement cost (market value) of LIFO inventories exceeded their LIFO carrying amounts by approximately $6.9 billion and $6.7 billion, respectively. As of December 31, 2013 and 2012, our non-LIFO inventories accounted for $851 million and $878 million, respectively, of our total inventories.

8. PROPERTY, PLANT, AND EQUIPMENT

Major classes of property, plant, and equipment, which include capital lease assets, consisted of the following (in millions):

	December 31,	
	2013	2012
Land	$ 404	$ 802
Crude oil processing facilities	27,260	24,865
Pipeline and terminal facilities	1,513	1,471
Grain processing equipment	719	694
Retail facilities	—	1,480
Administrative buildings	800	734
Other	2,109	1,457
Construction in progress	1,128	2,629
Property, plant, and equipment, at cost	33,933	34,132
Accumulated depreciation	(8,226)	(7,832)
Property, plant, and equipment, net	$ 25,707	$ 26,300

We have miscellaneous assets under capital leases that primarily support our refining operations totaling $74 million and $83 million as of December 31, 2013 and 2012, respectively. Accumulated amortization on assets under capital leases was $35 million and $35 million, respectively, as of December 31, 2013 and 2012.

Depreciation expense for the years ended December 31, 2013, 2012, and 2011 was $1.2 billion, $1.1 billion, and $1.1 billion, respectively.

9. DEFERRED CHARGES AND OTHER ASSETS

"Deferred charges and other assets, net" primarily includes turnaround and catalyst costs, which are deferred and amortized as discussed in Note 1. Amortization expense for deferred refinery turnaround and catalyst costs and other assets was $498 million, $459 million, and $444 million for the years ended December 31, 2013, 2012, and 2011, respectively.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. ACCRUED EXPENSES AND OTHER LONG-TERM LIABILITIES

Accrued expenses and other long-term liabilities consisted of the following (in millions):

	Accrued Expenses		Other Long-Term Liabilities	
	December 31,			
	2013	2012	2013	2012
Defined benefit plan liabilities (see Note 14)	$ 30	$ 32	$ 507	$ 982
Wage and other employee-related liabilities	257	282	97	91
Uncertain income tax position liabilities, including related penalties and interest (see Note 16) [(a)]	—	—	205	391
Environmental liabilities	24	27	277	242
Accrued interest expense	90	96	—	—
Derivative liabilities	13	14	—	—
Asset retirement obligations	5	5	26	103
Other accrued liabilities	103	134	217	321
Accrued expenses and other long-term liabilities	$ 522	$ 590	$ 1,329	$ 2,130

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[(a)] As of December 31, 2013, our total liability for uncertain tax positions, including related penalties and interest, was $443 million, with $238 million classified as a current liability and reflected in “Income taxes payable” and the remaining $205 million classified as a long-term liability and reflected in “Other long-term liabilities” as detailed in this table. As of December 31, 2012, our total liability for uncertain tax positions, including related penalties and interest, was classified as a long-term liability and reflected in “Other long-term liabilities” as detailed in this table.

Environmental Liabilities

Changes in our environmental liabilities were as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
Balance as of beginning of year	$ 269	$ 274	$ 268
Pembroke Acquisition	—	—	30
Additions to liability	67	23	18
Reductions to liability	(1)	(1)	(5)
Payments, net of third-party recoveries	(28)	(29)	(35)
Separation of retail business	(4)	—	—
Foreign currency translation	(2)	2	(2)
Balance as of end of year	$ 301	$ 269	$ 274

In connection with our Pembroke Acquisition, we assumed certain environmental liabilities including, but not limited to, certain remediation obligations, site restoration costs, and certain liabilities relating to soil and groundwater remediation. There were no significant environmental liabilities assumed in connection with the Meraux Acquisition. See Note 12 for further information regarding environmental matters.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Asset Retirement Obligations

We have asset retirement obligations with respect to certain of our refinery assets due to various legal obligations to clean and/or dispose of various component parts of each refinery at the time they are retired. However, these component parts can be used for extended and indeterminate periods of time as long as they are properly maintained and/or upgraded. It is our practice and current intent to maintain our refinery assets and continue making improvements to those assets based on technological advances. As a result, we believe that our refineries have indeterminate lives for purposes of estimating asset retirement obligations because dates or ranges of dates upon which we would retire refinery assets cannot reasonably be estimated at this time. When a date or range of dates can reasonably be estimated for the retirement of any component part of a refinery, we estimate the cost of performing the retirement activities and record a liability for the fair value of that cost using established present value techniques.

Prior to the separation of our retail business, we also had asset retirement obligations for the removal of underground storage tanks (USTs) at owned and leased retail sites. There is no legal obligation to remove USTs while they remain in service. However, environmental laws in the U.S. and Canada require that unused USTs be removed within certain periods of time after the USTs are no longer in service, usually one to two years depending on the jurisdiction in which the USTs are located. We had previously estimated that USTs at our formerly owned retail sites would remain in service approximately 20 years and that we would then have an obligation to remove those USTs. For our formerly leased retail sites, our lease agreements generally required that we remove certain improvements, primarily USTs and signage, upon termination of the lease. All of the USTs and the related asset retirement obligations were retained by CST after the separation from us. Therefore, we have no asset retirement obligations in connection with the USTs subsequent to the separation of our retail business on May 1, 2013.

Changes in our asset retirement obligations were as follows (in millions).

	Year Ended December 31,		
	2013	2012	2011
Balance as of beginning of year	$ 108	$ 87	$ 101
Additions to accrual	2	14	3
Revisions in estimated cash flows	—	13	1
Accretion expense	2	5	4
Settlements	(1)	(11)	(22)
Separation of retail business	(80)	—	—
Balance as of end of year	$ 31	$ 108	$ 87

There are no assets that are legally restricted for purposes of settling our asset retirement obligations.

One-Time Severance Benefits

As described in Note 4, we decided to reorganize the Aruba Refinery into a crude oil and refined products terminal in September 2012 resulting in a decrease in required personnel for our operations in Aruba. We notified 495 employees in September 2012 of the termination of their employment effective November 15, 2012. Benefits to each terminated employee consisted primarily of a cash payment based on a formula that

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

considered the employee's current compensation and years of service, among other factors. We recognized a severance liability of $41 million in September 2012, which approximated fair value. We paid $31 million of these benefits in the fourth quarter of 2012. We paid the remaining termination benefits of $10 million in the first quarter of 2013. Total severance expense of $41 million is included in refining operating expenses for the year ended December 31, 2012 and relates to our refining segment.

11. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt, at stated values, and capital lease obligations consisted of the following (in millions):

	Final Maturity	December 31, 2013	December 31, 2012
Bank credit facilities	Various	$ —	$ —
Senior Notes:			
4.5%	2015	400	400
4.75%	2013	—	300
4.75%	2014	200	200
6.125%	2017	750	750
6.125%	2020	850	850
6.625%	2037	1,500	1,500
6.7%	2013	—	180
6.75%	2037	24	24
7.2%	2017	200	200
7.45%	2097	100	100
7.5%	2032	750	750
8.75%	2030	200	200
9.375%	2019	750	750
10.5%	2039	250	250
Debentures:			
7.65%	2026	100	100
8.75%	2015	75	75
Gulf Opportunity Zone Revenue Bonds, Series 2010, 4.0%	2040	300	300
Accounts receivable sales facility	2014	100	100
Net unamortized discount, including fair value adjustments		(24)	(29)
Total debt		6,525	7,000
Capital lease obligations, including unamortized fair value adjustments		39	49
Total debt and capital lease obligations		6,564	7,049
Less current portion		(303)	(586)
Debt and capital lease obligations, less current portion		$ 6,261	$ 6,463

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Credit Facilities

Revolver

We have a $3 billion revolving credit facility (the Revolver) with a group of financial institution lenders that has a maturity date of November 2018. We have the option to increase the aggregate commitments under the Revolver to $4.5 billion, subject to, among other things, the consent of the existing lenders whose commitments will be increased or any additional lenders providing such additional capacity. We may request additional one-year extensions, subject to certain conditions, including the consent of the lenders holding the majority of the commitments and each lender extending its individual commitment. The Revolver includes sub-facilities for swingline loans and letters of credit. Outstanding borrowings under the Revolver bear interest, at our option, at either (a) the adjusted LIBO rate (as defined in the Revolver) for the applicable interest period in effect from time to time plus the applicable margin or (b) the alternate base rate (as defined in the Revolver) plus the applicable margin. The interest rate and fees under the Revolver are subject to adjustment based upon the credit ratings assigned to our senior unsecured debt. We are also charged various fees and expenses in connection with the Revolver, including facility fees and letter of credit fees. The Revolver has certain restrictive covenants, including a maximum debt-to-capitalization ratio of 60 percent. As of December 31, 2013 and 2012, our debt-to-capitalization ratios, calculated in accordance with the terms of the Revolver, were 12 percent and 23 percent, respectively. We believe that we will remain in compliance with this covenant.

VLP Revolver

On November 14, 2013, VLP entered into a $300 million senior unsecured revolving credit facility agreement (the VLP Revolver) with a group of lenders. The VLP Revolver is available only to the operations of VLP, and creditors of VLP do not have recourse against Valero. VLP has the option to increase the aggregate commitments under the VLP Revolver to $500 million, subject to, among other things, the consent of the existing lenders whose commitments will be increased or any additional lenders providing such additional capacity. The VLP Revolver has a maturity date of December 2018 and VLP may request two additional one-year extensions, subject to certain conditions. VLP may terminate the VLP Revolver with notice to the lenders of at least three business days prior to termination. The VLP Revolver includes sub-facilities for swingline loans and letters of credit. VLP's obligations under the VLP Revolver will be jointly and severally guaranteed by all of VLP's directly owned material subsidiaries. As of December 31, 2013, the only guarantor under the VLP Revolver was Valero Partners Operating Co. LLC.

Outstanding borrowings under the VLP Revolver bear interest, at VLP's option, at either (a) the adjusted LIBO rate (as described in the VLP Revolver) for the applicable interest period in effect from time to time plus the applicable margin or (b) the alternate base rate (as described in the VLP Revolver) plus the applicable margin. The VLP Revolver also provides for customary fees, including administrative agent fees, participation fees, and commitment fees. The VLP Revolver contains certain restrictive covenants, including a ratio of total debt to EBITDA (as defined in the VLP Revolver) for the prior four fiscal quarters of not greater than 5.0 to 1.0 as of the last day of each fiscal quarter, and limitations on VLP's ability to pay distributions to its unitholders.

Canadian Facility

In addition to the Revolver and the VLP Revolver, one of our Canadian subsidiaries has a C$50 million committed revolving credit facility under which it may borrow and obtain letters of credit that has a maturity

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

date of November 2014. This facility replaced the maturing C$115 million Canadian revolving credit facility in November 2012.

Activities of Our Credit Facilities
During the years ended December 31, 2013 and 2011, we had no borrowings or repayments under the Revolver, the VLP Revolver, or under our Canadian credit facility. During the year ended December 31, 2012, we borrowed and repaid $1.1 billion under the Revolver and had no borrowings or repayments under the Canadian credit facility.

We had outstanding letters of credit under our committed lines of credit as follows (in millions):

	Borrowing Capacity		Expiration	Amounts Outstanding December 31, 2013		December 31, 2012	
Letter of credit facilities	$	550	June 2014	$	278	$	418
Revolver	$	3,000	November 2018	$	59	$	59
Canadian revolving credit facility	C$	50	November 2014	C$	10	C$	10

We also have various other uncommitted short-term bank credit facilities. As of December 31, 2013 and 2012, we had no borrowings outstanding under our uncommitted short-term bank credit facilities; however, there were letters of credit outstanding under such facilities of $189 million and $275 million, respectively, for which we are charged letter of credit issuance fees. The uncommitted credit facilities have no commitment fees or compensating balance requirements.

Bank Debt
On March 20, 2013, in anticipation of the separation of our retail business as described in Note 3, CST entered into an $800 million senior secured credit agreement. This credit agreement was retained by CST after the separation from us. Therefore, we have no rights to obtain credit under nor any liabilities in connection with this credit agreement.

On April 16, 2013, also in anticipation of the separation of our retail business, we borrowed $550 million under a short-term debt agreement with a third-party financial institution. On May 1, 2013, CST issued $550 million of its senior unsecured bonds to us, and we exchanged those bonds with the third-party financial institution in satisfaction of our short-term debt.

On October 24, 2013, we borrowed $525 million under a short-term debt agreement with a third-party financial institution in anticipation of liquidating our retained interest in CST. This liquidation was completed on November 14, 2013 by transferring all remaining shares of CST common stock owned by us to the financial institution in exchange for $467 million of our short-term debt, and we paid the remaining $58 million of short-term debt in cash. After paying $19 million of fees, we recognized a $325 million nontaxable gain.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Non-Bank Debt

During the year ended December 31, 2013, the following activity occurred:

- in January 2013, we made a scheduled debt repayment of $180 million related to our 6.7% senior notes; and
- in June 2013, we made a scheduled debt repayment of $300 million related to our 4.75% senior notes.

During the year ended December 31, 2012, the following activity occurred:

- in March 2012, we exercised the call provisions on our Series 1997 5.6%, Series 1998 5.6%, Series 1999 5.7%, Series 2001 6.65%, and Series 1997A 5.45% industrial revenue bonds, which were redeemed on May 3, 2012 for $108 million, or 100% of their outstanding stated values;
- in April 2012, we made scheduled debt repayments of $4 million related to our Series 1997A 5.45% industrial revenue bonds and $750 million related to our 6.875% notes; and
- in June 2012, we remarketed and received proceeds of $300 million related to the 4.0% Gulf Opportunity Zone Revenue Bonds Series 2010 issued by the Parish of St. Charles, State of Louisiana (GO Zone Bonds), which are due December 1, 2040, but are subject to mandatory tender on June 1, 2022.

During the year ended December 31, 2011, the following activity occurred:

- in February 2011, we paid $300 million to acquire the GO Zone Bonds, which had originally been issued in December 2010. These bonds were remarketed in June 2012, as previously discussed;
- in February 2011, we made a scheduled debt repayment of $210 million related to our 6.75% senior notes;
- in April 2011, we made scheduled debt repayments of $8 million related to our Series 1997A 5.45%, Series 1997B 5.4%, and Series 1997C 5.4% industrial revenue bonds;
- in May 2011, we made a scheduled debt repayment of $200 million related to our 6.125% senior notes; and
- in December 2011, we redeemed our Series 1997B 5.4% and Series 1997C 5.4% industrial revenue bonds for $56 million, or 100% of their stated values.

Accounts Receivable Sales Facility

We have an accounts receivable sales facility with a group of third-party entities and financial institutions to sell up to $1.5 billion of eligible trade receivables on a revolving basis. In July 2013, we amended this facility to extend the maturity date to July 2014. Under this program, one of our marketing subsidiaries (Valero Marketing) sells eligible receivables, without recourse, to another of our subsidiaries (Valero Capital), whereupon the receivables are no longer owned by Valero Marketing. Valero Capital, in turn, sells an undivided percentage ownership interest in the eligible receivables, without recourse, to the third-party entities and financial institutions. To the extent that Valero Capital retains an ownership interest in the receivables it has purchased from Valero Marketing, such interest is included in our financial statements solely as a result of the consolidation of the financial statements of Valero Capital with those of Valero Energy Corporation; the receivables are not available to satisfy the claims of the creditors of Valero Marketing or Valero Energy Corporation.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2013 and 2012, $3.3 billion and $3.2 billion, respectively, of our accounts receivable composed the designated pool of accounts receivable included in the program. All amounts outstanding under the accounts receivable sales facility are reflected as debt on our balance sheets and proceeds and repayments are reflected as cash flows from financing activities on the statements of cash flows. Changes in the amounts outstanding under our accounts receivable sales facility were as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
Balance as of beginning of year	$ 100	$ 250	$ 100
Proceeds from the sale of receivables	—	1,500	150
Repayments	—	(1,650)	—
Balance as of end of year	$ 100	$ 100	$ 250

Capitalized Interest

For the years ended December 31, 2013, 2012, and 2011, capitalized interest was $118 million, $221 million, and $152 million, respectively.

Other Disclosures

In addition to the maximum debt-to-capitalization ratio applicable to the Revolver discussed above under *"Bank Credit Facilities,"* our bank credit facilities and other debt arrangements contain various customary restrictive covenants, including cross-default and cross-acceleration clauses.

Principal payments on our debt obligations and future minimum rentals on capital lease obligations as of December 31, 2013 were as follows (in millions):

	Debt	Capital Lease Obligations
2014	$ 300	$ 8
2015	475	8
2016	—	7
2017	950	7
2018	—	6
Thereafter	4,824	27
Net unamortized discount and fair value adjustments	(24)	1
Less interest expense	—	(25)
Total	$ 6,525	$ 39

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. COMMITMENTS AND CONTINGENCIES

Operating Leases

We have long-term operating lease commitments for land, office facilities and equipment, transportation equipment, time charters for ocean-going tankers and coastal vessels, dock facilities, and various facilities and equipment used in the storage, transportation, production, and sale of refinery feedstocks, refined product and corn inventories.

Certain leases for processing equipment and feedstock and refined product storage facilities provide for various contingent payments based on, among other things, throughput volumes in excess of a base amount. Certain leases for vessels contain renewal options and escalation clauses, which vary by charter, and provisions for the payment of chartering fees, which either vary based on usage or provide for payments, in addition to established minimums, that are contingent on usage. In most cases, we expect that in the normal course of business, our leases will be renewed or replaced by other leases.

As of December 31, 2013, our future minimum rentals and minimum rentals to be received under subleases for leases having initial or remaining noncancelable lease terms in excess of one year were as follows (in millions):

2014	$	305
2015		230
2016		162
2017		111
2018		95
Thereafter		321
Total minimum rental payments	$	1,224
Minimum rentals to be received under subleases	$	21

Rental expense was as follows (in millions):

	Year Ended December 31,					
	2013		2012		2011	
Minimum rental expense	$	574	$	508	$	523
Contingent rental expense		7		23		23
Total rental expense		581		531		546
Less sublease rental income		—		(2)		(2)
Net rental expense	$	581	$	529	$	544

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Purchase Obligations

We have various purchase obligations under certain industrial gas and chemical supply arrangements (such as hydrogen supply arrangements), crude oil and other feedstock supply arrangements, and various throughput and terminalling agreements. We enter into these contracts to ensure an adequate supply of utilities and feedstock and adequate storage capacity to operate our refineries. Substantially all of our purchase obligations are based on market prices or adjustments based on market indices. Certain of these purchase obligations include fixed or minimum volume requirements, while others are based on our usage requirements. None of these obligations are associated with suppliers' financing arrangements. These purchase obligations are not reflected as liabilities.

Environmental Matters

Hartford Matters

We are involved, together with several other companies, in an environmental cleanup in the Village of Hartford, Illinois (the Village) and the adjacent shutdown refinery site, which we acquired as part of a prior acquisition. In cooperation with some of the other companies, we have been conducting initial mitigation and cleanup response pursuant to an administrative order issued by the U.S. Environmental Protection Agency (EPA). The EPA is seeking further cleanup obligations from us and other potentially responsible parties for the Village. In parallel with the Village cleanup, we are also in litigation with the State of Illinois Environmental Protection Agency and other potentially responsible parties relating to the remediation of the shutdown refinery site. In each of these matters, we have various defenses and rights for contribution from the other responsible parties. We have accrued for our own expected contribution obligations. However, because of the unpredictable nature of these cleanups and the methodology for allocation of liabilities, it is reasonably possible that we could incur a loss in a range of $0 to $200 million in excess of the amount of our accrual to ultimately resolve these matters. Factors underlying this estimated range are expected to change from time to time, and actual results may vary significantly from this estimate.

Regulation of Greenhouse Gases

The EPA began regulating greenhouse gases on January 2, 2011, under the Clean Air Act Amendments of 1990 (Clean Air Act). Any new construction or material expansions will require that, among other things, a greenhouse gas permit be issued at either or both the state or federal level in accordance with the Clean Air Act regulations, and we will be required to undertake a technology review to determine appropriate controls to be implemented with the project in order to reduce greenhouse gas emissions. The determination would be on a case by case basis, and the EPA has provided only general guidance for which controls will be required or delegated to the states through State Implementation Plans.

Furthermore, the EPA is currently developing refinery-specific greenhouse gas regulations and performance standards that are expected to impose, on new and modified operations, greenhouse gas emission limits and/or technology requirements. These control requirements may affect a wide range of refinery operations but have not yet been delineated. Any such controls, however, could result in material increased compliance costs, additional operating restrictions for our business, and an increase in the cost of the products we produce, which could have a material adverse effect on our financial position, results of operations, and liquidity.

Certain states and foreign governments have pursued regulation of greenhouse gases independent of the EPA. For example, the California Global Warming Solutions Act, also known as AB 32, directs the California Air Resources Board (CARB) to develop and issue regulations to reduce greenhouse gas emissions in

California to 1990 levels by 2020. CARB has issued a variety of regulations aimed at reaching this goal, including a Low Carbon Fuel Standard (LCFS) as well as a statewide cap-and-trade program.

- The LCFS is currently subject to legal challenges in both state and federal court. The program currently is in effect, but the progressive reductions in the carbon intensity of fuel required under the LCFS currently are frozen at 2013 levels by order of a California state court until the CARB addresses certain deficiencies under the California Environmental Quality Act. Meanwhile, the Ninth Circuit Court of Appeals recently reversed a lower-court finding that the LCFS violates the Commerce Clause of the U.S. Constitution. It is anticipated that this case will be appealed to the U.S. Supreme Court, although it remains unclear whether the U.S. Supreme Court will agree to review the case.
- The California statewide cap-and-trade program became effective in 2012, with the auctioning of emission credits commencing in the fourth quarter of 2012. Initially, the program will apply only to stationary sources of greenhouse gases (*e.g.*, refinery and power plant greenhouse gas emissions). Greenhouse gas emissions from fuels that we sell in California will be covered by the program beginning in 2015. We anticipate that free allocations of credits will be available in the early years of the program, but we expect that compliance costs will escalate as free allocations compromise a smaller portion of the progressive compliance obligation. Further, overall cap-and-trade program costs are expected to increase significantly beginning in 2015, when transportation fuels are included in the program.
- Complying with AB 32, including the LCFS and the cap-and-trade program, could result in material increased compliance costs for us, increased capital expenditures, increased operating costs, and additional operating restrictions for our business, resulting in an increase in the cost of, and decreases in the demand for, the products we produce. To the degree we are unable to recover these increased costs, these matters could have a material adverse effect on our financial position, results of operations, and liquidity.

Title V Permitting Matters

The EPA has objected to numerous Title V permits, including permits at our Port Arthur, Texas City, Meraux, Corpus Christi East, and McKee Refineries. Environmental activist groups have filed notices of intent to sue and/or sued the EPA, seeking to require the EPA to assume control of these permits from the Texas Commission on Environmental Quality. All of these developments have created substantial uncertainty regarding existing and future permitting. Because of this uncertainty, we are unable to determine the costs or effects of the EPA's actions on our permitting activity. The greenhouse gas permitting regime and the EPA's objections to Title V permits could result in material increased compliance costs for us, increased capital expenditures, increased operating costs, and additional operating restrictions for our business, resulting in an increase in the cost of, and decreases in the demand for, the products we produce, which could have a material adverse effect on our financial position, results of operations, and liquidity.

Litigation Matters

We are party to claims and legal proceedings arising in the ordinary course of business. We have not recorded a loss contingency liability with respect to some of these matters because we have determined that it is remote that a loss has been incurred. For other matters, we have recorded a loss contingency liability where we have determined that it is probable that a loss has been incurred and that the loss is reasonably estimable. These loss contingency liabilities are not material to our financial position. We re-evaluate and update our loss

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

contingency liabilities as matters progress over time, and we believe that any changes to the recorded liabilities will not be material to our financial position, results of operations, or liquidity.

Tax Matters

General

We are subject to extensive tax liabilities imposed by multiple jurisdictions, including income taxes, indirect taxes (excise/duty, sales/use, gross receipts, and value-added taxes), payroll taxes, franchise taxes, withholding taxes, and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted or proposed that could result in increased expenditures for tax liabilities in the future. Many of these liabilities are subject to periodic audits by the respective taxing authority. Subsequent changes to our tax liabilities as a result of these audits may subject us to interest and penalties.

IRS Audits

As of December 31, 2013, the Internal Revenue Service (IRS) has ongoing tax audits related to our U.S. federal tax returns from 2002 through 2011, as discussed in Note 16. We have received Revenue Agent Reports on our tax years for 2002 through 2009 and we are vigorously contesting many of the tax positions and assertions from the IRS. We are continuing to work with the IRS to resolve these matters and we believe that they will be resolved for amounts consistent with the recorded amounts of unrecognized tax benefits associated with these matters.

Self-Insurance

We are self-insured for certain medical and dental, workers' compensation, automobile liability, general liability, and property liability claims up to applicable retention limits. Liabilities are accrued for self-insured claims, or when estimated losses exceed coverage limits, and when sufficient information is available to reasonably estimate the amount of the loss. These liabilities are included in accrued expenses and other long-term liabilities.

13. EQUITY

Share Activity

For the years ended December 31, 2013, 2012, and 2011, activity in the number of shares of common stock and treasury stock was as follows (in millions):

	Common Stock	Treasury Stock
Balance as of December 31, 2010	673	(105)
Transactions in connection with stock-based compensation plans:		
Stock issuances	—	5
Stock repurchases	—	(17)
Balance as of December 31, 2011	673	(117)
Transactions in connection with stock-based compensation plans:		
Stock issuances	—	6
Stock repurchases	—	(6)
Stock repurchases under buyback program	—	(4)
Balance as of December 31, 2012	673	(121)
Transactions in connection with stock-based compensation plans:		
Stock issuances	—	6
Stock repurchases	—	(6)
Stock repurchases under buyback program	—	(17)
Balance as of December 31, 2013	673	(138)

Preferred Stock

We have 20 million shares of preferred stock authorized with a par value of $0.01 per share. No shares of preferred stock were outstanding as of December 31, 2013 and 2012.

Treasury Stock

We purchase shares of our common stock in open market transactions to meet our obligations under employee stock-based compensation plans. We also purchase shares of our common stock from our employees and non-employee directors in connection with the exercise of stock options, the vesting of restricted stock, and other stock compensation transactions.

On February 28, 2008, our board of directors approved a $3 billion common stock purchase program, which is in addition to the remaining amount under a $6 billion program previously authorized. This additional $3 billion program has no expiration date. During 2013, we completed the $6 billion program. During the years ended December 31, 2013 and 2012, we purchased $692 million and $118 million, respectively, of

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

our common stock under our programs. There were no stock repurchases under the buyback program during the year ended December 31, 2011. As of December 31, 2013, we have approvals under the $3 billion program to purchase approximately $2.6 billion of our common stock. In January 2014, we purchased 4 million shares for $208 million.

Common Stock Dividends

On January 22, 2014, our board of directors declared a quarterly cash dividend of $0.25 per common share payable March 12, 2014 to holders of record at the close of business on February 12, 2014.

Income Tax Effects Related to Components of Other Comprehensive Income

The following table reflects the tax effects allocated to each component of other comprehensive income for the years ended December 31, 2013, 2012, and 2011 (in millions):

	Before-Tax Amount	Tax Expense (Benefit)	Net Amount
Year Ended December 31, 2013:			
Foreign currency translation adjustment	$ (98)	$ —	$ (98)
Pension and other postretirement benefits:			
Gain arising during the year related to:			
Net actuarial gain	367	125	242
Plan amendments	371	130	241
(Gain) loss reclassified into income related to:			
Net actuarial loss	57	20	37
Prior service credit	(33)	(12)	(21)
Settlement	1	—	1
Net gain on pension and other postretirement benefits	763	263	500
Derivative instruments designated and qualifying as cash flow hedges:			
Net loss arising during the year	(4)	(2)	(2)
Net loss reclassified into income	2	1	1
Net loss on cash flow hedges	(2)	(1)	(1)
Other comprehensive income	$ 663	$ 262	$ 401

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Before-Tax Amount	Tax Expense (Benefit)	Net Amount
Year Ended December 31, 2012:			
Foreign currency translation adjustment	$ 164	$ —	$ 164
Pension and other postretirement benefits:			
Loss arising during the year related to:			
Net actuarial loss	(228)	(79)	(149)
Prior service cost	(9)	(3)	(6)
(Gain) loss reclassified into income related to:			
Net actuarial loss	34	12	22
Prior service credit	(20)	(7)	(13)
Settlement	12	—	12
Net loss on pension and other postretirement benefits	(211)	(77)	(134)
Derivative instruments designated and qualifying as cash flow hedges:			
Net gain arising during the year	45	16	29
Net gain reclassified into income	(73)	(26)	(47)
Net loss on cash flow hedges	(28)	(10)	(18)
Other comprehensive income (loss)	$ (75)	$ (87)	$ 12
Year Ended December 31, 2011:			
Foreign currency translation adjustment	$ (122)	$ —	$ (122)
Pension and other postretirement benefits:			
Loss arising during the year related to:			
Net actuarial loss	(285)	(100)	(185)
Prior service cost	(4)	(1)	(3)
(Gain) loss reclassified into income related to:			
Net actuarial loss	14	4	10
Prior service credit	(21)	(7)	(14)
Settlement	4	1	3
Net loss on pension and other postretirement benefits	(292)	(103)	(189)
Derivative instruments designated and qualifying as cash flow hedges:			
Net gain arising during the year	32	11	21
Net gain reclassified into income	(3)	(1)	(2)
Net gain on cash flow hedges	29	10	19
Other comprehensive loss	$ (385)	$ (93)	$ (292)

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income by component, net of tax, were as follows (in millions):

	Foreign Currency Translation Adjustment	Defined Benefit Pension Items	Gains and (Losses) on Cash Flow Hedges	Total
Balance as of December 31, 2010	$ 623	$ (235)	$ —	$ 388
Other comprehensive income (loss)	(122)	(189)	19	(292)
Balance as of December 31, 2011	501	(424)	19	96
Other comprehensive income (loss)	164	(134)	(18)	12
Balance as of December 31, 2012	665	(558)	1	108
Other comprehensive income (loss) before reclassifications	(98)	483	(2)	383
Amounts reclassified from accumulated other comprehensive income (loss)	—	17	1	18
Net other comprehensive income (loss)	(98)	500	(1)	401
Separation of retail business	(159)	—	—	(159)
Balance as of December 31, 2013	$ 408	$ (58)	$ —	$ 350

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Gains (losses) reclassified out of accumulated other comprehensive income (loss) and into net income were as follows (in millions):

Details about Accumulated Other Comprehensive Income (Loss) Components	Year Ended December 31, 2013	Affected Line Item in the Statement of Income
Amortization of items related to defined benefit pension plans:		
Net actuarial loss	$ (57)	(a)
Prior service credit	33	(a)
Settlement	(1)	(a)
	(25)	Total before tax
	8	Tax benefit
	$ (17)	Net of tax
Losses on cash flow hedges:		
Commodity contracts	$ (2)	Cost of sales
	(2)	Total before tax
	1	Tax benefit
	$ (1)	Net of tax
Total reclassifications for the year	$ (18)	Net of tax

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit cost, as further discussed in Note 14. Net periodic benefit cost is reflected in operating expenses and general and administrative expenses.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 . EMPLOYEE BENEFIT PLANS

Defined Benefit Plans

We have defined benefit pension plans, some of which are subject to collective bargaining agreements, that cover most of our employees. These plans provide eligible employees with retirement income based primarily on years of service and compensation during specific periods under final average pay and cash balance formulas. We fund our pension plans as required by local regulations. In the U.S., all qualified pension plans are subject to the Employee Retirement Income Security Act (ERISA) minimum funding standard. We typically do not fund or fully fund U.S. nonqualified and certain international pension plans that are not subject to funding requirements because contributions to these pension plans may be less economic and investment returns may be less attractive than our other investment alternatives.

In February 2013, we announced changes to certain of our U.S. qualified pension plans that cover the majority of our U.S. employees who work in our refining segment and corporate operations. Benefits under our primary pension plan changed from a final average pay formula to a cash balance formula with staged effective dates that commence either on July 1, 2013 or January 1, 2015 depending on the age and service of the affected employees. All final average pay benefits will be frozen as of December 31, 2014, with all future benefits to be earned under the new cash balance formula. These plan amendments resulted in a $328 million decrease to pension liabilities and a related increase to other comprehensive income during the year ended December 31, 2013. The benefit of this remeasurement will be amortized into income through 2025.

We also provide health care and life insurance benefits for certain retired employees through our postretirement benefit plans. Most of our employees become eligible for these benefits if, while still working for us, they reach normal retirement age or take early retirement. These plans are unfunded, and retired employees share the cost with us. Individuals who became our employees as a result of an acquisition became eligible for other postretirement benefits under our plans as determined by the terms of the relevant acquisition agreement.

In October 2013, we announced changes to our U.S. retiree health care plans to utilize more efficient insurance products for Medicare eligible retirees. These plan changes resulted in a $43 million decrease to our benefit obligations for other postretirement benefit plans and a related increase to other comprehensive income during the year ended December 31, 2013.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes in benefit obligation related to all of our defined benefit plans, the changes in fair value of plan assets [(a)], and the funded status of our defined benefit plans as of and for the years ended were as follows (in millions):

	Pension Plans		Other Postretirement Benefit Plans	
	December 31,		December 31,	
	2013	2012	2013	2012
Changes in benefit obligation:				
Benefit obligation as of beginning of year	$ 2,307	$ 1,881	$ 436	$ 438
Service cost	137	140	12	12
Interest cost	86	93	18	21
Participant contributions	—	—	15	14
Plan amendments	(274)	9	(43)	—
Curtailment gain	(6)	(16)	—	—
Benefits paid	(170)	(90)	(37)	(35)
Actuarial (gain) loss	(169)	289	(77)	(17)
Other	3	1	—	3
Benefit obligation as of end of year	$ 1,914	$ 2,307	$ 324	$ 436
Changes in plan assets [(a)]:				
Fair value of plan assets as of beginning of year	$ 1,729	$ 1,487	$ —	$ —
Actual return on plan assets	306	167	—	—
Valero contributions	41	164	19	19
Participant contributions	—	—	15	14
Benefits paid	(170)	(90)	(37)	(35)
Other	3	1	3	2
Fair value of plan assets as of end of year	$ 1,909	$ 1,729	$ —	$ —
Reconciliation of funded status [(a)]:				
Fair value of plan assets as of end of year	$ 1,909	$ 1,729	$ —	$ —
Less benefit obligation as of end of year	1,914	2,307	324	436
Funded status as of end of year	$ (5)	$ (578)	$ (324)	$ (436)
Accumulated benefit obligation	$ 1,811	$ 1,857	n/a	n/a

[(a)] Plan assets include only the assets associated with pension plans subject to legal minimum funding standards. Plan assets associated with U.S. nonqualified pension plans are not included here because they are not protected from our creditors and therefore cannot be reflected as a reduction from our obligations under the pension plans. As a result, the reconciliation of funded status does not reflect the effect of plan assets that exist for all of our defined benefit plans. See Note 20 for the assets associated with certain U.S. nonqualified pension plans.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amounts recognized in our balance sheet for our pension and other postretirement benefits plans as of December 31, 2013 and 2012 include (in millions):

	Pension Plans		Other Postretirement Benefit Plans	
	2013	2012	2013	2012
Deferred charges and other assets, net	$ 208	$ —	$ —	$ —
Accrued expenses	(11)	(11)	(19)	(21)
Other long-term liabilities	(202)	(567)	(305)	(415)
	$ (5)	$ (578)	$ (324)	$ (436)

The accumulated benefit obligations for certain of our pension plans exceed the fair values of the assets of those plans. For those plans, the table below presents the total projected benefit obligation, accumulated benefit obligation, and fair value of the plan assets (in millions).

	December 31,	
	2013	2012
Projected benefit obligation	$ 215	$ 250
Accumulated benefit obligation	168	191
Fair value of plan assets	3	31

Benefit payments that we expect to pay, including amounts related to expected future services, and the anticipated Medicare subsidies that we expect to receive are as follows for the years ending December 31 (in millions):

	Pension Benefits	Other Postretirement Benefits
2014	$ 100	$ 19
2015	125	19
2016	116	20
2017	127	20
2018	146	21
2019-2023	820	107

We plan to contribute approximately $38 million to our pension plans and $19 million to our other postretirement benefit plans during 2014.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of net periodic benefit cost were as follows for the years ended (in millions):

	Pension Plans			Other Postretirement Benefit Plans		
	December 31,			December 31,		
	2013	2012	2011	2013	2012	2011
Components of net periodic benefit cost:						
Service cost	$ 137	$ 140	$ 104	$ 12	$ 12	$ 11
Interest cost	86	93	85	18	21	22
Expected return on plan assets	(131)	(125)	(112)	—	—	—
Amortization of:						
Prior service cost (credit)	(19)	3	2	(14)	(23)	(23)
Net actuarial loss	57	33	12	—	1	2
Special charges (credits)	(5)	(3)	4	—	—	4
Net periodic benefit cost	$ 125	$ 141	$ 95	$ 16	$ 11	$ 16

Amortization of prior service cost (credit) shown in the above table was based on a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under each respective plan. Amortization of the net actuarial loss shown in the above table was based on the straight-line amortization of the excess of the unrecognized loss over 10 percent of the greater of the projected benefit obligation or market-related value of plan assets (smoothed asset value) over the average remaining service period of active employees expected to receive benefits under each respective plan. Special credits in 2013 and 2012 include curtailments and settlements related to our employees at our Aruba Refinery, partially offset by settlements related to lump sum payments in excess of thresholds. Special charges in 2011 related to purchase accounting for the Meraux Acquisition and settlements related to lump sum payments in excess of thresholds.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pre-tax amounts recognized in other comprehensive income for the years ended were as follows (in millions):

	Pension Plans			Other Postretirement Benefit Plans		
	December 31,			December 31,		
	2013	2012	2011	2013	2012	2011
Net gain (loss) arising during the year:						
Net actuarial gain (loss)	$ 290	$ (245)	$ (294)	$ 77	$ 17	$ 9
Prior service cost	—	(9)	(4)	—	—	—
Remeasurement due to plan amendments	328	—	—	43	—	—
Net (gain) loss reclassified into income:						
Net actuarial loss	57	33	12	—	1	2
Prior service cost (credit)	(19)	3	2	(14)	(23)	(23)
Curtailment and settlement loss	1	12	4	—	—	—
Total changes in other comprehensive income (loss)	$ 657	$ (206)	$ (280)	$ 106	$ (5)	$ (12)

The pre-tax amounts in accumulated other comprehensive income as of December 31, 2013 and 2012 that have not yet been recognized as components of net periodic benefit cost were as follows (in millions):

	Pension Plans		Other Postretirement Benefit Plans	
	2013	2012	2013	2012
Prior service cost (credit)	$ (233)	$ 21	$ (110)	$ (81)
Net actuarial loss (gain)	479	882	(44)	34
Total	$ 246	$ 903	$ (154)	$ (47)

The following pre-tax amounts included in accumulated other comprehensive income as of December 31, 2013 are expected to be recognized as components of net periodic benefit cost during the year ending December 31, 2014 (in millions):

	Pension Plans	Other Postretirement Benefit Plans
Amortization of prior service credit	$ (22)	$ (18)
Amortization of net actuarial loss (gain)	35	(1)
Total	$ 13	$ (19)

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The weighted-average assumptions used to determine the benefit obligations as of December 31, 2013 and 2012 were as follows:

	Pension Plans		Other Postretirement Benefit Plans	
	2013	2012	2013	2012
Discount rate	4.92%	4.28%	4.88%	4.19%
Rate of compensation increase	3.81%	3.73%	—%	—%

The discount rate assumption used to determine the benefit obligations as of December 31, 2013 and 2012 for the majority of our pension plans and other postretirement benefit plans was based on the Aon Hewitt AA Only Above Median yield curve and considered the timing of the projected cash outflows under our plans. This curve was designed by Aon Hewitt to provide a means for plan sponsors to value the liabilities of their pension plans or postretirement benefit plans. It is a hypothetical double-A yield curve represented by a series of annualized individual discount rates with maturities from one-half year to 99 years. Each bond issue underlying the curve is required to have an average rating of double-A when averaging all available ratings by Moody's Investor Services (Moody's), Standard and Poor's Ratings Service (S&P), and Fitch Ratings. Only the bonds representing the 50 percent highest yielding issuances among those with average ratings of double-A are included in this yield curve.

We based our December 31, 2013, 2012, and 2011 discount rate assumption on the Aon Hewitt AA Only Above Median yield curve because we believe it is representative of the types of bonds we would use to settle our pension and other postretirement benefit plan liabilities as of those dates. We believe that the yields associated with the bonds used to develop this yield curve reflect the current level of interest rates.

The weighted-average assumptions used to determine the net periodic benefit cost for the years ended December 31, 2013, 2012, and 2011 were as follows:

	Pension Plans			Other Postretirement Benefit Plans		
	2013	2012	2011	2013	2012	2011
Discount rate	4.33%	5.08%	5.40%	4.19%	4.97%	5.22%
Expected long-term rate of return on plan assets	7.62%	7.67%	7.69%	—%	—%	—%
Rate of compensation increase	3.73%	3.68%	3.56%	—%	—%	—%

The assumed health care cost trend rates as of December 31, 2013 and 2012 were as follows:

	2013	2012
Health care cost trend rate assumed for the next year	7.39%	7.32%
Rate to which the cost trend rate was assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2020	2020

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assumed health care cost trend rates impact the amounts reported for retiree health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effects on other postretirement benefits (in millions):

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ —	$ —
Effect on accumulated postretirement benefit obligation	3	(3)

The tables below present the fair values of the assets of our pension plans (in millions) as of December 31, 2013 and 2012 by level of the fair value hierarchy. Assets categorized in Level 1 of the hierarchy are measured at fair value using a market approach based on quotations from national securities exchanges. Assets categorized in Level 2 of the hierarchy are measured at net asset value as a practical expedient for fair value. As previously noted, we do not fund or fully fund U.S. nonqualified and certain international pension plans that are not subject to funding requirements, and we do not fund our other postretirement benefit plans.

	Fair Value Measurements Using			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total as of December 31, 2013
Equity securities:				
U.S. companies[a]	$ 529	$ —	$ —	$ 529
International companies	155	—	—	155
Preferred stock	3	—	—	3
Mutual funds:				
International growth	131	—	—	131
Index funds[b]	160	—	—	160
Corporate debt instruments	—	260	—	260
Government securities:				
U.S. Treasury securities	81	—	—	81
Other government securities	—	79	—	79
Common collective trusts	—	373	—	373
Private fund	—	38	—	38
Insurance contracts	—	17	—	17
Interest and dividends receivable	5	—	—	5
Cash and cash equivalents	72	6	—	78
Total	$ 1,136	$ 773	$ —	$ 1,909

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See notes on page 102.

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	Fair Value Measurements Using			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total as of December 31, 2012
Equity securities:				
U.S. companies [a]	$ 441	$ —	$ —	$ 441
International companies	135	—	—	135
Preferred stock	2	1	—	3
Mutual funds:				
International growth	127	—	—	127
Index funds [b]	117	—	—	117
Corporate debt instruments	—	290	—	290
Government securities:				
U.S. Treasury securities	107	—	—	107
Other government securities	3	65	—	68
Common collective trusts	—	294	—	294
Insurance contracts	—	17	—	17
Interest and dividends receivable	5	—	—	5
Cash and cash equivalents	98	27	—	125
Total	$ 1,035	$ 694	$ —	$ 1,729

(a) Equity securities are held in a wide range of industrial sectors, including consumer goods, information technology, healthcare, industrials, and financial services.
(b) This class includes primarily investments in approximately 60 percent equities and 40 percent bonds.

The investment policies and strategies for the assets of our pension plans incorporate a well-diversified approach that is expected to earn long-term returns from capital appreciation and a growing stream of current income. This approach recognizes that assets are exposed to risk and the market value of the pension plans' assets may fluctuate from year to year. Risk tolerance is determined based on our financial ability to withstand risk within the investment program and the willingness to accept return volatility. In line with the investment return objective and risk parameters, the pension plans' mix of assets includes a diversified portfolio of equity and fixed-income investments. As of December 31, 2013, the target allocations for plan assets are 70 percent equity securities and 30 percent fixed income investments. Equity securities include international stocks and a blend of U.S. growth and value stocks of various sizes of capitalization. Fixed income securities include bonds and notes issued by the U.S. government and its agencies, corporate bonds, and mortgage-backed securities. The aggregate asset allocation is reviewed on an annual basis.

The expected long-term rate of return on plan assets is based on a forward-looking expected asset return model. This model derives an expected rate of return based on the target asset allocation of a plan's assets. The underlying assumptions regarding expected rates of return for each asset class reflect Aon Hewitt's best

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

expectations for these asset classes. The model reflects the positive effect of periodic rebalancing among diversified asset classes. We select an expected asset return that is supported by this model.

Defined Contribution Plans

We have defined contribution plans that cover most of our employees. Our contributions to these plans are based on employees' compensation and/or a partial match of employee contributions to the plans. Our contributions to these defined contribution plans were $62 million, $61 million, and $59 million for the years ended December 31, 2013, 2012, and 2011, respectively.

15. STOCK-BASED COMPENSATION

We maintain the 2011 Omnibus Stock Incentive Plan (the OSIP) under which various stock and stock-based awards are granted to employees and non-employee directors. Awards available under the OSIP include options to purchase shares of common stock, performance awards that vest upon the achievement of an objective performance goal, stock appreciation rights, and restricted stock that vests over a period determined by our compensation committee. The OSIP was approved by our stockholders on April 28, 2011. As of December 31, 2013, 15,340,981 shares of our common stock remained available to be awarded under the OSIP.

We also maintain other stock-based compensation plans under which previously granted equity awards remain outstanding. No additional grants may be awarded under these plans.

In connection with the separation of our retail business on May 1, 2013 (as further described in Note 3), we entered into an employee matters agreement with CST, which provides that employees of CST no longer participate in our benefit plans. Under this agreement, we made certain adjustments to the exercise price and the number of our share-based compensation awards, the effect of which preserved the intrinsic value of the awards immediately prior to the separation; no incremental value resulted from these adjustments. Also upon the separation, awards of restricted stock and performance shares made to Valero employees who became employees of CST were either vested or forfeited. These adjustments are reflected in the activity tables below.

The following table reflects activity related to our stock-based compensation arrangements (in millions):

	Year Ended December 31,		
	2013	2012	2011
Stock-based compensation expense	$ 64	$ 58	$ 58
Tax benefit recognized on stock-based compensation expense	22	20	20
Tax benefit realized for tax deductions resulting from exercises and vestings	66	45	35
Effect of tax deductions in excess of recognized stock-based compensation expense reported as a financing cash flow	47	27	23

Each of our stock-based compensation arrangements is discussed below.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock Options

Under the terms of our various stock-based compensation plans, the exercise price of options granted is not less than the fair market value of our common stock on the date of grant. Stock options become exercisable pursuant to the individual written agreements between the participants and us, usually in three equal annual installments beginning one year after the date of grant, with unexercised options generally expiring seven or ten years from the date of grant.

The fair value of stock options granted during 2013 and 2012 were estimated using the Monte Carlo simulation model, as these options contain both a service condition and a market condition in order to be exercised. Prior to 2012, the fair value of each stock option grant was estimated on the grant date using the Black-Scholes option-pricing model. The expected life of options granted is the period of time from the grant date to the date of expected exercise or other expected settlement. The expected life for each of the years in the table below was calculated using the safe harbor provisions of SEC Staff Accounting Bulletin No. 107 and No. 110 related to share-based payments. Because the stock options granted in 2012 and later contain a market condition, historical exercise patterns did not provide a reasonable basis for estimating the expected life. Expected volatility is based on closing prices of our common stock for periods corresponding to the expected life of options granted. Expected dividend yield is based on annualized dividends at the date of grant. The risk-free interest rate used is the implied yield currently available from the U.S. Treasury zero-coupon issues with a remaining term equal to the expected life of the options at the grant date.

A summary of the weighted-average assumptions used in our fair value measurements is presented in the table below.

	Year Ended December 31,		
	2013	2012	2011
Expected life in years	6.0	6.0	6.0
Expected volatility	49.63%	49.11%	49.30%
Expected dividend yield	2.27%	2.39%	2.28%
Risk-free interest rate	1.77%	0.85%	1.44%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of the status of our stock option awards is presented in the table below.

	Number of Stock Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of January 1, 2013	13,214,728	$ 28.54		
Granted	201,300	39.67		
Exercised	(3,837,090)	15.21		
Expired	(1,780,113)	49.45		
Options granted on conversion related to separation of retail business	759,268	28.84		
Outstanding as of December 31, 2013	8,558,093	27.88	3.5	$ 216
Exercisable as of December 31, 2013	8,037,807	27.66	3.1	206

The following table reflects activity related to our stock options granted (in millions, except per share data):

	Year Ended December 31, 2013	2012	2011
Weighted average grant-date fair value price per share	$ 15.83	$ 10.98	$ 10.10
Intrinsic value of stock options exercised	101	78	63
Cash received from stock option exercises	59	59	49

As of December 31, 2013, there was $1 million of unrecognized compensation cost related to outstanding unvested stock option awards, which is expected to be recognized over a weighted-average period of approximately two years.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted Stock

Restricted stock is granted to employees and non-employee directors. Restricted stock granted to employees vests in accordance with individual written agreements between the participants and us, usually in equal annual installments over a period of three to five years beginning one year after the date of grant. Restricted stock granted to our non-employee directors generally vests in three years following the date of grant. A summary of the status of our restricted stock awards is presented in the table below.

	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share
Nonvested shares as of January 1, 2013	2,920,288	$ 24.76
Granted	1,255,742	39.55
Vested	(2,113,647)	23.73
Forfeited	(31,546)	23.73
Shares granted on conversion related to separation of retail business	174,477	23.42
Nonvested shares as of December 31, 2013	2,205,314	32.23

As of December 31, 2013, there was $40 million of unrecognized compensation cost related to outstanding unvested restricted stock awards, which is expected to be recognized over a weighted-average period of approximately two years. The total fair value of restricted stock that vested during the years ended December 31, 2013, 2012, and 2011 was $74 million, $47 million, and $32 million, respectively.

Performance Awards

Performance awards are issued to certain of our key employees and represent rights to receive shares of our common stock upon the achievement by us of an objective performance measure. The objective performance measure is our total shareholder return, which is ranked among the total shareholder returns of a defined peer group of companies. Our ranking determines the rate at which the performance awards convert into our common shares. Conversion rates can range from zero to 200 percent.

Performance awards vest in equal one-third increments (tranches) on an annual basis. Our compensation committee establishes the peer group of companies for each tranche of awards at the beginning of the one year vesting period for that tranche. Therefore, performance awards are not considered to be granted for accounting purposes until our compensation committee establishes the peer group of companies for each tranche of awards. The fair value of each tranche of awards is determined at the time the awards are considered to be granted and is based on the expected conversion rate for those awards and the fair value per share. Fair value per share is equal to the market price of our common stock on the grant date reduced by expected dividends over that tranche's vesting period.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of the status of our performance awards considered granted is presented below.

	Nonvested Awards	Vested Awards
Awards outstanding as of January 1, 2013	989,414	208,916
Granted	415,317	—
Vested	(442,274)	442,274
Converted	—	(534,515)
Forfeited	(50,076)	(116,675)
Shares granted on conversion related to separation of retail business	34,784	—
Awards outstanding as of December 31, 2013	947,165	—

There were three tranches of performance awards granted during the year ended December 31, 2013 as follows:

	Awards Granted	Expected Conversion Rate	Fair Value Per Share
Third tranche of 2011 awards	227,565	100%	$ 38.77
Second tranche of 2012 awards	105,030	100%	38.77
First tranche of 2013 awards	82,722	100%	38.77
Total	415,317		

As of December 31, 2013, there was $16 million of unrecognized compensation cost related to outstanding unvested performance awards, which will be recognized during 2014. The total fair value of performance awards that vested during the years ended December 31, 2013, 2012, and 2011 was $12 million, $3 million, and $4 million, respectively.

Performance awards converted during the year ended December 31, 2013 were as follows:

	Vested Awards Converted	Actual Conversion Rate	Number of Shares Issued	Awards Forfeited
2010 awards	417,833	100%	417,833	—
2011 awards	233,357	50%	116,682	116,675
Total	651,190		534,515	116,675

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. INCOME TAXES

Income Tax Expense

Income from continuing operations before income tax expense from U.S. and international operations was as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
U.S. operations	$ 3,531	$ 4,015	$ 3,190
International operations	451	(309)	132
Income from continuing operations before income tax expense	$ 3,982	$ 3,706	$ 3,322

The following is a reconciliation of income tax expense computed by applying the U.S. federal statutory income tax rate (35 percent for all years presented) to actual income tax expense related to continuing operations (in millions):

	Year Ended December 31,		
	2013	2012	2011
Federal income tax expense at the U.S. federal statutory rate	$ 1,394	$ 1,297	$ 1,163
U.S. state income tax expense, net of U.S. federal income tax effect	62	64	29
U.S. manufacturing deduction	(36)	(33)	(28)
International operations	(71)	266	46
Permanent differences	(104)	20	8
Change in tax law	(32)	—	—
Other, net	41	12	8
Income tax expense	$ 1,254	$ 1,626	$ 1,226

The variation in the customary relationship between income tax expense and income from continuing operations before income tax expense for the year ended December 31, 2013 was primarily due to the $325 million nontaxable gain on the disposition of our retained interest in CST as described in Notes 3 and 11. For the year ended December 31, 2012, the variation in the customary relationship between income tax expense and income from continuing operations before income tax expense was primarily due to not recognizing the tax benefit associated with the asset impairment loss of $928 million related to the Aruba Refinery, as described in Note 4, as we do not expect to realize this tax benefit.

There were no discontinued operations or related income tax benefit for the years ended December 31, 2013 and 2012. The income tax benefit related to discontinued operations for the year ended December 31, 2011 was $4 million.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Components of income tax expense related to continuing operations were as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
Current:			
U.S. federal	$ 635	$ 515	$ 562
U.S. state	36	22	13
International	82	126	186
Total current	753	663	761
Deferred:			
U.S. federal	459	854	527
U.S. state	59	77	32
International	(17)	32	(94)
Total deferred	501	963	465
Income tax expense	$ 1,254	$ 1,626	$ 1,226

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred Income Tax Assets and Liabilities

The tax effects of significant temporary differences representing deferred income tax assets and liabilities were as follows (in millions):

	December 31,	
	2013	2012
Deferred income tax assets:		
Tax credit carryforwards	$ 48	$ 61
Net operating losses (NOLs)	338	247
Inventories	264	258
Property, plant, and equipment	8	78
Compensation and employee benefit liabilities	178	383
Environmental liabilities	92	83
Other	187	157
Total deferred income tax assets	1,115	1,267
Less: Valuation allowance	(347)	(304)
Net deferred income tax assets	768	963
Deferred income tax liabilities:		
Property, plant, and equipment	6,536	6,143
Deferred turnaround costs	331	300
Inventories	310	381
Investments, primarily in VLP and DGD	94	—
Other	81	103
Total deferred income tax liabilities	7,352	6,927
Net deferred income tax liabilities	$ 6,584	$ 5,964

We had the following income tax credit and loss carryforwards as of December 31, 2013 (in millions):

	Amount	Expiration
U.S. state income tax credits	$ 71	2014 through 2027
U.S. state NOLs (gross amount)	5,609	2014 through 2033
International NOLs	1,289	Unlimited

We have recorded a valuation allowance as of December 31, 2013 and 2012 due to uncertainties related to our ability to utilize some of our deferred income tax assets, primarily consisting of certain U.S. state income tax credits and NOLs, and international NOLs, before they expire. The valuation allowance is based on our estimates of taxable income in the various jurisdictions in which we operate and the period over which deferred income tax assets will be recoverable. During 2013, the valuation allowance increased by $43 million, primarily due to increases in U.S. state NOLs. The realization of net deferred income tax assets

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

recorded as of December 31, 2013 is primarily dependent upon our ability to generate future taxable income in certain U.S. states and international jurisdictions.

Should we ultimately recognize tax benefits related to the valuation allowance for deferred income tax assets as of December 31, 2013, such amounts will be allocated as follows (in millions):

Income tax benefit	$	340
Additional paid-in capital		7
Total	$	347

Deferred income taxes have not been provided on the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases of our international subsidiaries based on the determination that such differences are essentially permanent in duration in that the earnings of these subsidiaries are expected to be indefinitely reinvested in the international operations. As of December 31, 2013, the cumulative undistributed earnings of these subsidiaries were approximately $3.5 billion. If those earnings were not considered indefinitely reinvested, deferred income taxes would have been recorded after consideration of U.S. foreign tax credits. It is not practicable to estimate the amount of additional tax that might be payable on those earnings, if distributed.

Unrecognized Tax Benefits

The following is a reconciliation of the change in unrecognized tax benefits, excluding related penalties, interest (net of the U.S. federal and state income tax effects) and the U.S. federal income tax effect of state unrecognized tax benefits (in millions):

	Year Ended December 31,		
	2013	**2012**	**2011**
Balance as of beginning of year	$ 341	$ 326	$ 330
Additions based on tax positions related to the current year	64	11	14
Additions for tax positions related to prior years	576	40	55
Reductions for tax positions related to prior years	(26)	(36)	(66)
Reductions for tax positions related to the lapse of applicable statute of limitations	(4)	—	(3)
Settlements	(1)	—	(4)
Balance as of end of year	$ 950	$ 341	$ 326

The reconciliation of the change in unrecognized tax benefits for the year ended December 31, 2013 includes $556 million of additions for tax positions related to prior years for tax refunds that we intend to claim by amending our income tax returns for 2005 through 2012 and Premcor Inc.'s separate income tax return for 2005. We intend to propose that incentive payments received from the U.S. federal government for blending biofuels into refined products be excluded from taxable income during these periods. However, due to the complexity of this matter and uncertainties with respect to the interpretation of the Internal Revenue Code, we concluded that the $556 million refund claim cannot be recognized in our financial statements as of

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013. As a result, this amount is not included in our uncertain tax position liabilities as of December 31, 2013, even though it is reflected in the table above.

The following is a reconciliation of unrecognized tax benefits reflected in the table above to our uncertain tax position liabilities as of December 31, 2013 and 2012 that are reflected in Note 10 (in millions):

	December 31,	
	2013	2012
Unrecognized tax benefits	$ 950	$ 341
Tax refund claim not recognized in our financial statements	(556)	—
Penalties, interest (net of U.S. federal and state income tax effect), and the U.S. federal income tax effect of state unrecognized tax benefits	49	50
Uncertain tax position liabilities	$ 443	$ 391

As of December 31, 2013 and 2012, there were $763 million and $144 million, respectively, of unrecognized tax benefits that if recognized would affect our annual effective tax rate. During the next 12 months, it is reasonably possible that tax audit resolutions could reduce unrecognized tax benefits by between $100 million and $180 million, either because the tax positions are sustained on audit or because we agree to their disallowance. We do not expect these reductions to have a significant impact on our financial statements because such reductions would not significantly affect our annual effective rate.

During the years ended December 31, 2013, 2012, and 2011, we recognized $12 million, $23 million, and $1 million in penalties and interest, which is reflected within income tax expense. Accrued penalties and interest totaled $145 million and $133 million as of December 31, 2013 and 2012, respectively, excluding the U.S. federal and state income tax effects related to interest.

Tax Returns Under Audit
As of December 31, 2013, our tax years for 2002 through 2011 and Premcor Inc.'s separate tax years for 2004 and 2005 were under audit by the IRS. Premcor Inc. was merged into Valero effective September 1, 2005. The IRS has proposed adjustments to our taxable income for certain open years. We are protesting the proposed adjustments and do not expect that the ultimate disposition of these adjustments will result in a material change to our financial position, results of operations, or liquidity. We are continuing to work with the IRS to resolve these matters and we believe that they will be resolved for amounts consistent with recorded amounts of unrecognized tax benefits associated with these matters.

In January 2014, we paid the Premcor Inc. final IRS assessment for the tax years 2004 and 2005 and closed the audit related to all proposed adjustments. The amount paid was consistent with the recorded amount of unrecognized tax benefits associated with that audit.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. EARNINGS PER COMMON SHARE

Earnings per common share from continuing operations were computed as follows (dollars and shares in millions, except per share amounts):

	Year Ended December 31,					
	2013		2012		2011	
	Restricted Stock	Common Stock	Restricted Stock	Common Stock	Restricted Stock	Common Stock
Earnings per common share from continuing operations:						
Net income attributable to Valero stockholders from continuing operations		$ 2,720		$ 2,083		$ 2,097
Less dividends paid:						
Common stock		460		358		168
Nonvested restricted stock		2		2		1
Undistributed earnings		$ 2,258		$ 1,723		$ 1,928
Weighted-average common shares outstanding	3	542	3	550	3	563
Earnings per common share from continuing operations:						
Distributed earnings	$ 0.85	$ 0.85	$ 0.65	$ 0.65	$ 0.30	$ 0.30
Undistributed earnings	4.14	4.14	3.12	3.12	3.40	3.40
Total earnings per common share from continuing operations	$ 4.99	$ 4.99	$ 3.77	$ 3.77	$ 3.70	$ 3.70
Earnings per common share from continuing operations – assuming dilution:						
Net income attributable to Valero stockholders from continuing operations		$ 2,720		$ 2,083		$ 2,097
Weighted-average common shares outstanding		542		550		563
Common equivalent shares:						
Stock options		4		4		4
Performance awards and nonvested restricted stock		2		2		2
Weighted-average common shares outstanding – assuming dilution		548		556		569
Earnings per common share from continuing operations – assuming dilution		$ 4.97		$ 3.75		$ 3.69

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table reflects potentially dilutive securities (in millions) that were excluded from the calculation of "earnings per common share from continuing operations – assuming dilution" as the effect of including such securities would have been antidilutive. These potentially dilutive securities included stock options for which the exercise prices were greater than the average market price of our common shares during each respective reporting period.

	Year Ended December 31,		
	2013	2012	2011
Stock options	1	4	6

18. SEGMENT INFORMATION

We have two reportable segments, refining and ethanol, as of December 31, 2013. Prior to May 1, 2013, we also had a retail segment. As discussed in Note 3, we completed the separation of our retail business on May 1, 2013. Segment information related to our retail business prior to the separation is reflected in the retail segment results below. Motor fuel sales to CST (our former retail business), which were eliminated in consolidation prior to the separation, are reported as refining segment operating revenues from external customers after May 1, 2013.

Our refining segment includes refining operations, wholesale marketing, product supply and distribution, and transportation operations in the U.S., Canada, the U.K., Aruba, and Ireland. Our ethanol segment primarily includes sales of internally produced ethanol and distillers grains. The retail segment included company-operated convenience stores in the U.S. and Canada; filling stations, truckstop facilities, cardlock facilities, and home heating oil operations in Canada; and credit card operations in the U.S. Operations that are not included in any of the reportable segments are included in the corporate category.

The reportable segments are strategic business units that offer different products and services. They are managed separately as each business requires unique technology and marketing strategies. Performance is evaluated based on operating income. Intersegment sales are generally derived from transactions made at prevailing market rates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table reflects activity related to continuing operations (in millions):

	Refining	Retail	Ethanol	Corporate	Total
Year ended December 31, 2013:					
Operating revenues from external customers	$ 129,064	$ 3,896	$ 5,114	$ —	$ 138,074
Intersegment revenues	2,876	—	128	—	3,004
Depreciation and amortization expense	1,566	41	45	68	1,720
Operating income (loss)	4,217	81	491	(826)	3,963
Total expenditures for long-lived assets	2,597	62	33	65	2,757
Year ended December 31, 2012:					
Operating revenues from external customers	122,925	12,008	4,317	—	139,250
Intersegment revenues	8,946	—	115	—	9,061
Depreciation and amortization expense	1,370	119	42	43	1,574
Operating income (loss)	4,450	348	(47)	(741)	4,010
Total expenditures for long-lived assets	3,147	164	36	66	3,413
Year ended December 31, 2011:					
Operating revenues from external customers	109,138	11,699	5,150	—	125,987
Intersegment revenues	8,665	—	145	—	8,810
Depreciation and amortization expense	1,338	115	39	42	1,534
Operating income (loss)	3,516	381	396	(613)	3,680
Total expenditures for long-lived assets	2,708	134	32	113	2,987

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Our principal products include conventional and CARB gasolines, RBOB (reformulated gasoline blendstock for oxygenate blending), ultra-low-sulfur diesel, and gasoline blendstocks. We also produce a substantial slate of middle distillates, jet fuel, and petrochemicals, in addition to lube oils and asphalt. Other product revenues include such products as gas oils, No. 6 fuel oil, and petroleum coke. Operating revenues from external customers for our principal products were as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
Refining:			
Gasolines and blendstocks	$ 57,806	$ 55,647	$ 49,019
Distillates	56,921	51,504	43,713
Petrochemicals	4,281	3,908	4,253
Lubes and asphalts	1,643	2,033	1,948
Other product revenues	8,413	9,833	10,205
Total refining operating revenues	129,064	122,925	109,138
Retail:			
Fuel sales (gasoline and diesel)	3,226	10,045	9,730
Merchandise sales and other	524	1,649	1,635
Home heating oil	146	314	334
Total retail operating revenues	3,896	12,008	11,699
Ethanol:			
Ethanol	4,245	3,545	4,436
Distillers grains	869	772	714
Total ethanol operating revenues	5,114	4,317	5,150
Total operating revenues	$ 138,074	$ 139,250	$ 125,987

Operating revenues by geographic area are shown in the table below (in millions). The geographic area is based on location of customer and no customer accounted for more than 10 percent of our operating revenues.

	Year Ended December 31,		
	2013	2012	2011
U.S.	$ 100,418	$ 100,733	$ 98,806
Canada	9,974	10,376	10,110
U.K.	11,358	10,779	4,297
Other countries	16,324	17,362	12,774
Total operating revenues	$ 138,074	$ 139,250	$ 125,987

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Long-lived assets include property, plant, and equipment, intangible assets, and certain long-lived assets included in “deferred charges and other assets, net.” Geographic information by country for long-lived assets consisted of the following (in millions):

	December 31,	
	2013	2012
U.S.	$ 23,572	$ 23,760
Canada	2,260	2,639
U.K.	1,148	1,110
Aruba	53	41
Ireland	26	37
Total long-lived assets	$ 27,059	$ 27,587

Total assets by reportable segment were as follows (in millions):

	December 31,	
	2013	2012
Refining	$ 40,834	$ 38,858
Retail	—	2,043
Ethanol	889	929
Corporate	5,537	2,647
Total assets	$ 47,260	$ 44,477

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. SUPPLEMENTAL CASH FLOW INFORMATION

In order to determine net cash provided by operating activities, net income is adjusted by, among other things, changes in current assets and current liabilities as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
Decrease (increase) in current assets:			
Receivables, net	$ (753)	$ 437	$ (3,110)
Inventories	(13)	(282)	643
Income taxes receivable	10	51	128
Prepaid expenses and other	2	(28)	(2)
Increase (decrease) in current liabilities:			
Accounts payable	977	(113)	2,004
Accrued expenses	53	13	(18)
Taxes other than income taxes	337	(260)	312
Income taxes payable	309	(120)	124
Changes in current assets and current liabilities	$ 922	$ (302)	$ 81

The above changes in current assets and current liabilities differ from changes between amounts reflected in the applicable balance sheets for the respective periods for the following reasons:

- the amounts shown above exclude changes in cash and temporary cash investments, deferred income taxes, and current portion of debt and capital lease obligations, as well as the effect of certain noncash investing and financing activities discussed below;
- the amounts shown above for the year ended December 31, 2013 exclude the change in current assets and current liabilities resulting from the separation of our retail business as described in Note 3;
- the amounts shown above exclude the current assets and current liabilities acquired in connection with the Meraux Acquisition in October 2011 and the Pembroke Acquisition in August 2011;
- amounts accrued for capital expenditures and deferred turnaround and catalyst costs are reflected in investing activities when such amounts are paid;
- amounts accrued for common stock purchases in the open market that are not settled as of the balance sheet date are reflected in financing activities when the purchases are settled and paid; and
- certain differences between balance sheet changes and the changes reflected above result from translating foreign currency denominated balances at the applicable exchange rates as of each balance sheet date.

There were no significant noncash investing activities for the years ended December 31, 2013, 2012 and 2011.

Noncash financing activities for the year ended December 31, 2013 included the exchange of CST's senior unsecured bonds and the exchange of all of our remaining shares of CST common stock with third-party financial institutions in satisfaction of our short-term debt agreements as described in Note 11. There were no significant noncash financing activities for the years ended December 31, 2012 and 2011.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash flows related to interest and income taxes paid were as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
Interest paid in excess of amount capitalized	$ 361	$ 302	$ 397
Income taxes paid, net	387	705	486

20. FAIR VALUE MEASUREMENTS

General

GAAP requires that certain assets and liabilities be measured at fair value on a recurring or nonrecurring basis in our balance sheets, which are presented below under *"Recurring Fair Value Measurements"* and *"Nonrecurring Fair Value Measurements."* Recurring fair value measurements of assets or liabilities are those that GAAP requires or permits in the balance sheet at the end of each reporting period, such as derivative financial instruments. Nonrecurring fair value measurements of assets or liabilities are those that GAAP requires or permits in the balance sheet in particular circumstances, such as the impairment of property, plant, and equipment.

GAAP also requires the disclosure of the fair values of financial instruments when an option to elect fair value accounting has been provided, but such election has not been made. A debt obligation is an example of such a financial instrument. The disclosure of the fair values of financial instruments not recognized at fair value in our balance sheet is presented below under *"Other Financial Instruments."*

GAAP provides a framework for measuring fair value and establishes a three-level fair value hierarchy that prioritizes inputs to valuation techniques based on the degree to which objective prices in external active markets are available to measure fair value. Following is a description of each of the levels of the fair value hierarchy.

- *Level 1* - Observable inputs, such as unadjusted quoted prices in active markets for identical assets or liabilities.
- *Level 2* - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs reflect our own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include occasional market quotes or sales of similar instruments or our own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant judgment.

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Recurring Fair Value Measurements

The tables below present information (in millions) about our assets and liabilities recognized at their fair values in our balance sheets categorized according to the fair value hierarchy of the inputs utilized by us to determine the fair values as of December 31, 2013 and 2012.

We have elected to offset the fair value amounts recognized for multiple similar derivative contracts executed with the same counterparty, including any related cash collateral assets or obligations as shown below; however, fair value amounts by hierarchy level are presented on a gross basis in the tables below. We have no derivative contracts that are subject to master netting arrangements that are reflected gross on the balance sheet.

	December 31, 2013							
	Fair Value Hierarchy			Total Gross Fair Value	Effect of Counter-party Netting	Effect of Cash Collateral Netting	Net Carrying Value on Balance Sheet	Cash Collateral Paid or Received Not Offset
	Level 1	Level 2	Level 3					
Assets:								
Commodity derivative contracts	$ 499	$ 38	$ —	$ 537	$ (505)	$ (7)	$ 25	$ —
Investments of certain benefit plans	98	—	11	109	n/a	n/a	109	n/a
Total	$ 597	$ 38	$ 11	$ 646	$ (505)	$ (7)	$ 134	
Liabilities:								
Commodity derivative contracts	$ 492	$ 24	$ —	$ 516	$ (505)	$ (6)	$ 5	$ (76)
Biofuels blending obligation	—	11	—	11	n/a	n/a	11	n/a
Physical purchase contracts	—	5	—	5	n/a	n/a	5	n/a
Foreign currency contracts	8	—	—	8	n/a	n/a	8	n/a
Total	$ 500	$ 40	$ —	$ 540	$ (505)	$ (6)	$ 29	

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2012							
	Fair Value Hierarchy							
	Level 1	Level 2	Level 3	Total Gross Fair Value	Effect of Counter-party Netting	Effect of Cash Collateral Netting	Net Carrying Value on Balance Sheet	Cash Collateral Paid or Received Not Offset
Assets:								
Commodity derivative contracts	$ 1,143	$ 60	$ —	$ 1,203	$ (1,189)	$ —	$ 14	$ —
Physical purchase contracts	—	11	—	11	n/a	n/a	11	n/a
Foreign currency contracts	1	—	—	1	n/a	n/a	1	n/a
Investments of certain benefit plans	87	—	11	98	n/a	n/a	98	n/a
Total	$ 1,231	$ 71	$ 11	$ 1,313	$ (1,189)	$ —	$ 124	
Liabilities:								
Commodity derivative contracts	$ 1,138	$ 70	$ —	$ 1,208	$ (1,189)	$ (13)	$ 6	$ (114)
Biofuels blending obligation	—	10	—	10	n/a	n/a	10	n/a
Foreign currency contracts	1	—	—	1	n/a	n/a	1	n/a
Total	$ 1,139	$ 80	$ —	$ 1,219	$ (1,189)	$ (13)	$ 17	

A description of our assets and liabilities recognized at fair value along with the valuation methods and inputs we used to develop their fair value measurements are as follows:

- Commodity derivative contracts consist primarily of exchange-traded futures and swaps, and as disclosed in Note 21, some of these contracts are designated as hedging instruments. These contracts are measured at fair value using the market approach. Exchange-traded futures are valued based on quoted prices from the exchange and are categorized in Level 1 of the fair value hierarchy. Swaps are priced using third-party broker quotes, industry pricing services, and exchange-traded curves, with appropriate consideration of counterparty credit risk, but because they have contractual terms that are not identical to exchange-traded futures instruments with a comparable market price, these financial instruments are categorized in Level 2 of the fair value hierarchy.
- Physical purchase contracts represent the fair value of firm commitments to purchase crude oil feedstocks and the fair value of fixed-price corn purchase contracts, and as disclosed in Note 21, some of these contracts are designated as hedging instruments. The fair values of these firm commitments and purchase contracts are measured using a market approach based on quoted prices from the commodity exchange or an independent pricing service and are categorized in Level 2 of the fair value hierarchy.
- Investments of certain benefit plans consist of investment securities held by trusts for the purpose of satisfying a portion of our obligations under certain U.S. nonqualified benefit plans. The assets categorized in Level 1 of the fair value hierarchy are measured at fair value using a market approach based on quoted prices from national securities exchanges. The assets categorized in Level 3 of the fair value hierarchy represent insurance contracts, the fair value of which is provided by the insurer.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Foreign currency contracts consist of foreign currency exchange and purchase contracts entered into by our international operations to manage our exposure to exchange rate fluctuations on transactions denominated in currencies other than the local (functional) currencies of those operations. These contracts are valued based on quoted prices from the exchange and are categorized in Level 1 of the fair value hierarchy.
- Our biofuels blending obligation represents a liability for the purchase of biofuel credits (primarily RINs in the U.S.) needed to satisfy our obligation to blend biofuels into the products we produce. To the degree we are unable to blend at percentages required under various governmental and regulatory programs, we must purchase biofuel credits to comply with these programs. These programs are further described in Note 21 under *"Compliance Program Risk."* This liability is based on our deficit in biofuel credits as of the balance sheet date, if any, after considering any biofuel credits acquired or under contract, and is equal to the product of the biofuel credits deficit and the market price of these credits as of the balance sheet date. This liability is categorized in Level 2 of the fair value hierarchy and is measured at fair value using the market approach based on quoted prices from an independent pricing service.

There were no transfers between Level 1 and Level 2 for assets and liabilities held as of December 31, 2013 and 2012 that were measured at fair value on a recurring basis.

The following is a reconciliation of the beginning and ending balances (in millions) for fair value measurements developed using significant unobservable inputs (Level 3).

	Investments of Certain Benefit Plans			Other Investments		
	2013	2012	2011	2013	2012	2011
Balance as of beginning of year	$ 11	$ 11	$ 10	$ —	$ —	$ —
Purchases	—	—	1	—	—	21
Total losses included in refining operating expense	—	—	—	—	—	(21)
Transfers in and/or out of Level 3	—	—	—	—	—	—
Balance as of end of year	$ 11	$ 11	$ 11	$ —	$ —	$ —
The amount of total losses included in income attributable to the change in unrealized losses relating to assets still held at end of year	$ —	$ —	$ —	$ —	$ —	$ (21)

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Nonrecurring Fair Value Measurements

There were no assets or liabilities that were measured at fair value on a nonrecurring basis as of December 31, 2013.

The table below presents the fair value of certain assets that were measured at fair value on a nonrecurring basis as of December 31, 2012 (in millions) and the related impairment losses recognized. See Note 4 for our impairment analysis for these assets.

	Fair Value Hierarchy			Total Fair Value as of December 31, 2012	Total Losses Recognized During the Year Ended December 31, 2012
	Level 1	Level 2	Level 3		
Assets:					
Long-lived assets of the Aruba Refinery	$ —	$ —	$ —	$ —	$ 903
Materials and supplies inventories of the Aruba Refinery	—	—	—	—	25
Cancelled capital projects	—	—	2	2	65
Property, plant, and equipment of convenience stores	—	—	8	8	21

There were no liabilities that were measured at fair value on a nonrecurring basis as of December 31, 2012.

Other Financial Instruments

Financial instruments that we recognize in our balance sheets at their carrying amounts are shown in the table below (in millions):

	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and temporary cash investments	$ 4,292	$ 4,292	$ 1,723	$ 1,723
Financial liabilities:				
Debt (excluding capital leases)	6,525	7,659	7,000	8,621

The methods and significant assumptions used to estimate the fair value of these financial instruments are as follows:

- The fair value of cash and temporary cash investments approximates the carrying value due to the low level of credit risk of these assets combined with their short maturities and market interest rates (Level 1).
- The fair value of debt is determined primarily using the market approach based on quoted prices provided by third-party brokers and vendor pricing services (Level 2).

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. PRICE RISK MANAGEMENT ACTIVITIES

We are exposed to market risks related to the volatility in the price of commodities, interest rates, and foreign currency exchange rates. We enter into derivative instruments to manage some of these risks, including derivative instruments related to the various commodities we purchase or produce, interest rate swaps, and foreign currency exchange and purchase contracts, as described below under *"Risk Management Activities by Type of Risk."* These derivative instruments are recorded as either assets or liabilities measured at their fair values (see Note 20), as summarized below under *"Fair Values of Derivative Instruments."* In addition, the effect of these derivative instruments on our income is summarized below under *"Effect of Derivative Instruments on Income and Other Comprehensive Income."*

When we enter into a derivative instrument, it is designated as a fair value hedge, a cash flow hedge, an economic hedge, or a trading derivative. The gain or loss on a derivative instrument designated and qualifying as a fair value hedge, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, is recognized currently in income in the same period. The effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedge is initially reported as a component of other comprehensive income and is then recorded in income in the period or periods during which the hedged forecasted transaction affects income. The ineffective portion of the gain or loss on the cash flow derivative instrument, if any, is recognized in income as incurred. For our economic hedges (derivative instruments not designated as fair value or cash flow hedges) and for derivative instruments entered into by us for trading purposes, the derivative instrument is recorded at fair value and changes in the fair value of the derivative instrument are recognized currently in income. The cash flow effects of all of our derivative instruments are reflected in operating activities in our statements of cash flows for all periods presented.

We are also exposed to market risk related to the volatility in the price of credits needed to comply with various governmental and regulatory programs. To manage this risk, we enter into contracts to purchase these credits when prices are deemed favorable. Some of these contracts are derivative instruments; however, we elect the normal purchase exception and do not record these contracts at their fair values.

Risk Management Activities by Type of Risk

Commodity Price Risk

We are exposed to market risks related to the volatility in the price of crude oil, refined products (primarily gasoline and distillate), grain (primarily corn), soybean oil, and natural gas used in our operations. To reduce the impact of price volatility on our results of operations and cash flows, we use commodity derivative instruments, including futures, swaps, and options. We use the futures markets for the available liquidity, which provides greater flexibility in transacting our hedging and trading operations. We use swaps primarily to manage our price exposure. Our positions in commodity derivative instruments are monitored and managed on a daily basis by a risk control group to ensure compliance with our stated risk management policy that has been approved by our board of directors.

For risk management purposes, we use fair value hedges, cash flow hedges, and economic hedges. In addition to the use of derivative instruments to manage commodity price risk, we also enter into certain commodity derivative instruments for trading purposes. Our objective for entering into each type of hedge or trading derivative is described below.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- *Fair Value Hedges* – Fair value hedges are used to hedge price volatility in certain refining inventories and firm commitments to purchase inventories. The level of activity for our fair value hedges is based on the level of our operating inventories, and generally represents the amount by which our inventories differ from our previous year-end LIFO inventory levels.

  As of December 31, 2013, we had the following outstanding commodity derivative instruments that were entered into to hedge crude oil and refined product inventories and commodity derivative instruments related to the physical purchase of crude oil and refined products at a fixed price. The information presents the notional volume of outstanding contracts by type of instrument and year of maturity (volumes in thousands of barrels).

Derivative Instrument	Notional Contract Volumes by Year of Maturity 2014
Crude oil and refined products:	
Futures – long	11,857
Futures – short	12,169
Physical contracts – long	312

- *Cash Flow Hedges* – Cash flow hedges are used to hedge price volatility in certain forecasted feedstock and refined product purchases, refined product sales, and natural gas purchases. The objective of our cash flow hedges is to lock in the price of forecasted feedstock, refined product or natural gas purchases, or refined product sales at existing market prices that we deem favorable.

  As of December 31, 2013, we had the following outstanding commodity derivative instruments that were entered into to hedge forecasted purchases or sales of crude oil and refined products. The information presents the notional volume of outstanding contracts by type of instrument and year of maturity (volumes in thousands of barrels).

Derivative Instrument	Notional Contract Volumes by Year of Maturity 2014
Crude oil and refined products:	
Futures – long	7,629
Futures – short	2,314
Physical contracts – short	5,315

- *Economic Hedges* – Economic hedges represent commodity derivative instruments that are not designated as fair value or cash flow hedges and are used to manage price volatility in certain (i) refinery feedstock, refined product, and corn inventories, (ii) forecasted refinery feedstock, refined product, and corn purchases, and refined product sales, and (iii) fixed-price corn purchase contracts. Our objective for entering into economic hedges is consistent with the objectives discussed above for fair value hedges and cash flow hedges. However, the economic hedges are not designated as a fair value hedge or a cash flow hedge for accounting purposes, usually due to the difficulty of establishing the required documentation at the date that the derivative instrument is entered into that would allow us to achieve "hedge deferral accounting."

As of December 31, 2013, we had the following outstanding commodity derivative instruments that were used as economic hedges and commodity derivative instruments related to the physical purchase of corn at a fixed price. The information presents the notional volume of outstanding contracts by type of instrument and year of maturity (volumes in thousands of barrels, except those identified as corn contracts that are presented in thousands of bushels, and soybean oil contracts that are presented in thousands of pounds).

	Notional Contract Volumes by Year of Maturity	
Derivative Instrument	**2014**	**2015**
Crude oil and refined products:		
Swaps – long	7,261	—
Swaps – short	7,276	—
Futures – long	42,205	—
Futures – short	52,158	—
Corn:		
Futures – long	17,110	—
Futures – short	26,095	145
Physical contracts – long	12,554	156
Soybean oil:		
Futures – short	25,320	—

- *Trading Derivatives* – Our objective for entering into commodity derivative instruments for trading purposes is to take advantage of existing market conditions related to future results of operations and cash flows.

  As of December 31, 2013, we had the following outstanding commodity derivative instruments that were entered into for trading purposes. The information presents the notional volume of outstanding contracts by type of instrument and year of maturity (volumes represent thousands of barrels, except those identified as natural gas contracts that are presented in billions of British thermal units and corn contracts that are presented in thousands of bushels).

	Notional Contract Volumes by Year of Maturity	
Derivative Instrument	**2014**	**2015**
Crude oil and refined products:		
Swaps – long	25,200	—
Swaps – short	25,200	—
Futures – long	84,766	3,490
Futures – short	84,397	3,665
Options – long	28,850	—
Options – short	28,600	—
Natural gas:		
Futures – long	600	1,000
Futures – short	1,150	—
Options – short	250	—
Corn:		
Futures – long	435	—
Futures – short	435	—

Interest Rate Risk

Our primary market risk exposure for changes in interest rates relates to our debt obligations. We manage our exposure to changing interest rates through the use of a combination of fixed-rate and floating-rate debt. In addition, at times we have used interest rate swap agreements to manage our fixed to floating interest rate position by converting certain fixed-rate debt to floating-rate debt. We had no interest rate derivative instruments outstanding as of December 31, 2013 and 2012, or during the years ended December 31, 2013, 2012, or 2011.

Foreign Currency Risk

We are exposed to exchange rate fluctuations on transactions entered into by our international operations that are denominated in currencies other than the local (functional) currencies of these operations. To manage our exposure to these exchange rate fluctuations, we use foreign currency exchange and purchase contracts. These contracts are not designated as hedging instruments for accounting purposes, and therefore they are classified as economic hedges. As of December 31, 2013, we had commitments to purchase $716 million of U.S. dollars. The majority of these commitments matured on or before January 31, 2014 resulting in a gain of $12 million in the first quarter of 2014.

Compliance Program Price Risk

We are exposed to market risk related to the volatility in the price of credits needed to comply with various governmental and regulatory programs. The most significant programs impacting our operations are those that require us to blend biofuels into the products we produce, and we are subject to such programs in most of the countries in which we operate. These countries set annual quotas for the percentage of biofuels that must be blended into the motor fuels consumed in these countries. As a producer of motor fuels from petroleum, we are obligated to blend biofuels into the products we produce at a rate that is at least equal to the applicable quota. To the degree we are unable to blend at the applicable rate, we must purchase biofuel credits (primarily RINs in the U.S.). We are exposed to the volatility in the market price of these credits, and we manage that risk by purchasing biofuel credits when prices are deemed favorable. For the years ended December 31, 2013, 2012, and 2011, the cost of meeting our obligations under these compliance programs was $517 million, $250 million, and $231 million, respectively. These amounts are reflected in cost of sales.

Maintaining Minimum Inventory Quantities

In the U.K., we are required to maintain a minimum quantity of crude oil and refined products as a reserve against shortages or interruptions in the supply of these products. To the degree we decide not to physically hold the minimum quantity of crude oil and refined products, we must purchase Compulsory Stock Obligation (CSO) tickets from other suppliers of refined products in the U.K. or other European Union (EU) member countries, and we make economic decisions as to the cost of maintaining certain quantities of crude oil and refined products versus the cost of purchasing CSO tickets. We have not entered into derivative instruments to manage the price volatility of CSO tickets. For the years ended December 31, 2013 and 2012, the cost of purchasing CSO tickets to help meet our obligations under this compliance program was $3 million and $8 million, respectively, and these amounts were reflected in cost of sales. We had no obligations under this compliance program prior to completing the Pembroke Acquisition in 2011.

Emission Allowances

Our Pembroke Refinery is subject to a maximum amount of carbon dioxide that it can emit each year under the EU Emissions Trading Scheme. Under this cap-and-trade program, we purchase emission allowances on the open market for the difference between the amount of carbon dioxide emitted and the maximum amount allowed under the program. Therefore, we are exposed to the volatility in the market price of these allowances. For the years ended December 31, 2013, 2012, and 2011 the cost of meeting our obligation under this compliance program was immaterial. We had no obligations under this compliance program prior to completing the Pembroke Acquisition in 2011.

We enter into derivative instruments (futures) to reduce the impact of this risk on our results of operations and cash flows. Our positions in these derivative instruments are monitored and managed on a daily basis by a risk control group to ensure compliance with our stated risk management policy that has been approved by our board of directors. As of December 31, 2013 and 2012, we had no futures contracts outstanding related to this compliance program. For the year ended December 31, 2011, the loss recognized in income on compliance program derivative instruments designated as economic hedges was immaterial and therefore not separately presented in the table below under *"Effect of Derivative Instruments on Statements of Income and Other Comprehensive Income."*

Fair Values of Derivative Instruments

The following tables provide information about the fair values of our derivative instruments as of December 31, 2013 and 2012 (in millions) and the line items in the balance sheets in which the fair values are reflected. See Note 20 for additional information related to the fair values of our derivative instruments.

As indicated in Note 20, we net fair value amounts recognized for multiple similar derivative contracts executed with the same counterparty under master netting arrangements, including cash collateral assets and obligations. The tables below, however, are presented on a gross asset and gross liability basis, which results in the reflection of certain assets in liability accounts and certain liabilities in asset accounts.

	Balance Sheet Location	December 31, 2013 Asset Derivatives	December 31, 2013 Liability Derivatives
Derivatives designated as hedging instruments			
Commodity contracts:			
Futures	Receivables, net	$ 25	$ 36
Derivatives not designated as hedging instruments			
Commodity contracts:			
Futures	Receivables, net	$ 474	$ 455
Swaps	Receivables, net	33	18
Swaps	Prepaid expenses and other	3	—
Swaps	Accrued expenses	—	5
Options	Receivables, net	2	2
Physical purchase contracts	Inventories	—	5
Foreign currency contracts	Accrued expenses	—	8
Total		$ 512	$ 493
Total derivatives		$ 537	$ 529

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Balance Sheet Location	December 31, 2012 Asset Derivatives	December 31, 2012 Liability Derivatives
Derivatives designated as hedging instruments			
Commodity contracts:			
Futures	Receivables, net	$ 77	$ 64
Swaps	Receivables, net	15	13
Swaps	Prepaid expenses and other	2	2
Total		$ 94	$ 79
Derivatives not designated as hedging instruments			
Commodity contracts:			
Futures	Receivables, net	$ 1,066	$ 1,073
Swaps	Receivables, net	9	6
Swaps	Accrued expenses	32	46
Options	Receivables, net	1	4
Options	Accrued expenses	1	—
Physical purchase contracts	Inventories	11	—
Foreign currency contracts	Receivables, net	1	—
Foreign currency contracts	Accrued expenses	—	1
Total		$ 1,121	$ 1,130
Total derivatives		$ 1,215	$ 1,209

Market and Counterparty Risk

Our price risk management activities involve the receipt or payment of fixed price commitments into the future. These transactions give rise to market risk, which is the risk that future changes in market conditions may make an instrument less valuable. We closely monitor and manage our exposure to market risk on a daily basis in accordance with policies approved by our board of directors. Market risks are monitored by a risk control group to ensure compliance with our stated risk management policy. Concentrations of customers in the refining industry may impact our overall exposure to counterparty risk because these customers may be similarly affected by changes in economic or other conditions. In addition, financial services companies are the counterparties in certain of our price risk management activities, and such financial services companies may be adversely affected by periods of uncertainty and illiquidity in the credit and capital markets.

There were no material amounts due from counterparties in the refining or financial services industry as of December 31, 2013 or 2012. We do not require any collateral or other security to support derivative instruments into which we enter. We also do not have any derivative instruments that require us to maintain a minimum investment-grade credit rating.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effect of Derivative Instruments on Income and Other Comprehensive Income

The following tables provide information about the gain or loss recognized in income and other comprehensive income (OCI) on our derivative instruments and the line items in the financial statements in which such gains and losses are reflected (in millions).

Derivatives in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivatives	Year Ended December 31, 2013	2012	2011
Commodity contracts:				
Loss recognized in income on derivatives	Cost of sales	$ (12)	$ (250)	$ (6)
Gain (loss) recognized in income on hedged item	Cost of sales	18	183	(23)
Gain (loss) recognized in income on derivatives (ineffective portion)	Cost of sales	6	(67)	(29)

For fair value hedges, no component of the derivative instruments' gains or losses was excluded from the assessment of hedge effectiveness for the years ended December 31, 2013, 2012, and 2011. There were no amounts recognized in income for hedged firm commitments that no longer qualified as fair value hedges during the years ended December 31, 2013 and 2011; however, a gain of $28 million was recognized in income during the year ended December 31, 2012 for hedged firm commitments that no longer qualified as fair value hedges.

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivatives	Year Ended December 31, 2013	2012	2011
Commodity contracts:				
Gain (loss) recognized in OCI on derivatives (effective portion)		$ (4)	$ 45	$ 32
Gain (loss) reclassified from accumulated OCI into income (effective portion)	Cost of sales	(2)	73	3
Gain recognized in income on derivatives (ineffective portion)	Cost of sales	21	48	5

For cash flow hedges, no component of the derivative instruments' gains or losses was excluded from the assessment of hedge effectiveness for the years ended December 31, 2013, 2012, and 2011. For the year ended December 31, 2013, cash flow hedges primarily related to forward sales of gasoline and distillates, and associated forward purchases of crude oil, with $1 million of cumulative after-tax losses on cash flow hedges remaining in accumulated other comprehensive income. We estimate that $1 million of the deferred loss as of December 31, 2013 will be reclassified into cost of sales over the next 12 months as a result of hedged transactions that are forecasted to occur. For the years ended December 31, 2013, 2012, and 2011,

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

there were no amounts reclassified from accumulated other comprehensive income into income as a result of the discontinuance of cash flow hedge accounting.

Derivatives Designated as Economic Hedges and Other Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Year Ended December 31, 2013	2012	2011
Commodity contracts	Cost of sales	$ 193	$ 1	$ (349)
Foreign currency contracts	Cost of sales	14	(38)	18
Other contract	Cost of sales	—	—	29
Total		$ 207	$ (37)	$ (302)

The gain of $29 million on the other contract for the year ended December 31, 2011 is related to the difference between the fair value of inventories acquired in connection with the Pembroke Acquisition and the amount paid for such inventories based on the terms of the purchase agreement. The loss of $349 million on commodity contracts for the year ended December 31, 2011 includes a $542 million loss related to forward sales of refined products.

Trading Derivatives	Location of Gain (Loss) Recognized in Income on Derivatives	Year Ended December 31, 2013	2012	2011
Commodity contracts	Cost of sales	$ 21	$ (16)	$ 23
RINs fixed-price contracts	Cost of sales	(20)	—	—

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. QUARTERLY FINANCIAL DATA (Unaudited)

The following table summarizes quarterly financial data for the years ended December 31, 2013 and 2012 (in millions, except per share amounts).

	2013 Quarter Ended			
	March 31	June 30 (a)	September 30	December 31
Operating revenues	$ 33,474	$ 34,034	$ 36,137	$ 34,429
Operating income	1,061	808	532	1,562
Net income	652	465	324	1,287
Net income attributable to Valero Energy Corporation stockholders	654	466	312	1,288
Earnings per common share – assuming dilution	1.18	0.85	0.57	2.38

	2012 Quarter Ended			
	March 31 (b)	June 30	September 30	December 31
Operating revenues	$ 35,167	$ 34,662	$ 34,726	$ 34,695
Operating income (loss)	(244)	1,361	1,309	1,584
Net income (loss)	(432)	830	673	1,009
Net income (loss) attributable to Valero Energy Corporation stockholders	(432)	831	674	1,010
Earnings (loss) per common share – assuming dilution	(0.78)	1.50	1.21	1.82

(a) The separation of our retail business was completed on May 1, 2013.
(b) The operations of the Aruba Refinery were suspended in March 2012.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures . Our management has evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures were effective as of December 31, 2013.

Internal Control over Financial Reporting .

(a) Management's Report on Internal Control over Financial Reporting.

The management report on Valero's internal control over financial reporting required by Item 9A appears in Item 8 on page 56 of this report, and is incorporated herein by reference.

(b) Attestation Report of the Independent Registered Public Accounting Firm.

KPMG LLP's report on Valero's internal control over financial reporting appears in Item 8 beginning on page 58 of this report, and is incorporated herein by reference.

(c) Changes in Internal Control over Financial Reporting.

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEMS 10-14.

The information required by Items 10 through 14 of Form 10-K is incorporated herein by reference to the definitive proxy statement for our 2014 annual meeting of stockholders. We will file the proxy statement with the SEC before March 31, 2014.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements. The following consolidated financial statements of Valero Energy Corporation and its subsidiaries are included in Part II, Item 8 of this Form 10-K:

2. Financial Statement Schedules and Other Financial Information . No financial statement schedules are submitted because either they are inapplicable or because the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits. Filed as part of this Form 10-K are the following exhibits:

3.01	--	Amended and Restated Certificate of Incorporation of Valero Energy Corporation, formerly known as Valero Refining and Marketing Company - incorporated by reference to Exhibit 3.1 to Valero's Registration Statement on Form S-1 (SEC File No. 333-27013) filed May 13, 1997.
3.02	--	Certificate of Amendment (July 31, 1997) to Restated Certificate of Incorporation of Valero Energy Corporation - incorporated by reference to Exhibit 3.02 to Valero's Annual Report on Form 10-K for the year ended December 31, 2003 (SEC File No. 1-13175).
3.03	--	Certificate of Merger of Ultramar Diamond Shamrock Corporation with and into Valero Energy Corporation dated December 31, 2001 - incorporated by reference to Exhibit 3.03 to Valero's Annual Report on Form 10-K for the year ended December 31, 2003 (SEC File No. 1-13175).
3.04	--	Amendment (effective December 31, 2001) to Restated Certificate of Incorporation of Valero Energy Corporation - incorporated by reference to Exhibit 3.1 to Valero's Current Report on Form 8-K dated December 31, 2001, and filed January 11, 2002 (SEC File No. 1-13175).
3.05	--	Second Certificate of Amendment (effective September 17, 2004) to Restated Certificate of Incorporation of Valero Energy Corporation - incorporated by reference to Exhibit 3.04 to Valero's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (SEC File No. 1-13175).

3.06	--	Certificate of Merger of Premcor Inc. with and into Valero Energy Corporation effective September 1, 2005 - incorporated by reference to Exhibit 2.01 to Valero's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (SEC File No. 1-13175).
3.07	--	Third Certificate of Amendment (effective December 2, 2005) to Restated Certificate of Incorporation of Valero Energy Corporation - incorporated by reference to Exhibit 3.07 to Valero's Annual Report on Form 10-K for the year ended December 31, 2005 (SEC File No. 1-13175).
3.08	--	Fourth Certificate of Amendment (effective May 24, 2011) to Restated Certificate of Incorporation of Valero Energy Corporation - incorporated by reference to Exhibit 4.8 to Valero's Current Report on Form 8-K dated and filed May 24, 2011 (SEC File No. 1-13175).
3.09	--	Amended and Restated Bylaws of Valero Energy Corporation - incorporated by reference to Exhibit 3.09 to Valero's Annual Report on Form 10-K for the year ended December 31, 2012 (SEC File No. 1-13175).
4.01	--	Indenture dated as of December 12, 1997 between Valero Energy Corporation and The Bank of New York - incorporated by reference to Exhibit 3.4 to Valero's Registration Statement on Form S-3 (SEC File No. 333-56599) filed June 11, 1998.
4.02	--	First Supplemental Indenture dated as of June 28, 2000 between Valero Energy Corporation and The Bank of New York (including Form of 7 3/4% Senior Deferrable Note due 2005) - incorporated by reference to Exhibit 4.6 to Valero's Current Report on Form 8-K dated June 28, 2000, and filed June 30, 2000 (SEC File No. 1-13175).
4.03	--	Indenture (Senior Indenture) dated as of June 18, 2004 between Valero Energy Corporation and Bank of New York - incorporated by reference to Exhibit 4.7 to Valero's Registration Statement on Form S-3 (SEC File No. 333-116668) filed June 21, 2004.
4.04	--	Form of Indenture related to subordinated debt securities - incorporated by reference to Exhibit 4.8 to Valero's Registration Statement on Form S-3 (SEC File No. 333-116668) filed June 21, 2004.
4.05	--	Specimen Certificate of Common Stock - incorporated by reference to Exhibit 4.1 to Valero's Registration Statement on Form S-3 (SEC File No. 333-116668) filed June 21, 2004.
+10.01	--	Valero Energy Corporation Annual Bonus Plan, amended and restated as of July 29, 2009 - incorporated by reference to Exhibit 10.01 to Valero's Current Report on Form 8-K dated July 29, 2009, and filed August 4, 2009 (SEC File No. 1-13175).
+10.02	--	Valero Energy Corporation Annual Incentive Plan for Named Executive Officers - incorporated by reference to Exhibit 10.01 to Valero's Current Report on Form 8-K dated February 22, 2012, and filed February 27, 2012 (SEC File No. 1-13175).
+10.03	--	Valero Energy Corporation 2005 Omnibus Stock Incentive Plan, amended and restated as of October 1, 2005 - incorporated by reference to Exhibit 10.02 to Valero's Annual Report on Form 10-K for the year ended December 31, 2009 (SEC File No. 1-13175).
+10.04	--	Valero Energy Corporation 2011 Omnibus Stock Incentive Plan - incorporated by reference to Appendix A to Valero's Definitive Proxy Statement on Schedule 14A for the 2011 annual meeting of stockholders, filed March 18, 2011 (SEC File No. 1-13175).
+10.05	--	Valero Energy Corporation Deferred Compensation Plan, amended and restated as of January 1, 2008 - incorporated by reference to Exhibit 10.04 to Valero's Annual Report on Form 10-K for the year ended December 31, 2008 (SEC File No. 1-13175).
*+10.06	--	Form of Elective Deferral Agreement pursuant to the Valero Energy Corporation Deferred Compensation Plan.
*+10.07	--	Form of Investment Election Form pursuant to the Valero Energy Corporation Deferred Compensation Plan.
*+10.08	--	Form of Distribution Election Form pursuant to the Valero Energy Corporation Deferred Compensation Plan.

+10.09	--	Valero Energy Corporation Amended and Restated Supplemental Executive Retirement Plan, amended and restated as of November 10, 2008 - incorporated by reference to Exhibit 10.08 to Valero's Annual Report on Form 10-K for the year ended December 31, 2008 (SEC File No. 1-13175).
+10.10	--	Valero Energy Corporation Excess Pension Plan, as amended and restated effective December 31, 2011 - incorporated by reference to Exhibit 10.10 to Valero's Annual Report on Form 10-K for the year ended December 31, 2011 (SEC File No. 1-13175).
+10.11	--	Valero Energy Corporation Restricted Stock Plan for Non-Employee Directors, as amended and restated July 11, 2007 - incorporated by reference to Exhibit 10.02 to Valero's Current Report on Form 8-K/A dated July 11, 2007, and filed September 18, 2007 (SEC File No. 1-13175).
+10.12	--	Form of Indemnity Agreement between Valero Energy Corporation (formerly known as Valero Refining and Marketing Company) and certain officers and directors - incorporated by reference to Exhibit 10.8 to Valero's Registration Statement on Form S-1 (SEC File No. 333-27013) filed May 13, 1997.
+10.13	--	Schedule of Indemnity Agreements - incorporated by reference to Exhibit 10.14 to Valero's Annual Report on Form 10-K for the year ended December 31, 2011 (SEC File No. 1-13175).
+10.14	--	Change of Control Severance Agreement (Tier I) dated January 18, 2007, between Valero Energy Corporation and William R. Klesse - incorporated by reference to Exhibit 10.15 to Valero's Annual Report on Form 10-K for the year ended December 31, 2011 (SEC File No. 1-13175).
+10.15	--	Schedule of Change of Control Severance Agreements (Tier I) - incorporated by reference to Exhibit 10.16 to Valero's Annual Report on Form 10-K for the year ended December 31, 2011 (SEC File No. 1-13175).
*+10.16	--	Change of Control Severance Agreement (Tier II) dated March 15, 2007, between Valero Energy Corporation and Jay D. Browning.
+10.17	--	Form of Amendment to Change of Control Severance Agreements (to eliminate excise tax gross-up benefit) - incorporated by reference to Exhibit 10.17 to Valero's Annual Report on Form 10-K for the year ended December 31, 2012 (SEC File No. 1-13175).
*+10.18	--	Schedule of Amendments to Change of Control Severance Agreements.
*+10.19	--	Form of Performance Share Award Agreement pursuant to the Valero Energy Corporation 2011 Omnibus Stock Incentive Plan.
+10.20	--	Form of Stock Option Agreement pursuant to the Valero Energy Corporation 2011 Omnibus Stock Incentive Plan - incorporated by reference to Exhibit 10.21 to Valero's Annual Report on Form 10-K for the year ended December 31, 2011 (SEC File No. 1-13175).
+10.21	--	Form of Performance Stock Option Agreement pursuant to the Valero Energy Corporation 2011 Omnibus Stock Incentive Plan - incorporated by reference to Exhibit 10.21 to Valero's Annual Report on Form 10-K for the year ended December 31, 2012 (SEC File No. 1-13175).
+10.22	--	Form of Stock Option Agreement pursuant to the Valero Energy Corporation Non-Employee Director Stock Option Plan - incorporated by reference to Exhibit 10.04 to Valero's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (SEC File No. 1-13175).
+10.23	--	Form of Restricted Stock Agreement pursuant to the Valero Energy Corporation 2005 Omnibus Stock Incentive Plan - incorporated by reference to Exhibit 10.02 to Valero's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (SEC File No. 1-13175).
+10.24	--	Form of Restricted Stock Agreement (with acceleration feature) pursuant to the Valero Energy Corporation 2011 Omnibus Stock Incentive Plan - incorporated by reference to Exhibit 10.24 to Valero's Annual Report on Form 10-K for the year ended December 31, 2011 (SEC File No. 1-13175).
+10.25	--	Form of Restricted Stock Agreement (without acceleration feature) pursuant to the Valero Energy Corporation 2011 Omnibus Stock Incentive Plan - incorporated by reference to Exhibit 10.25 to Valero's Annual Report on Form 10-K for the year ended December 31, 2012 (SEC File No. 1-13175).

+10.26	--	Form of Restricted Stock Agreement pursuant to the Valero Energy Corporation Restricted Stock Plan for Non-Employee Directors - incorporated by reference to Exhibit 10.03 to Valero's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (SEC File No. 1-13175).
*10.27	--	$3,000,000,000 5-Year Second Amended and Restated Revolving Credit Agreement, dated as of November 22, 2013, among Valero Energy Corporation, as Borrower; JPMorgan Chase Bank, N.A., as Administrative Agent; and the lenders named therein.
*12.01	--	Statements of Computations of Ratios of Earnings to Fixed Charges.
14.01	--	Code of Ethics for Senior Financial Officers - incorporated by reference to Exhibit 14.01 to Valero's Annual Report on Form 10-K for the year ended December 31, 2003 (SEC File No. 1-13175).
*21.01	--	Valero Energy Corporation subsidiaries.
*23.01	--	Consent of KPMG LLP dated February 27, 2014.
*24.01	--	Power of Attorney dated February 27, 2014 (on the signature page of this Form 10-K).
*31.01	--	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal executive officer.
*31.02	--	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal financial officer.
**32.01	--	Section 1350 Certifications (under Section 906 of the Sarbanes-Oxley Act of 2002).
99.01	--	Audit Committee Pre-Approval Policy - incorporated by reference to Exhibit 99.01 to Valero's Annual Report on Form 10-K for the year ended December 31, 2011 (SEC File No. 1-13175).
***101	--	Interactive Data Files

____

* Filed herewith.

** Furnished herewith.

*** Submitted electronically herewith.

\+ Identifies management contracts or compensatory plans or arrangements required to be filed as an exhibit hereto.

Pursuant to paragraph 601(b)(4)(iii)(A) of Regulation S-K, the registrant has omitted from the foregoing listing of exhibits, and hereby agrees to furnish to the SEC upon its request, copies of certain instruments, each relating to debt not exceeding 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VALERO ENERGY CORPORATION
(Registrant)

By: /s/ William R. Klesse
(William R. Klesse)
Chief Executive Officer and
Chairman of the Board

Date: February 27, 2014

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints William R. Klesse, Michael S. Ciskowski, and Jay D. Browning, or any of them, each with power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all subsequent amendments and supplements to this Annual Report on Form 10-K, and to file the same, or cause to be filed the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby qualifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ William R. Klesse (William R. Klesse)	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	February 27, 2014
/s/ Michael S. Ciskowski (Michael S. Ciskowski)	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2014
/s/ Jerry D. Choate (Jerry D. Choate)	Director	February 27, 2014
/s/ Ruben M. Escobedo (Ruben M. Escobedo)	Director	February 27, 2014
/s/ Deborah P. Majoras (Deborah P. Majoras)	Director	February 27, 2014
/s/ Bob Marbut (Bob Marbut)	Director	February 27, 2014
/s/ Donald L. Nickles (Donald L. Nickles)	Director	February 27, 2014
/s/ Philip J. Pfeiffer (Philip J. Pfeiffer)	Director	February 27, 2014
/s/ Robert A. Profusek (Robert A. Profusek)	Director	February 27, 2014
/s/ Susan Kaufman Purcell (Susan Kaufman Purcell)	Director	February 27, 2014
/s/ Stephen M. Waters (Stephen M. Waters)	Director	February 27, 2014
/s/ Randall J. Weisenburger (Randall J. Weisenburger)	Director	February 27, 2014
/s/ Rayford Wilkins, Jr. (Rayford Wilkins, Jr.)	Director	February 27, 2014

Exhibit 10.06

2014 ELECTIVE DEFERRAL AGREEMENT
Valero Energy Corporation Deferred Compensation Plan

Pursuant to the Valero Energy Corporation Deferred Compensation Plan (the “Plan”):

☐ I elect not to participate in the Plan during **2014**.

☐ I hereby elect to defer a portion of my compensation for the period **commencing January 1, 2014 and ending December 31, 2014** (the “Plan Year”) as follows:

Salary *(elect either 1 or 2)*

1. ________% (in even 1% increments not to exceed 30%) of the regular salary to which I may become entitled during the Plan Year;

2. $_________ per pay period of the regular salary to which I may become entitled with respect to (check either (a) or (b) below):

(a) ________ all pay periods during the Plan Year
(b) ________ the following pay periods (specify):

____
____

Bonus *(elect either 3 or 4* ***for bonus earned in 2014 and possibly payable in 2015****)*

3. ________% (in even 1% increments not to exceed 50%) of any cash bonuses to which I may become entitled;

4. $_________ of any cash bonuses to which I may become entitled.

NOTE: In order to be effective, this form must be completed, signed, and returned to Financial Benefits (San Antonio/Mailstation E1L or fax 210/345-3063) **on or before December 2, 2013**. If your form is not timely submitted, you will not be eligible to participate in the Plan for the 2014 Plan Year.

The Company has taken measures to design the Plan in a manner that conforms to current tax law. However, it is possible that new legislation could affect your deferral elections. Your 2014 Plan Year deferral elections are *irrevocable* and are governed by the terms and conditions of the Plan as well as any modifications made to the Plan in order to conform to legal requirements.

ACKNOWLEDGED AND AGREED:

I hereby authorize the above amounts to be deducted and deferred through payroll deduction/reduction by the Company.

Participant's Signature	Date
Participant's Name	Participant's Employee ID Number

2014 INVESTMENT ELECTION FORM
Valero Energy Corporation Deferred Compensation Plan

Direction of Investments

The undersigned Participant hereby directs that the measurement of the Participant's account be determined as if it were invested in the fund options as indicated below.

DEFERRALS OF SALARY AND/OR BONUSES BEGINNING 1/1/2014
WILL BE TREATED AS IF INVESTED AS INDICATED BELOW.

Enter your investment elections: ***5% minimum/increments of 5%****.*
The total of the percentages must equal 100%.
You may invest in any one or more (including all) of the fund options.

_ _ _ _ _%	**Dreyfus** Appreciation (DGAGX)
_ _ _ _ _%	**Fidelity** Intermediate Government (FSTGX)
_ _ _ _ _%	**Janus** Worldwide (JAWWX)
_ _ _ _ _%	**Milestone** Funds Treasury Obligations Portfolio (MTIXX)
_ _ _ _ _%	**Oakmark I** (OAKMX)
_ _ _ _ _%	**Price** Mid-Cap Growth (RPMGX)
_ _ _ _ _%	**Columbia** Income Z (SRINX)
_ _ _ _ _%	**Vanguard** Balanced Index (VBINX)
_ _ _ _ _%	**Vanguard** Index Extended Market (VEXMX)
_ _ _ _ _%	**Vanguard** Index 500 (VFINX)
_ _ _ _ _%	**Vanguard** Growth and Income (VQNPX)
100 %	

I understand that the elections I have chosen on this form shall remain in effect until I make a directive to change.

Participant's Signature	Date
Participant's Name	Participant's Employee ID Number

2014 DISTRIBUTION ELECTION FORM
Valero Energy Corporation Deferred Compensation Plan

Payment Election Upon Retirement	**DEFAULT PAYMENT IF NO ELECTION IS MADE:** Fifteen annual installments commencing at date of retirement

I elect that, upon retirement, the value of my Plan account related to deferrals made for the **2014 Plan Year** will be paid at the time and in the manner elected below:

Payment Commencement (choose one):

☐ As soon as administratively possible following retirement *(this is the default if no election is made)*

☐ January 1 after the year of retirement

AND

Form of Distribution (choose one):

☐ Lump sum payment

☐ Annual installments for _______ years (choose 2 - 15 years)

Payment Election Upon Other Separation	**DEFAULT PAYMENT IF NO ELECTION IS MADE:** Immediate lump sum payable upon separation

I elect that, upon my separation from employment for a reason other than retirement, the value of my Plan account related to deferrals made for the **2014 Plan Year** will be paid at the time and in the manner elected below:

Payment Commencement (choose one):

☐ As soon as administratively possible following separation *(this is the default if no election is made)*

☐ January 1 after the year of separation

AND

Form of Distribution (choose one):

☐ Lump sum *(this is the default payment if no election is made)*

☐ Five annual installments

Distribution on Specified Date	
In accordance with Section 6.4 of the Plan, I hereby elect to receive in one lump sum payment my Account derived from deferrals made during the **2014 Plan Year** on the date or dates specified below, or the balance of the Account, if less. Any amounts distributed pursuant to this election shall immediately reduce my Account accordingly. *(The earliest date that can be elected to receive 2014 deferrals is January 1, 2018.)*	
Specified Date	Amount of Elective Deferral or Total Amount of the Account (Whichever is Less)

NOTE: In order to be effective, this form must be completed, signed, and returned to Financial Benefits (San Antonio/Mailstation E1L) on or before **December 2, 2013**. If your form is not timely submitted, your Plan deferral will be subject to the default distributions noted above.

The Company has taken measures to design the Plan in a manner that conforms to current tax law. However, it is possible that new legislation could affect your distribution elections, including delaying your distributions, in order to comply with legal requirements. Distribution elections submitted pursuant to the Plan will be governed by the terms and conditions of the Plan and governing law, and your elections will be subject to modifications made to the Plan in order to conform to legal requirements.

ACKNOWLEDGED AND AGREED:

Participant's Signature	Date
Participant's Name	Participant's Employee ID Number

Exhibit 10.16

CHANGE OF CONTROL
SEVERANCE AGREEMENT

AGREEMENT, dated as of the 15th day of March, 2007 (this "Agreement"), by and between Valero Energy Corporation, a Delaware corporation (the "Company"), and Jay D. Browning (the "Executive").

WHEREAS, the Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined herein). The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the current Company in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control that ensure that the compensation and benefits expectations of the Executive will be satisfied and that are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

Section 1. **Certain Definitions.** (a) "Effective Date" means the first date during the Change of Control Period (as defined herein) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (1) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (2) otherwise arose in connection with or anticipation of a Change of Control, then "Effective Date" means the date immediately prior to the date of such termination of employment.

(b) "Change of Control Period" means the period commencing on the date hereof and ending on the third anniversary of the date hereof; *provided*, *however*, that, commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof, the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless, at least 60 days prior to the Renewal Date, the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

(c) "Affiliated Company" means any company controlled by, controlling or under common control with the Company.

(d) "Change of Control" means:

(1) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d -3 promulgated under the

Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); *provided*, *however*, that, for purposes of this Section 1(d)(1), the following acquisitions of Outstanding Company Common Stock or of Outstanding Company Voting Securities shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company or (iv) any acquisition by any corporation pursuant to a transaction that complies with Sections 1(d)(3)(A), 1(d)(3)(B) and 1(d)(3)(C);

(2) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(3) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(4) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Section 2. <u>Employment Period</u>. The Company hereby agrees to continue the Executive in its employ, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Employment Period"). The Employment Period shall terminate upon the Executive's termination of employment for any reason.

Section 3. <u>Terms of Employment</u>. (a) **<u>Position and Duties</u>.** (1) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the office where the Executive was employed immediately preceding the Effective Date or at any other location less than 35 miles from such office.

(2) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period, it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) **<u>Compensation</u>.** (1) **<u>Base Salary</u>.** During the Employment Period, the Executive shall receive an annual base salary (the "Annual Base Salary") at an annual rate at least equal to 12 times the highest monthly base salary paid or payable, including any base salary that has been earned but deferred, to the Executive by the Company and the Affiliated Companies in respect of the 12-month period immediately preceding the month in which the Effective Date occurs. The Annual Base Salary shall be paid at such intervals as the Company pays executive salaries generally. During the Employment Period, the Annual Base Salary shall be reviewed at least annually, beginning no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date. Any increase in the Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. The Annual Base Salary shall not be reduced after any such increase and the term "Annual Base Salary" shall refer to the Annual Base Salary as so increased.

(2) **<u>Annual Bonus</u>.** In addition to the Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual

Bonus") in cash at least equal to the Executive's highest bonus earned under the Company's annual incentive bonus plans, or any comparable bonus under any predecessor or successor plan or plans, for the last three full fiscal years prior to the Effective Date (or for such lesser number of full fiscal years prior to the Effective Date for which the Executive was eligible to earn such a bonus, and annualized in the case of any bonus earned for a partial fiscal year) (the "Recent Annual Bonus"). (If the Executive has not been eligible to earn such a bonus for any period prior to the Effective Date, the "Recent Annual Bonus" shall mean the Executive's target annual bonus for the year in which the Effective Date occurs.) Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(3) **Incentive, Savings and Retirement Plans.** During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies, and programs applicable generally to other peer executives of the Company and the Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and the Affiliated Companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and the Affiliated Companies.

(4) **Welfare Benefit Plans.** During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and the Affiliated Companies (including, without limitation, medical, prescription, dental, vision, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and the Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits that are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and the Affiliated Companies.

(5) **Expenses.** During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and the Affiliated Companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

(6) **Fringe Benefits.** During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and the Affiliated Companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

(7) **Office and Support Staff.** During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and the Affiliated Companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

(8) **Vacation.** During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and the Affiliated Companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

(9) **Immediate Vesting of Outstanding Equity Incentive Awards.** Notwithstanding any provision in the Company's stock incentive plans or the award agreements thereunder, effective immediately upon the occurrence of a Change of Control, (A) all stock options (incentive or non-qualified) outstanding as of the date of such Change of Control, which are not then exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant and, following the Executive's termination of employment for any reason, shall remain exercisable for the shorter of (x) five years from the Executive's date of termination of employment and (y) the remainder of the original option term; (B) all restrictions and deferral limitations applicable to any restricted stock awards outstanding as of the date of such Change of Control shall lapse, and such restricted stock awards shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant; and (C) all performance share awards outstanding as of the date of such Change of Control for any outstanding performance periods shall fully vest and be earned and payable in full based on the deemed achievement of performance at 200% of target level for the entire performance period.

Section 4. Termination of Employment. (a) **Death or Disability.** The Executive's employment shall terminate automatically if the Executive dies during the Employment Period. If the Company determines in good faith that the Executive has a Disability (as defined herein) that has occurred during the Employment Period (pursuant to the definition of "Disability"), it may give to the Executive written notice in accordance with Section 11(b) of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability

Effective Date"), *provided* that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. "Disability" means the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness that is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) **Cause.** The Company may terminate the Executive's employment during the Employment Period for Cause. "Cause" means:

(1) the willful and continued failure of the Executive to perform substantially the Executive's duties (as contemplated by Section 3(a)(1)(A)) with the Company or any Affiliated Company (other than any such failure resulting from incapacity due to physical or mental illness or following the Executive's delivery of a Notice of Termination for Good Reason), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company that specifically identifies the manner in which the Board or the Chief Executive Officer of the Company believes that the Executive has not substantially performed the Executive's duties, or

(2) the willful engaging by the Executive in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company.

For purposes of this Section 4(b), no act, or failure to act, on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer of the Company or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel for the Executive, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in Section 4(b)(1) or 4(b)(2), and specifying the particulars thereof in detail.

(c) **Good Reason.** The Executive's employment may be terminated by the Executive for Good Reason or by the Executive voluntarily without Good Reason. "Good Reason" means:

(1) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 3(a)(1)(A), or any other action by the Company that results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action

not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(2) any failure by the Company to comply with any of the provisions of Section 3(b), other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(3) the Company's requiring the Executive (i) to be based at any office or location other than as provided in Section 3(a)(1)(B), (ii) to be based at a location other than the principal executive offices of the Company if the Executive was employed at such location immediately preceding the Effective Date, or (iii) to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(4) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(5) any failure by the Company to comply with and satisfy Section 10(c).

For purposes of this Section 4(c), any good faith determination of Good Reason made by the Executive shall be conclusive. The Executive's mental or physical incapacity following the occurrence of an event described above in clauses (1) through (5) shall not affect the Executive's ability to terminate employment for Good Reason.

(d) **Notice of Termination.** Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 11(b). "Notice of Termination" means a written notice that (1) indicates the specific termination provision in this Agreement relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (3) if the Date of Termination (as defined herein) is other than the date of receipt of such notice, specifies the Date of Termination (which Date of Termination shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's respective rights hereunder.

(e) **Date of Termination.** "Date of Termination" means (1) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified in the Notice of Termination, as the case may be, (2) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (3) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

Section 5. **Obligations of the Company upon Termination**. (a) **Good Reason; Other Than for Cause, Death or Disability**. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause or Disability or the Executive terminates employment for Good Reason:

(1) the Company shall pay to the Executive, in a lump sum in cash within 30 days after the Date of Termination, the aggregate of the following amounts:

(A) the sum of (i) the Executive's Annual Base Salary through the Date of Termination, (ii) the product of (x) the Recent Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination and the denominator of which is 365, and (iii) any accrued vacation pay, in each case, to the extent not theretofore paid (the sum of the amounts described in subclauses (i), (ii) and (iii), the "Accrued Obligations");

(B) the amount equal to the product of (i) two and (ii) the sum of (x) the Executive's Annual Base Salary and (y) the Recent Annual Bonus;

(C) an amount equal to the excess of (i) the actuarial equivalent of the benefit under the Company's qualified defined benefit retirement plan (the "Retirement Plan") (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Retirement Plan immediately prior to the Effective Date) and any excess or supplemental retirement plan in which the Executive participates (collectively, the "SERP") that the Executive would receive if the Executive's employment continued for two years after the Date of Termination, assuming for this purpose that (x) the Executive's age and service credit increase during the two-year period, (y) all accrued benefits are fully vested and (z) the Executive's compensation in each of the two years is that required by Sections 3(b)(1) and 3(b)(2), over (ii) the actuarial equivalent of the Executive's actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Date of Termination; and

(D) an amount equal to the sum of the Company matching or other Company contributions under the Company's qualified defined contribution plans and any excess or supplemental defined contribution plans in which the Executive participates that the Executive would receive if the Executive's employment continued for two years after the Date of Termination, assuming for this purpose that (x) the Executive's benefits under such plans are fully vested, (y) the Executive's compensation in each of the two years is that required by Sections 3(b)(1) and 3(b)(2) and (z) to the extent that the Company contributions are determined based on the contributions or deferrals of the Executive, that the Executive's contribution or deferral elections, as appropriate, are those in effect immediately prior the Date of Termination; and

(2) for two years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the

Company shall continue benefits to the Executive and/or the Executive's family at least equal to those that would have been provided to them in accordance with the plans, programs, practices and policies described in Section 3(b)(4) if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies and their families, *provided*, *however*, that, if the Executive becomes reemployed with another employer and is eligible to receive such benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed (for purposes of both age and service credit) until two years after the Date of Termination and to have retired on the last day of such period;

(3) during the 12-month period following the Date of Termination, the Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in the Executive's sole discretion, *provided* that, the cost of such outplacement shall not exceed $25,000 (as adjusted for inflation based on the Consumer Price Index or another nationally recognized published inflation index); and

(4) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or that the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and the Affiliated Companies (such other amounts and benefits, the "Other Benefits").

(b) **Death.** If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, the Company shall provide the Executive's estate or beneficiaries with the Accrued Obligations and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under this Agreement. The Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 5(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and the Affiliated Companies to the estates and beneficiaries of peer executives of the Company and the Affiliated Companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and the Affiliated Companies and their beneficiaries.

(c) **Disability.** If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, the Company shall provide the Executive with the Accrued Obligations and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under this Agreement. The Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 5(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and the Affiliated Companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and the Affiliated Companies and their families.

(d) **Cause; Other Than for Good Reason.** If the Executive's employment is terminated for Cause during the Employment Period, the Company shall provide to the Executive (1) the Executive's Annual Base Salary through the Date of Termination, (2) any accrued vacation pay, and (3) the Other Benefits, in each case, to the extent theretofore unpaid, and shall have no other severance obligations under this Agreement. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, the Company shall provide to the Executive the Accrued Obligations and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under this Agreement. In such case, all the Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

Section 6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or the Affiliated Companies and for which the Executive may qualify, nor, subject to Section 11(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement with the Company or the Affiliated Companies. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any other contract or agreement with the Company or the Affiliated Companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by this Agreement. Notwithstanding the foregoing, if the Executive receives payments and benefits pursuant to Section 5(a) of this Agreement, the Executive shall not be entitled to any severance pay or benefits under any severance plan, program or policy of the Company and the Affiliated Companies, unless otherwise specifically provided therein by a specific reference to this Agreement.

Section 7. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right or action that the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses that the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus, in each case, interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

Section 8. <u>Certain Additional Payments by the Company</u>.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company or its Affiliated Companies to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, collectively the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (the "Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young, LLP, or such other nationally recognized certified public accounting firm as may be designated by the Executive, subject to the Company's approval which will not be unreasonably withheld (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive, subject to the Company's approval which will not be unreasonably withheld, may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Executive within 5 days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments that will not have been made by the Company should have been made (the "Underpayment"), consistent with the calculations required to be made hereunder. In the event the Company exhausts its remedies pursuant to Section 8(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable, but no later than 10 business days after the Executive is informed in writing of such claim. The Executive shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that the Company desires to contest such claim, the Executive shall:

(1) give the Company any information reasonably requested by the Company relating to such claim,

(2) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(3) cooperate with the Company in good faith in order effectively to contest such claim, and

(4) permit the Company to participate in any proceedings relating to such claim;

provided, *however*, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest, and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings taken in connection with such contest, and, at its sole discretion, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either pay the tax claimed to the appropriate taxing authority on behalf of the Executive and direct the Executive to sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; *provided*, *however*, that, if the Company pays such claim and directs the Executive to sue for a refund, the Company shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties) imposed with respect to such payment or with respect to any imputed income in connection with such payment; and *provided*, *further*, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which the Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of a Gross-Up Payment or payment by the Company of an amount on the Executive's behalf pursuant to Section 8(c), the Executive becomes entitled to receive any refund with respect to the Excise Tax to which such Gross-Up Payment relates or with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 8(c), if applicable) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after payment by the Company of an amount on the Executive's behalf pursuant to Section 8(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then the amount of such payment shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) Notwithstanding any other provision of this Section 8, the Company may, in its sole discretion, withhold and pay to the Internal Revenue Service or any other applicable taxing authority, for the benefit of the Executive, all or any portion of any Gross-Up Payment, and the Executive hereby consents to such withholding.

Section 9. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or the Affiliated Companies, and their respective businesses, which information, knowledge or data shall have been obtained by the Executive during the Executive's employment by the Company or the Affiliated Companies and which information, knowledge or data shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those persons designated by the Company. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

Section 10. Successors. (a) This Agreement is personal to the Executive, and, without the prior written consent of the Company, shall not be assignable by the Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Except as provided in Section 10(c), without the prior written consent of the Executive, this Agreement shall not be assignable by the Company.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. "Company" means the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law or otherwise.

Section 11. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

if to the Executive: At the most recent address on file in the Company's records

if to the Company: Valero Energy Corporation
One Valero Way
San Antonio, Texas 78249
Attention: Corporate Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such United States federal, state or local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Sections 4(c)(1) through 4(c)(5), shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a), prior to the Effective Date, the Executive's employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, except as specifically provided herein, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from the Board, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Jay D. Browning
Jay D. Browning

VALERO ENERGY CORPORATION

By: /s/ Gregory C. King
Name: Gregory C. King
Title: President

December 14, 2011

______
______
______

Re: Technical Amendment for Internal Revenue Code Section 409A

Dear ______:

This letter constitutes an amendment of the Change of Control Severance Agreement ("Agreement") between you and Valero Energy Corporation dated __________, made for the sole purpose of attempting to ensure compliance of the Agreement with the documentation requirements under Internal Revenue Code Section 409A and, as such, attempting to avoid the imposition of taxes and penalties on you under Section 409A of the Internal Revenue Code.

In that connection, the Agreement is hereby amended by adding the following language as a new Section 11 of the Agreement and by renumbering the remaining sections appropriately:

> "11. **Code Section 409A**. This Agreement is intended to comply, and shall be administered consistently in all respects, with Code Section 409A of the Internal Revenue Code of 1986, as amended ("Code"), and the regulations and additional guidance promulgated thereunder, to the extent applicable. In this connection, the Company shall have authority to take any action, or refrain from taking any action, with respect to this Agreement that is reasonably necessary to ensure compliance with Code Section 409A (provided that the Company shall choose the action that best preserves the value of the payments and benefits provided to the Executive under this Agreement that is consistent with Code Section 409A), and the parties agree that this Agreement shall be interpreted in a manner that is consistent with Code Section 409A. In furtherance, but not in limitation of the foregoing: (a) in no event may Executive designate, directly or indirectly, the calendar year of any payment to be made hereunder; (b) in the event that Executive is a "specified employee" within the meaning of Code Section 409A, payments which constitute a "deferral of compensation" under Code Section 409A and which would otherwise become due during the first six (6) months following Executive's Date of Termination shall be delayed and all such delayed payments shall be paid in full in the seventh (7th) month after the Executive's termination of employment or, if earlier, upon the Executive's death, provided that the above delay shall not apply to any payment that is excepted from coverage by Code Section 409A, such as a payment covered by the short-term deferral exception described in Treasury Regulations Section 1.409A-1(b)(4); (c) notwithstanding any other provision of this Agreement, a termination, resignation or retirement of Executive's employment hereunder, shall mean, and be interpreted consistent with, a "separation from service" within the meaning of Code Section 409A, and "Date of Termination," for purposes of determining the date that any payment or benefit is required to be provided hereunder, shall be deemed to mean the date of Executive's separation from service within the

meaning of Code Section 409A; (d) with respect to any reimbursement of fees and expenses, or similar payments or any in-kind benefits, the following shall apply: (i) unless a specific time period during which such expense reimbursements and payments may be incurred is provided for herein, such time period shall be deemed to be Executive's lifetime; (ii) the amount of expenses eligible for reimbursement hereunder, or in-kind benefits to which Executive is entitled hereunder, in any particular year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other year; (ii) the right to reimbursement of expenses or in-kind benefits shall not be subject to liquidation or exchange for any other benefit; (iii) the reimbursement of an eligible expense or a payment shall be made on or before the last day of the calendar year following the calendar year in which the expense was incurred or the payment was remitted, as the case may be."

Please indicate your acceptance of, and agreement to, this amendment by signing this letter in the space provided below.

Sincerely,

Valero Energy Corporation

By: /s/ R. Michael Crownover

R. Michael Crownover
Senior Vice President
Human Resources

AGREED AND ACCEPTED:

/s/ Jay D. Browning

[Executive]

Exhibit 10.18

SCHEDULE OF AMENDMENTS TO CHANGE OF CONTROL SEVERANCE AGREEMENTS

The following have executed Amendments to Change of Control Severance Agreements substantially in the form of the amendment attached as Exhibit 10.17 to Valero's Annual Report on Form 10-K for the year ended December 31, 2012 (SEC File No. 1-13175).

Jay D. Browning
Michael S. Ciskowski
S. Eugene Edwards
Joseph W. Gorder
William R. Klesse

Exhibit 10.19

PERFORMANCE SHARE AGREEMENT

This Performance Share Agreement (the "Agreement") is entered into as of **November 8, 2013**, by and between **Valero Energy Corporation**, a Delaware corporation ("Valero"), and **[______]**, a participant (the "Participant") in Valero's **2011 Omnibus Stock Incentive Plan** (as may be amended, the "Plan"), pursuant to and subject to the provisions of the Plan.

1. **Grant of Performance Shares**. Valero hereby grants to Participant [_____] Performance Shares pursuant to Section 6.7 of the Plan. The Performance Shares represent rights to receive shares of Common Stock of Valero, subject to the terms and conditions of this Agreement and the Plan.

2. **Vesting and Delivery of Shares**.

A. **Vesting**. The Performance Shares granted hereunder shall vest over a period of three years in equal, one-third increments with the first increment vesting on the date of the regularly scheduled meeting of the Board's Compensation Committee in January 2015, and the second and third increments vesting on the Committee's meeting dates in January 2016 and January 2017, respectively (each of these three vesting dates is referred to as a "Normal Vesting Date"); any award(s) of shares of Common Stock resulting in connection with such vesting shall be subject to verification of attainment of the Performance Objectives described in Section 4 below by the Compensation Committee. If the Committee is unable to meet in January of a given year, then the Normal Vesting Date for that year will be the date not later than March 31 of that year as selected by the Compensation Committee.

B. **Rights.** Until shares of Common Stock are actually issued to Participant (or his or her estate) in settlement of the Performance Shares, neither Participant nor any person claiming by, through or under Participant shall have any rights as a stockholder of Valero (including, without limitation, voting rights or any right to receive dividends or other distributions) with respect to such shares.

C. **Distribution**. Any shares of Common Stock to be distributed under the terms of this Agreement shall be distributed as soon as administratively practicable after Performance Objectives described in Section 4 below have been verified by the Compensation Committee, but not later than two-and-one-half months following the end of the year in which such verification occurred.

3. **Performance Period**. Except as provided below with respect to a Change of Control (as defined in the Plan), the " Performance Period" for any Performance Shares eligible to vest on any given Normal Vesting Date shall be as follows:

A. **First Segment**. The Performance Period for the first one-third vesting of Performance Shares (those vesting on the Normal Vesting Date in January 2015) shall be the calendar year ending on December 31, 2014.

B. **Second Segment**. The Performance Period for the second one-third vesting of Performance Shares (those vesting on the Normal Vesting Date in January 2016) shall be the two calendar years ending December 31, 2015.

C. **Third Segment**. The Performance Period for the final one-third vesting of Performance Shares (those vesting on the Normal Vesting Date in January 2017) shall be the three calendar years ending December 31, 2016.

4. **Performance Objectives**.

A. **Total Shareholder Return**. Total Shareholder Return ("TSR") will be compiled for a peer group of companies (the " Target Group") for the Performance Period immediately preceding each Normal Vesting Date. TSR for each such company is measured by dividing (A) the sum of (i) the dividends on the common stock of such company during the Performance Period, assuming dividend reinvestment, and (ii) the difference between the average closing price of a share of such company's common stock for the 30 days of December 2 to December 31 at the end of the Performance Period and the average closing price of such shares for the 30 days of December 2 to December 31 immediately prior to the beginning of the Performance Period (appropriately adjusted for any stock dividend, stock split, spin-off, merger or other similar corporate events), by (B) the average closing price of a share of such company's common stock for the 30 days of December 2 to December 31 immediately prior to the beginning of the Performance Period.

B. **Target Group**. The applicable Target Group shall be selected by the Compensation Committee, acting in its sole discretion, each year not later than 90 days after the commencement of the calendar year preceding each Normal Vesting Date. The same Target Group shall be used to measure TSR with regard to all Performance Shares vesting under all Performance Award Agreements of Valero having a similar Normal Vesting Date.

C. **Performance Ranking and Award of Common Shares**. For each Performance Period, the TSR for Valero and each company in the Target Group shall be arranged by rank from best performer to worst performer according to the TSR achieved by each company. Shares of Common Stock will be awarded to Participant in accordance with Valero's percentile ranking within the Target Group. The number of shares of Common Stock, if any, that Participant will be entitled to receive in settlement of the vested Performance Shares will be determined on each Normal Vesting Date and, subject to the provisions of the Plan and this Agreement, on such Normal Vesting Date, the following percentage of the vested Performance Shares will be awarded as shares of Common Stock to the Participant when Valero's TSR during the Performance Period falls within the following percentiles ("Percentiles"), with awards of Common Stock to be interpolated between the "25th Percentile" and "50th Percentile" and between the "50th Percentile" and "75th Percentile":

Valero Performance	Percent of vested Performance Shares to be awarded as Shares of Common Stock
75th Percentile or Higher	200%
50th Percentile (to 74.99%)	100% (to 199%)
25th Percentile (to 49.99%)	25% (to 99%)
Below 25th Percentile	0%

D. **Unearned Shares**. Any Performance Shares not awarded as shares of Common Stock on a Normal Vesting Date will expire and be forfeited; such Performance Shares may not be carried forward for any additional Performance Period.

5. **Termination of Employment**.

A. **Voluntary Termination, Termination for "Cause," and Early Retirement**. If Participant's employment is

(i) voluntarily terminated by the Participant (other than through normal retirement, death or disability), including termination in connection with Participant's voluntary early retirement (*i.e.*, prior to age 62),

(ii) terminated by Valero for "cause" (as defined pursuant to the Plan),
then those Performance Shares that are outstanding and have not vested as of the effective date of termination shall thereupon be forfeited.

B. **Retirement**. If a Participant's employment is terminated through his or her normal retirement (*i.e.*, age 62+ retirement), then any Performance Shares that (i) have not theretofore vested or been forfeited, and (ii) were granted at least one year prior to the Participant's effective date of retirement, shall continue to remain outstanding and shall vest on the Normal Vesting Dates according to their original vesting schedule.

But any outstanding Performance Shares that were granted within one year of the Participant's effective date of retirement shall be prorated as follows. The outstanding Performance Shares shall be prorated based on the number of months worked from the date of grant to the Participant's retirement date (rounding upward), and the prorated number of Performance Shares shall thereafter vest on the Normal Vesting Dates according to their original vesting schedule. *Example*:

- 28,000 Performance Shares granted on November 8, 2013,
- normal retirement date of Participant is effective April 30, 2014,
- working period is calculated as 6 months (5 full months plus partial month rounding upward to 6 months),
- original grant is adjusted by 6/12ths (50%) resulting in 14,000 Performance Shares to vest according to their original vesting schedule.

C. **Death, Disability, Involuntary Termination Other Than for "Cause," and Change of Control**. If a Participant's employment is terminated (i) through death or disability, or (ii) by Valero other than for cause (as determined pursuant to the Plan), or (iii) as a result of a Change of Control (as described in the Plan) (each of the foregoing is hereafter referred to as a "Trigger Date"), then each Performance Period with respect to any Performance Shares that have not vested or been forfeited shall be terminated effective as of such Trigger Date; the TSR for Valero and for each company in the Target Group shall be determined for each such shortened Performance Period and the percentage of Performance Shares to be received by the Participant for each such Performance Period shall be determined in accordance with

Section 4 and shall be distributed as soon as administratively practicable thereafter. For purposes of determining the number of Performance Shares to be received as of any Trigger Date, the Target Group as most recently determined by the Compensation Committee prior to the Trigger Date shall be used.

6. **Plan Incorporated by Reference**. The Plan is incorporated into this Agreement by this reference and is made a part hereof for all purposes. Capitalized terms not otherwise defined in this Agreement shall have the meaning specified in the Plan.

7. **No Assignment**. This Agreement and the Participant's interest in the Performance Shares granted by this Agreement are of a personal nature, and, except as expressly permitted under the Plan, Participant's rights with respect thereto may not be sold, mortgaged, pledged, assigned, transferred, conveyed or disposed of in any manner by Participant, except by an executor or beneficiary pursuant to a will or pursuant to the laws of descent and distribution. Any such attempted sale, mortgage, pledge, assignment, transfer, conveyance or disposition is void, and Valero will not be bound thereby.

8. **Successors**. This Agreement shall be binding upon any successors of Valero and upon the beneficiaries, legatees, heirs, administrators, executors, legal representatives, successors and permitted assigns of Participant.

9. **Code Section 409A**. This Agreement is intended to comply, and shall be administered consistently in all respects, with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations and additional guidance promulgated thereunder to the extent applicable. Accordingly, Valero shall have the authority to take any action, or refrain from taking any action, with respect to this Agreement that is reasonably necessary to ensure compliance with Code Section 409A (provided that Valero shall choose the action that best preserves the value of payments and benefits provided to Participant under this Agreement that is consistent with Code Section 409A), and the parties agree that this Agreement shall be interpreted in a manner that is consistent with Code Section 409A. In furtherance, but not in limitation of the foregoing:

(a) in no event may Participant designate, directly or indirectly, the calendar year of any payment to be made hereunder;

(b) to the extent the Participant is a "specified employee" within the meaning of Code Section 409A, payments, if any, that constitute a "deferral of compensation" under Code Section 409A and that would otherwise become due during the first six months following Participant's termination of employment shall be delayed and all such delayed payments shall be paid in full in the seventh month after such termination date, *provided that* the above delay shall not apply to any payment that is excepted from coverage by Code Section 409A, such as a payment covered by the short-term deferral exception described in Treasury Regulations Section 1.409A-1(b)(4);

(c) notwithstanding any other provision of this Agreement, a termination, resignation or retirement of Participant's employment hereunder shall mean and be interpreted consistent with a "separation from service" within the meaning of Code Section 409A.

Executed effective as of the date first written above.

VALERO ENERGY CORPORATION

By: ________________________________
R. Michael Crownover, Senior Vice President

____
Participant

Exhibit 10.27

$3,000,000,000 5-YEAR SECOND AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

dated as of November 22, 2013

among

VALERO ENERGY CORPORATION,
The Lenders Party Hereto

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

CITIBANK, N.A.,
as Syndication Agent

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
MIZUHO BANK, LTD.,

and

THE ROYAL BANK OF SCOTLAND PLC,
as Co-Documentation Agents

J.P. MORGAN SECURITIES LLC, CITIGROUP GLOBAL MARKETS INC.,
WELLS FARGO SECURITIES, LLC, MIZUHO BANK, LTD.,
and RBS SECURITIES INC.,
as Joint Lead Arrangers and Joint Bookrunners

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SCHEDULES:

EXHIBITS:

$3,000,000,000 5-YEAR SECOND AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT, dated as of November 22, 2013 (as amended, supplemented or otherwise modified from time to time, the " Agreement"), among VALERO ENERGY CORPORATION, the LENDERS party hereto, JPMORGAN CHASE BANK, N.A., as Administrative Agent, CITIBANK, N.A., as Syndication Agent and WELLS FARGO BANK, NATIONAL ASSOCIATION, MIZUHO BANK, LTD., and THE ROYAL BANK OF SCOTLAND PLC, as Co-Documentation Agents.

WHEREAS, the parties hereto have agreed to amend and restate that certain $3,000,000,000 5-Year Amended and Restated Revolving Credit Agreement, dated as of December 5, 2011 (as amended, supplemented or otherwise modified prior to the date hereof, the "Existing Revolving Credit Agreement"), among the Borrower, the financial institutions party thereto as lenders, JPMorgan Chase Bank, N.A., as Administrative Agent and the other Persons from time to time party thereto.

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted Consolidated Net Debt" means, at any date, Consolidated Net Debt less the principal amount of Hybrid Equity Securities in an aggregate amount not to exceed 15% of Total Capitalization.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agreement" has the meaning set forth in the introductory paragraphs hereto.

"Alternate Base Rate" means, for any day, a rate per annum equal to the highest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period plus 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

"Alternative Currency Equivalent" means, at any time, with respect to any amount denominated in dollars, the equivalent amount thereof in the applicable Approved Currency (other than dollars) as determined by the Administrative Agent or the applicable Issuing Bank, as the case may be, at such time on the basis of the Spot Rate on any date of determination for the purchase of such Approved Currency (other than dollars) with dollars.

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any ABR Loan or Eurodollar Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth on the Pricing Schedule under the caption "ABR Margin," "LIBOR Margin" or "Facility Fee", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt.

"Approved Currency" means dollars, Canadian dollars, British pounds and euros.

"Approved Fund" has the meaning set forth in Section 9.04(b).

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, substantially in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Revolving Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Bankruptcy Event" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any ERISA Affiliate.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Valero Energy Corporation, a Delaware corporation.

"Borrowing" means (a) Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or (b) a Swingline Loan.

"Borrowing Request" means a request by the Borrower for a Borrowing in accordance with Section 2.05.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Equivalents" means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof having combined capital and surplus of not less than $250,000,000; (c) commercial paper of an issuer rated at least A-2 by Standard & Poor's Ratings Services or P-2 by Moody's Investors Service, Inc., or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) money market accounts or funds with or issued by Qualified Issuers; (e) short term debt obligations of an issuer rated at least BBB by Standard & Poor's Ratings Services or Baa2 by Moody's Investor Service, Inc., and maturing within thirty days from the date of acquisition; (f) repurchase obligations with a term of not more than 90 days for underlying securities of the types described in clause (a) above entered into with any bank meeting the qualifications specified in clause (b) above; and (g) solely with respect to a Subsidiary which is incorporated or organized under the laws of a jurisdiction outside of the United States, in addition to the investments described in clauses (a) through (f) of this definition, substantially similar investments denominated in foreign currencies (including similarly capitalized foreign banks).

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) of shares representing more than 25% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower (excluding, however, any such person or group entitled to report such ownership on Schedule 13G in accordance with Rule 13d-1(b)(1) or (2)); or (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated.

"Change in Law" means the occurrence after the date of this Agreement (or, with respect to any Person that becomes a Lender after the date hereof, such later date on which such Person becomes a Lender under this Agreement) (a) the adoption of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority or (c) compliance by any Lender or any Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or such Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided that, notwithstanding anything herein to the contrary, (x) the Dodd- Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"CI Lender" has the meaning set forth in Section 2.02(a).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Co-Documentation Agents" means, collectively, Wells Fargo Bank, National Association, Mizuho Bank, Ltd., and The Royal Bank of Scotland plc, each in its capacity as a co-documentation agent for the Lenders hereunder.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum potential aggregate amount of such Lender's

Credit Exposure hereunder, as such commitment may be (a) modified from time to time pursuant to Section 2.02, (b) reduced from time to time pursuant to Section 2.09, or (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is $3,000,000,000.

"Commitment Increase" has the meaning set forth in Section 2.02(a).

"Commitment Increase Effective Date" has the meaning set forth in Section 2.02(b).

"Competitor" means (a) any Person who is primarily engaged in businesses of the type primarily conducted by the Borrower and its Subsidiaries and (b) any Affiliate of a Person identified in clause (a) above (it being agreed that an investment firm or other financial institution shall not be deemed to Control a Person described in clause (a) above merely as a result of owning a minority interest in such Person if it does not otherwise Control such Person).

"Consenting Lenders" has the meaning set forth in Section 2.21(b).

"Consolidated Net Debt" means, at any date, the Indebtedness of the Borrower and its Subsidiaries less the aggregate amount of (a) cash and Cash Equivalents held by the Borrower and its Subsidiaries at such date and (b) cash and Cash Equivalents that have been deposited in a trust account or account created or pledged for the sole benefit of the holders of any Indebtedness of the Borrower or its Subsidiaries that has been defeased pursuant to such deposit and the other applicable terms of the instrument governing such Indebtedness, in each case determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Tangible Assets" means, on any date, the aggregate amount of assets (less applicable accumulated depreciation, depletion and amortization and other reserves and other properly deductible items) of the Borrower and its Subsidiaries, *minus* (a) all current liabilities of the Borrower and its Subsidiaries (excluding current maturities of long-term debt) and (b) all goodwill of the Borrower and its Subsidiaries, all of the foregoing determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means for the Borrower at any date the Net Worth of the Borrower and its Subsidiaries as of such date determined on a consolidated basis in accordance with GAAP.

"Consolidated Total Assets" means, at any date, the aggregate total assets of the Borrower and its Subsidiaries, determined on a consolidated basis as of such date in accordance with GAAP.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Credit Party” means the Administrative Agent, any Issuing Bank, the Swingline Lender or any other Lender and “Credit Parties” shall be the collective reference to all of them.

“Credit Exposure” means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Loans, its LC Exposure and its Swingline Exposure at such time.

“Default” means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

“Defaulting Lender” means any Lender that (a) has failed, within three Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in LC Disbursements or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by such Lender hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied or, in the case of clause (iii) above, such Lender notifies the Administrative Agent in writing that such failure is the result of a good faith dispute with respect to the requirement to pay such amount, (b) has notified the Borrower or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement or generally under other agreements in which it commits to extend credit (unless such writing or public statement indicates that such position is based on such Lender’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under any such agreement (including this Agreement cannot be satisfied), (c) has failed, within three Business Days after request by the Borrower, the Administrative Agent, any Issuing Bank or the Swingline Lender, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans and participations in LC Disbursements and Swingline Loans under this Agreement; provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon the Borrower’s, the Administrative Agent’s, the requesting Issuing Bank’s or the Swingline Lender’s, as applicable, receipt of such certification in form and substance reasonably satisfactory to the Borrower, the Administrative Agent, the requesting Issuing Bank or the Swingline Lender, as applicable, and the Administrative Agent, or (d) has become the subject of a Bankruptcy Event.

“Derivatives Obligations” of any Person means all obligations of such Person in respect of any Hedging Agreement.

“Disclosed Matters” means the actions, suits and proceedings and the environmental and intellectual property matters (a) disclosed in (i) the Borrower’s report on Form 10-K for the fiscal year ended December 31, 2012, (ii) the Borrower’s most recently-filed report on Form 10-Q for the most recent fiscal period ended prior to the Revolving Effective Date and (iii) the Borrower’s reports on Form 8-K filed during the period from and including the financial statements referred to in the foregoing clause (ii) to but excluding the date that is two Business Days prior to the Revolving Effective Date, in each case as filed with the Securities and Exchange Commission, or (b) otherwise disclosed in writing to the Administrative Agent for the benefit of the Lenders prior to the execution and delivery of this Agreement.

"dollars" or "$" refers to lawful money of the United States of America, except if the term "dollar" is preceded by the name of another country.

"Dollar Equivalent" means, at any time, (a) with respect to any amount denominated in dollars, such amount, and (b) with respect to any amount denominated in any Approved Currency other than dollars, the equivalent amount thereof in dollars as determined by the Administrative Agent or the applicable Issuing Bank, as the case may be, at such time on the basis of the Spot Rate on any date of determination for the purchase of dollars with such other Approved Currency.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Materials or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (c) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan, other than a standard termination under Section 4041(b) of ERISA; (d) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (e) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (f) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Subsidiary Debt" means (i) unsecured Indebtedness of Subsidiaries existing on the Revolving Effective Date and described on Schedule 6.01, (ii) Unsecured Acquisition Debt, (iii) refinancings, extensions, renewals, or refundings of any Indebtedness permitted by clauses (i) and (ii) above, provided that the principal amount thereof is not increased, (iv) intercompany Indebtedness that is owed by a Subsidiary to, and Guarantees of intercompany debt issued by such Subsidiary of debt of, the Borrower or another wholly owned Subsidiary, (v) amounts owing pursuant to Securitization Transactions and (vi) to the extent that a Subsidiary has provided a Guarantee of the Borrower's Indebtedness and other obligations existing pursuant to this Agreement, such Subsidiary's Indebtedness that is *pari passu* with (or subordinate to) the Indebtedness and other obligations existing pursuant to this Agreement.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise Taxes imposed on (or measured by) its net income and/or net worth by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits Taxes imposed by the United States of America or any similar Tax imposed by any other jurisdiction in which the Borrower is located, (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding Tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office), but only to the extent that such Lender is subject to United States withholding Tax at the time such Lender first becomes party to this Agreement, except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding Tax pursuant to Section 2.17(a), (d) in the case of each Lender (other than an assignee pursuant to a request by Borrower under Section 2.19(b)), any United States withholding Tax imposed on any payment made or to be made by the Borrower, but only to the extent that such

Lender is subject to United States withholding Tax at the time such Lender first becomes party to this Agreement, (e) income or franchise Taxes imposed as a result of a present or former connection between a Lender and the jurisdiction imposing such Tax (other than connections arising solely from such Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document), (f) Taxes attributable to a Lender's failure to comply with Section 2.17(e), and (g) taxes imposed under FATCA.

"Existing Lender" has the meaning set forth in Section 9.16.

"Existing Revolving Credit Agreement" has the meaning set forth in the introductory paragraphs hereto.

"Extension Confirmation Date" has the meaning set forth in Section 2.21(b).

"Extension Effective Date" has the meaning set forth in Section 2.21(b).

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (and any amended or successor versions thereof that are substantially comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting officer, financial vice president, treasurer or controller of the Borrower.

"Fiscal Quarter" means a fiscal quarter of the Borrower, ending on the last day of March, June, September or December of each year.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the " primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

"Hybrid Equity Securities" means, on any date (the "determination date"), any securities issued by the Borrower or any of its Subsidiaries or a financing vehicle of the Borrower or any of its Subsidiaries, other than common stock, that meet the following criteria: (a) (i) the Borrower demonstrates that such securities are classified, at the time they are issued, as possessing a minimum of "intermediate equity content" by S&P and "Basket C equity credit" by Moody's (or the equivalent classifications then in effect by such agencies) and (ii) on such determination date such securities are classified as possessing a minimum of "intermediate equity content" by S&P or "Basket C equity credit" by Moody's (or the equivalent classifications then in effect by such agencies) and (b) such securities require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to at least 91 days after the later of the termination of the Commitments and the repayment in full of the obligations of the Borrower under this Agreement. As used in this definition, "mandatory redemption" shall not include conversion of a security into common stock.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (d) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, provided that the amount of any Indebtedness of such Person which constitutes Indebtedness of such Person solely by reason of this clause (d) shall not for purposes of this Agreement exceed the greater of the book value or the fair market value of the properties subject to such Lien, (e) all Guarantees by such Person of Indebtedness of others, (f) all Capital Lease Obligations of such Person, (g) all obligations of such Person in respect of bankers' acceptances, and (h) all non-contingent obligations (and, for purposes of Section 6.02, all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Initial Maturity Date" means November 22, 2018.

"Indemnitee" has the meaning set forth in Section 9.03(b).

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Borrower that is not guaranteed by any other Person or subject to any other credit enhancement.

"Information Memorandum" means the Confidential Information Memorandum dated October 2013 relating to the Borrower and the Transactions.

"Interest Election Request" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 2.08.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter (or, with the consent of each Lender, such other periods for which LIBO Rates are available at the time the Borrowing Request for such Eurodollar Borrowing is made), as the Borrower may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made, and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Investment Grade Rating" means a rating of senior long-term unsecured debt securities of the Borrower without any third-party credit enhancement of (i) BBB- or higher by S&P or (ii) Baa3 or higher by Moody's.

"ISP" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance of such Letter of Credit).

"Issuing Bank" means each of JPMorgan Chase Bank, N.A., Citibank, N.A., Wells Fargo Bank, National Association, Mizuho Bank, Ltd. and The Royal Bank of Scotland plc, each in its capacity as an issuer of Letters of Credit hereunder, and each successor in such capacity as provided in Section 2.06(i). Each Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"Joint Lead Arrangers" means, collectively, J.P.Morgan Securities LLC, Citigroup Global Markets Inc., Wells Fargo Securities, LLC, Mizuho Bank, Ltd., and RBS Securities Inc., each in its capacity as a Joint Lead Arranger and Joint Bookrunner hereunder.

"LC Disbursement" means a payment made by an Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.05. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"LC Sublimit" means $2,000,000,000.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to Section 2.02 or pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement, including the letters of credit outstanding under the Existing Revolving Credit Agreement to the extent provided in Section 2.06(k).

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Reuters BBA Libor Rates Page 3750 (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means (a) this Agreement, (b) the Notes, if any, (c) the one or more fee letters entered into in connection with or anticipation of this Agreement and (d) any amendment, supplement or other document modifying the foregoing.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement. Unless the context otherwise requires, the term "Loans" includes the Swingline Loans.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole, or (b) the ability of the Borrower to perform any of its obligations under this Agreement.

"Material Indebtedness" means Indebtedness (other than the Loans, Letters of Credit and Indebtedness that constitutes Project Financing) or Derivatives Obligations of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding $100,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Material Subsidiary" means, at any time, each Subsidiary other than (a) any Project Financing Subsidiary and (b) any Subsidiary (i) the Net Tangible Assets of which do not represent 5% or more of Consolidated Net Tangible Assets for the period of four fiscal quarters most recently ended and (ii) that does not own Equity Interests of any Material Subsidiary.

"Maturity Date" means the Initial Maturity Date, as such date may be extended pursuant to Section 2.21 to the corresponding day in each year thereafter; provided that with respect to any Non-Consenting Lender, the Maturity Date shall not be so extended.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Tangible Assets" means, on any date, with respect to any Subsidiary, the aggregate amount of assets (less applicable accumulated depreciation, depletion and amortization and other reserves and other properly deductible items) of such Subsidiary, minus (a) all current liabilities of such Subsidiary (excluding current maturities of long-term debt) and (b) all goodwill of such Subsidiary, all determined in accordance with GAAP.

"Net Worth" of the Borrower means at any time, without duplication, the sum of its capital stock, additional paid in capital, retained earnings, and any other account which, in accordance with GAAP, constitutes stockholders' equity, less treasury stock; provided that "Net Worth" shall not include the liquidation value of any Preferred Equity Interests.

"New Funds Amount" has the meaning set forth in Section 2.02(d)(i).

"Non-Consenting Lenders" has the meaning set forth in Section 2.21(b).

"Notice of Commitment Increase" has the meaning set forth in Section 2.02(b).

"Note" has the meaning set forth in Section 2.10(e).

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning set forth in Section 9.04(c)(i).

"Participant Register" has the meaning set forth Section 9.04(c)(iii).

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Preferred Equity Interest" means any Equity Interest that, by its terms (or the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event or circumstance either (a) matures, (b) is redeemable (whether mandatorily or otherwise) at the option of the holder thereof for any consideration other than shares of common stock or (c) is convertible or exchangeable for Indebtedness or other Preferred Equity Interests, in each case, in whole or in part, on or prior to the date that is one year after the earlier of (i) the Maturity Date or (ii) the date on which the Loans have been paid in full, the Commitments have terminated, all Letters of Credit have expired or terminated and all LC Disbursements have been reimbursed.

"Pricing Schedule" means the Pricing Schedule attached hereto as Schedule 1.01.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Project Financing" means any Indebtedness that is incurred to finance or refinance the acquisition, improvement, installation, design, engineering, construction, development, completion, maintenance, operation, securitization or monetization, in respect of all or any portion of any project, any group of projects, or any asset related thereto, and any guaranty with respect thereto, other than such portion of such Indebtedness or guaranty (contingent or otherwise) that is at any time recourse to or obligates the Borrower or any Subsidiary (other than a Project Financing Subsidiary) in any way, or subjects any property or asset of the Borrower or any Subsidiary (other than a Project Financing Subsidiary), directly or indirectly, contingently or otherwise, to the satisfaction thereof (excluding any obligation to make a capital contribution to a Project Financing Subsidiary to the extent not otherwise prohibited hereunder).

"Project Financing Subsidiary" means any Subsidiary of the Borrower whose principal purpose is to incur Project Financing and own and operate its permitted assets or to become a direct or indirect partner, member or other equity participant or owner in a Person so created, and substantially all the assets of such Subsidiary are limited to (a) those assets for which the acquisition, improvement, installation, design, engineering, construction, development, completion, maintenance, operation, securitization or monetization is being financed in whole or in part by one or more Project Financings, or (b) the equity in, Indebtedness or other obligations of, one or more other such Subsidiaries or Persons, or (c) proceeds of a substantially concurrent offering of capital stock of the Borrower, or assets acquired with such proceeds, or (d) capital contributions from minority shareholders other than the Borrower or a Subsidiary, or assets acquired with such capital contributions.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including, without limitation, cash, securities, accounts and contract rights.

"Qualified Issuer" means any commercial bank (a) which has capital and surplus in excess of $250,000,000 and (b) the outstanding long-term debt securities of which are rated at least A by Standard & Poor's Ratings Services or at least A2 by Moody's Investors Service, Inc., or carry an equivalent rating by a nationally recognized rating agency if both of the two named rating agencies cease publishing ratings of investments.

"Reducing Percentage Lender" has the meaning set forth in Section 2.02(d)(ii).

"Reduction Amount" has the meaning set forth in Section 2.02(d)(iii).

"Register" has the meaning set forth in Section 9.04(b)(iv).

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Credit Exposures and unused Commitments representing more than 50% of the sum of the total Credit Exposures and unused Commitments at such time; provided that, for the purpose of determining the Required Lenders needed for any waiver, amendment, modification or consent, any Lender that is the Borrower, or any Affiliate of the Borrower shall be disregarded.

"Responsible Officer" means the Chief Executive Officer, President, Chief Financial Officer, General Counsel, or any Executive Vice President of the Borrower.

"Revolving Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc.

"Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

"Sanctioned Country" means, at any time, a country or territory which is the subject or target of any Sanctions.

"Sanctioned Person" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, or by the European Union or any EU member state in which the Borrower or any of its Subsidiaries operates or conducts business, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

"Securitization Transaction" means any transaction in which the Borrower or a Subsidiary sells or otherwise transfers any accounts receivable (whether now existing or arising in the future) and any assets related thereto including, without limitation, all books and records relating to such accounts receivable, all collateral securing such accounts receivable, all contracts and all Guarantees or other obligations in respect of such accounts receivable, rights with respect to returned goods the sale or lease of which gave rise to such accounts receivable, insurance thereon, proceeds of all of the foregoing and lockboxes and bank accounts into which collections thereon are deposited, and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable (a) to one or more third party purchasers or (b) to a special purpose entity that borrows against such accounts receivable (or undivided interests therein) and related assets or issues securities payable from (or representing interests in) payments in respect of such accounts receivable and related assets or sells such accounts receivable (or undivided interests therein) and related assets to one or more third party purchasers, whether or not amounts received in connection with the sale or other transfer of such accounts receivable and related assets to an entity referred to in clause (a) or (b) above would under GAAP be accounted for as liabilities on a consolidated balance sheet of the Borrower. The amount of any Securitization Transaction shall be deemed at any time to be the aggregate outstanding principal or stated amount of the borrowings, securities or residual obligations under a sale, in each case referred to in clause (b) of the preceding sentence, or if there shall be no such principal or stated amount, the uncollected amount of the accounts receivable transferred to such third party purchaser(s) pursuant to such Securitization Transaction net of any such accounts receivable that have been written off as uncollectible.

"Spot Rate" for a currency means the rate determined by the applicable Issuing Bank or the Administrative Agent, as appropriate, to be the rate quoted by such Issuing Bank or Administrative Agent, as applicable, acting in such capacity as the spot rate for the purchase by such Issuing Bank or Administrative Agent, as applicable, of such currency with dollars through its principal foreign exchange trading office at approximately 11:00 a.m., New York City time, two Business Days prior to the date as of which the foreign exchange computation is made; provided that the applicable Issuing Bank or the Administrative Agent, as appropriate, may obtain such spot rate from another financial institution designated by such Issuing Bank or Administrative Agent, as applicable, if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency; and provided further that the applicable Issuing Bank may use such spot rate quoted on the date as of which the foreign exchange computation is made in the case of any Letter of Credit denominated in an Approved Currency other than dollars.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject, with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower; provided that upon the consummation of the VLP IPO, VLP GP, VLP and their respective subsidiaries, for so long as VLP is not wholly owned, directly or indirectly, by the Borrower, in each case shall be deemed not to be Subsidiaries of the Borrower except for purposes of (a) to the extent VLP GP, VLP or their respective subsidiaries are required by GAAP to be consolidated with the Borrower, Section 5.01(a) and Section 5.01(b), (b) Section 5.07 (provided that, for the avoidance of doubt, the term "Material Adverse Effect" as used in such Section 5.07 shall be determined by reference to the Borrower and the Subsidiaries but, upon the consummation of the VLP IPO, excluding VLP GP, VLP and their respective subsidiaries for so long as VLP is not wholly owned, directly or indirectly, by the Borrower), and (c) Section 3.11.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means JPMorgan Chase Bank, N.A., in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.03.

"Swingline Sublimit" means $150,000,000.

"Syndication Agent" means Citibank, N.A., in its capacity as syndication agent for the Lenders hereunder.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Total Capitalization" means, at the date of any determination thereof, the sum of (a) Consolidated Net Debt plus (b) Consolidated Net Worth of the Borrower plus (c) the involuntary liquidation value of any Preferred Equity Interests.

"Transactions" means the execution, delivery and performance by the Borrower of the Loan Documents, the borrowing of Loans, and the issuance of Letters of Credit hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Unsecured Acquisition Debt" means unsecured Indebtedness of a Person that exists at the time such Person becomes a Subsidiary of the Borrower as a result of an acquisition, merger or other combination, or at the time such Person is merged or consolidated with or into, or otherwise acquired by, a Subsidiary of the Borrower, or unsecured Indebtedness that is assumed in connection with the acquisition of Property; provided that, in each case, such unsecured Indebtedness was not incurred or granted in contemplation of such acquisition, merger, or other combination and provided further that in no event shall such unsecured Indebtedness exceed the value of the Person or Property so acquired.

"VLP" means Valero Energy Partners LP, a Delaware limited partnership.

"VLP GP" means Valero Energy Partners GP LLC, a Delaware limited liability company.

"VLP Drop Down Transactions" means any acquisition by VLP or its subsidiaries of master limited partnership qualifying assets of the Borrower or any of its Subsidiaries, and all transactions consummated or agreements entered into in connection therewith; provided that (a) such acquisition shall be made for fair value (as reasonably determined by the chief financial officer of the Borrower) and (b) such acquisition is otherwise on terms and conditions, when taken as a whole, that are fair and reasonable to the Borrower and its Subsidiaries as determined in the good faith judgment of the Borrower, taking into account the totality of the relationship between the Borrower and its Subsidiaries, on the one hand, and VLP and its subsidiaries, on the other.

"VLP IPO" means the initial public offering of Equity Interests in VLP pursuant to the VLP Registration Statement.

"VLP IPO Transactions" means the transactions consummated in connection with the VLP IPO as more fully described in the VLP Registration Statement.

"VLP Registration Statement" means the S-1 Registration Statement filed with respect to the VLP IPO, as amended or supplemented through the Revolving Effective Date and as further amended and supplemented after the Revolving Effective Date, provided that those further amendments and supplements after the Revolving Effective Date either (i) do not cause a Default or Event of Default or (ii) have been approved by the Joint Lead Arrangers.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02 Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Type *(e.g.,* a "Eurodollar Loan"). Borrowings also may be classified and referred to by Type (*e.g.*, a "Eurodollar Borrowing").

Section 1.03 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.04 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Financial Accounting Standards Board Accounting Standards Codification 825 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any Subsidiary at "fair value", as defined therein.

Section 1.05 Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the Dollar Equivalent of the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated mount is in effect at such time.

ARTICLE II
THE CREDITS

Section 2.01 Commitments. Subject to the terms and conditions set forth herein, each Lender severally agrees to make Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Loans.

Section 2.02 Commitment Increase.

(a) Subject to the terms and conditions set forth herein, the Borrower shall have the right, without the consent of the Lenders, to cause, but no more than five times, an increase in the Commitments of the Lenders (a " Commitment Increase") by adding to this Agreement one or more additional lenders that are not already Lenders hereunder and that are reasonably satisfactory to the Administrative Agent and each Issuing Bank (not to be unreasonably withheld, delayed or conditioned) (each, a " CI Lender") or by allowing one or more existing Lenders to increase their respective Commitments; provided that (i) no Event of Default shall have occurred and be continuing as of the relevant Commitment Increase Effective Date, (ii) no such Commitment Increase shall be less than $50,000,000, (iii) the aggregate amount of all such Commitment Increases shall not exceed $1,500,000,000, (iv) no Lender's Commitment shall be increased without such Lender's prior written consent (which consent may be given or withheld in such Lender's sole and absolute discretion) and (v) if, on the effective date of such increase, any Loans have been funded, then the Borrower shall be obligated to pay any breakage fees or costs that are payable pursuant to Section 2.16 in connection with the reallocation of such outstanding Loans.

(b) The Borrower shall provide the Administrative Agent with written notice (a " Notice of Commitment Increase") in the form of Exhibit B attached hereto of its intention to increase the Commitments pursuant to this Section 2.02. Each such Notice of Commitment Increase shall specify (i) the proposed effective date of such Commitment Increase (each such date, a " Commitment Increase Effective Date"), which date shall be no earlier than five (5) Business Days after receipt by the Administrative Agent of such Notice of Commitment Increase, (ii) the amount of the requested Commitment Increase (provided that after giving effect to such requested Commitment Increase, the aggregate amount of all Commitment Increases does not exceed the amount set forth in subsection (a)(iii) above), (iii) the identity of each CI Lender or Lender that has agreed in writing to increase its Commitment hereunder, and (iv) the amount of the respective

Commitments of the then existing Lenders and the CI Lenders from and after the Commitment Increase Effective Date (as defined below).

(c) On each Commitment Increase Effective Date, to the extent that there are Loans outstanding as of such date, (i) each CI Lender shall, by wire transfer of immediately available funds, deliver to the Administrative Agent such CI Lender's New Funds Amount, which amount, for each such CI Lender, shall constitute Loans made by such CI Lender to the Borrower pursuant to this Agreement on such Commitment Increase Effective Date, (ii) each existing Lender that has agreed to increase its Commitment shall, by wire transfer of immediately available funds, deliver to the Administrative Agent such Lender's New Funds Amount, which amount, for each such Lender, shall constitute Loans made by such Lender to the Borrower pursuant to this Agreement on such Commitment Increase Effective Date, (iii) the Administrative Agent shall, by wire transfer of immediately available funds, pay to each then Reducing Percentage Lender its Reduction Amount, which amount, for each such Reducing Percentage Lender, shall constitute a prepayment by the Borrower pursuant to Section 2.11, ratably in accordance with the respective principal amounts thereof, of the principal amounts of all then outstanding Loans of such Reducing Percentage Lender, and (iv) the Borrower shall be responsible to pay to each Lender any breakage fees or costs that are payable pursuant to Section 2.16 in connection with the reallocation of any outstanding Loans; provided that, notwithstanding the foregoing, no Letter of Credit may expire beyond the close of business on the date that is five Business Days prior to the earliest Maturity Date applicable to any Lender, unless the amount of such Letter of Credit on the date of issuance, renewal or extension, as applicable, together with the outstanding LC Exposure at such time, is less than or equal to the total Commitments of all Lenders having a later Maturity Date.

(d) For purposes of this Section 2.02 and Exhibit B, the following defined terms shall have the following meanings: (i) "New Funds Amount" means the amount equal to the product of a Lender's increased Commitment or a CI Lender's Commitment (as applicable) represented as a percentage of the aggregate Commitments after giving effect to any Commitment Increase, times the aggregate principal amount of the outstanding Loans immediately prior to giving effect to such Commitment Increase, if any, as of any Commitment Increase Effective Date (without regard to any increase in the aggregate principal amount of Loans as a result of borrowings made after giving effect to such Commitment Increase on such Commitment Increase Effective Date); (ii) " Reducing Percentage Lender" means each then existing Lender immediately prior to giving effect to any Commitment Increase that does not increase its respective Commitment as a result of such Commitment Increase and whose relative percentage of the Commitments shall be reduced after giving effect to such Commitment Increase; and (iii) " Reduction Amount" means the amount by which a Reducing Percentage Lender's outstanding Loans decrease as of any Commitment Increase Effective Date (without regard to the effect of any borrowings made on such Commitment Increase Effective Date after giving effect to the Commitment Increase occurring on such Commitment Increase Effective Date).

(e) Each Commitment Increase shall become effective on its Commitment Increase Effective Date and upon such effectiveness (i) the Administrative Agent shall record in the register each then CI Lender's information as provided in the applicable Notice of Commitment Increase and pursuant to an Administrative Questionnaire that shall be executed and delivered by each CI Lender to the Administrative Agent on or before such Commitment Increase Effective Date, (ii) Schedule 2.01 hereof shall be amended and restated to set forth all Lenders (including any CI Lenders) that will be Lenders hereunder after giving effect to such Commitment Increase (which amended and restated Schedule 2.01 shall be set forth in Annex I to the applicable Notice of Commitment Increase) and the Administrative Agent shall distribute to each Lender (including each CI Lender) a copy of such amended and restated Schedule 2.01, and (iii) each CI Lender identified on the Notice of Commitment Increase for such Commitment Increase shall be a "Lender" for all purposes under this Agreement.

(f) Each Commitment Increase shall be deemed to constitute a representation and warranty by the Borrower on the applicable Commitment Increase Effective Date that (i) the representations and warranties of the Borrower set forth in this Agreement and in the other Loan Documents are true and correct on and as of such Commitment Increase Effective Date, except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, on and as of such Commitment Increase Effective Date, such representations and warranties shall continue to be true and correct as of such specified earlier date, and (ii) at the time of and immediately after giving effect to such Commitment Increase, no Default shall have occurred and be continuing.

Section 2.03 Swingline Loans.

(a) General. Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans in dollars to the Borrower from time to time during the Availability Period; provided that the aggregate Swingline Exposure (after giving effect to any requested Swingline Loan) shall not exceed the least of (i) the total Commitments, (ii) the excess of the total Commitments over the aggregate amount of the Loans then outstanding, (iii) the Swingline Sublimit or (iv) the amount permitted by Section 2.22(a)(iv)(B); and provided, further, that (after giving effect to any requested Swingline Loan) the total Credit Exposures shall not exceed the total Commitments; and provided, further, that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) Request; Timing; Making of Swingline Loan. To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by facsimile), not later than 3:00 p.m., New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the applicable Issuing Bank) by 4:00 p.m., New York City time, on the requested date of such Swingline Loan. Except as specified in clause (c) below, all payments by the Borrower in respect of a Swingline Loan shall be made to the Swingline Lender.

(c) Participation. The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, *mutatis mutandis*, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

Section 2.04 Loans and Borrowings.

(a) Each Loan shall be made in dollars as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments (or, with respect to the Swingline Loans, made by the Swingline Lender). The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $1,000,000; provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Swingline Loan shall be in an amount that is an integral multiple of $1,000,000 and not less than $5,000,000. Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of ten Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.05 Requests for Borrowings. To request a Borrowing (other than a Borrowing for a Swingline Loan), the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 12:00 p.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 12:00 p.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in substantially the form of Exhibit C. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.04:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07(a).

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a telephonic or written Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.06 Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of standby Letters of Credit, denominated in an Approved Currency, in a form reasonably acceptable to the Administrative Agent and the relevant Issuing Bank, at any time and from time to time during the Availability Period; provided that the aggregate LC Exposure (after giving effect to the requested issuance, amendment or extension of a Letter of Credit) shall not exceed the least of (i) the total Commitments, (ii) the excess of the total Commitments over the aggregate amount of the Loans (including Swingline Loans) then outstanding, (iii) the LC Sublimit or (iv) the amount permitted by Section 2.22(a)(iv)(A); and provided, further, that, subject to limitations set forth above, no Issuing Bank shall be obligated to front Letters of Credit to the extent that the LC Exposure associated with Letters of Credit issued by it would exceed the least of (A) an amount equal to one-fifth of the total LC Sublimit and (B) $500,000,000; and provided, further, that (after giving effect to the requested issuance, amendment or extension of a Letter of Credit) the total Credit Exposures shall not exceed the total Commitments. The Letters of Credit denominated in an Approved Currency (other than dollars) shall not exceed $200,000,000, in the aggregate at any one time outstanding; if giving effect to a request for a Letter of Credit to be denominated in an Approved Currency (other than dollars) would cause this limitation to be exceeded, then such Letter of Credit may only be dollar-denominated. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the relevant Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the relevant Issuing Bank) to the relevant Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended or extended, and specifying the date of issuance, amendment or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit (which must be a fixed amount), which Approved Currency shall be the denomination of such Letter of Credit (it being understood that if no denomination is specified, the Letter of Credit shall be dollar-denominated), the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend or extend such Letter of Credit. If requested by the relevant Issuing Bank, the Borrower also shall submit a letter of credit application on its standard form in connection with any request for a Letter of Credit; provided that no provision in such application shall be deemed effective to the extent such provision contains, provides for, or requires, representations, warranties, covenants, security interests, Liens, indemnities, reimbursements of costs or expenses, events of default, remedies, or standards of care or to the extent such provision conflicts or is inconsistent with this Agreement. Following receipt of a notice requesting the issuance of a Letter of Credit (or the amendment or extension of an outstanding Letter of Credit) in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof. A Letter of Credit shall be issued, amended or extended only if (and upon issuance, amendment or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment or extension, the limits and sublimits specified in Section 2.06(a) are satisfied. Notwithstanding the foregoing or anything else to the contrary contained herein, no Issuing Bank shall be under any obligation to issue any Letter of Credit if: (A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Bank from issuing such Letter of Credit, or any law applicable to such Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Bank (x) shall prohibit, or request that such Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular, (y) shall impose upon such Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital or liquidity requirement (for which such Issuing Bank is not otherwise compensated hereunder) not in effect on the Revolving Effective Date, or (z) shall impose upon such Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Revolving Effective Date and which such Issuing Bank in good faith deems material to it; provided that, in the cases of clauses (y) and (z), such Issuing Bank shall have provided written notice to the Borrower of its refusal to issue any Letter of Credit and the specific reasons therefor and the Borrower shall not have compensated such Issuing Bank for the imposition of such restriction, reserve or capital or liquidity requirement or reimbursed such Issuing Bank for such loss, cost or expense, as applicable; (B) the issuance of such Letter of Credit would violate one or more polices of such Issuing Bank (as consistently applied); or (C) such Letter of Credit is to be denominated in a currency other than an Approved Currency.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the date that is five Business Days prior to the Maturity Date; provided that, notwithstanding the foregoing, no Letter of Credit may expire beyond the close of business on the date that is five Business Days prior to the earliest Maturity Date applicable to any Lender, unless the amount of such Letter of Credit on the date of issuance, renewal or extension, as applicable, together with the aggregate of the outstanding LC Exposure and Loans at such time, is less than or equal to the total Commitments of all Lenders having a later Maturity Date.

(d) Participation. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank that issues such Letter of Credit or the Lenders, such Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the relevant Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit in accordance with this Agreement or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If an Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit denominated in an Approved Currency, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent in such Approved Currency (except as specified below) an amount equal to such LC Disbursement not later than 2:00 p.m., New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 11:00 a.m., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 2:00 p.m., New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 11:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that, if such LC Disbursement is not less than $1,000,000, the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or Section 2.05 that such payment be financed with an ABR Borrowing (consisting of a Swingline Loan or an ABR Loan, as appropriate) in an amount equal to the Dollar Equivalent of the amount of the LC Disbursement, as determined by the applicable Issuing Bank promptly following determination thereof and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting Swingline Loan or ABR Loan, as appropriate. Notwithstanding the foregoing, any Issuing Bank may, at its option, specify in the applicable notice of LC Disbursement that such Issuing Bank will require reimbursements in dollars; provided that the applicable Issuing Bank shall notify the Borrower of the Dollar Equivalent of the amount of the drawing promptly following the determination thereof. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement (expressed in dollars in the amount of the Dollar Equivalent of such LC Disbursement), the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay in dollars to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, *mutatis mutandis*, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay in dollars to the relevant Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the relevant Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse such Issuing Bank, then to such Lenders and such Issuing Bank as its interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse an Issuing Bank for any LC Disbursement (other than the funding of a Swingline Loan or an ABR Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, (iv) any adverse change in the relevant exchange rates or in the availability of the relevant Approved Currency to the Borrower or in the relevant currency markets generally; or (v) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Banks, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of any Issuing Bank; provided that the foregoing shall not be construed to excuse the relevant Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of an Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, an Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The relevant Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The relevant Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether it has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse such Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If an Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the relevant Issuing Bank, except that interest accrued on and after the date of payment by a Lender pursuant to paragraph (e) of this Section to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of an Issuing Bank. An Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(c). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If (i) any Event of Default shall occur and be continuing, then on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposures representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph or (ii) the Borrower is required to pay to the Administrative Agent the excess attributable to an LC Exposure pursuant to Section 2.21(b), then the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest and fees thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VII. As collateral security for the payment and performance of the obligations of the Borrower under this Agreement, the Borrower hereby grants to the Administrative Agent, for the benefit of each Issuing Bank and the Lenders, a first priority security interest in such account and all amounts and other property from time to time deposited or held in such account, and all proceeds thereof, and any substitutions and replacements therefor. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the

Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse ratably the Issuing Banks for LC Disbursements for which they have not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, and the Borrower is not otherwise required to pay to the Administrative Agent the excess attributable to an LC Exposure pursuant to Section 2.21(b), such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

(k) Outstanding Letters of Credit. On the Revolving Effective Date, each of the letters of credit listed on Schedule 2.06 shall be deemed to have been issued as Letters of Credit under this Agreement by the Issuing Bank specified on Schedule 2.06, without payment of any fees otherwise due upon the issuance of a Letter of Credit, and such Issuing Bank shall be deemed, without further action by any party hereto, to have sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Bank, a participation, to the extent of such Lender's Applicable Percentage, in such Letter of Credit.

(l) Exchange Rates; Currency Equivalents. The applicable Issuing Bank or the Administrative Agent shall determine the Spot Rates as of any date of determination to be used for calculating Dollar Equivalent amounts with respect to the issuance, amendment, extension or increase of any Letter of Credit and the LC Exposure denominated in Approved Currencies other than dollars. Such Spot Rates shall become effective as of such date of determination and shall be the Spot Rates employed in converting any amounts between the applicable currencies until the next date of determination. The applicable amount of any currency for purposes of any calculation involving the Letters of Credit shall be such Dollar Equivalent amount as so determined by the applicable Issuing Bank or the Administrative Agent, as appropriate.

Section 2.07 Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 2:00 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.03. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower designated by the Borrower in the applicable Borrowing Request; provided that ABR Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the relevant Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed time of any Borrowing that such Lender will not make available to the

Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to such Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

Section 2.08 Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section 2.08 shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.05 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.04:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term “Interest Period”.

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month’s duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender’s portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 2.09 Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $1,000,000 and not less than $5,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the Credit Exposures would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the occurrence of identified events, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent and may not be reinstated except pursuant to Section 2.02. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

Section 2.10 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Maturity Date and (ii) to the Swingline Lender (except to the extent the Lenders have purchased participations in the applicable Swingline Loan, in which case all payments shall be made to the Administrative Agent for the account of such Lenders, as specified in the seventh sentence of Section 2.03(c)) the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the 15th or the last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Borrowing (not consisting of Swingline Loans) is made, the Borrower shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be *prima facie* evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note, dated the Revolving Effective Date, payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and otherwise substantially in the form of Exhibit D hereto (a "Note"). Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.11 Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 2:00 p.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Borrowing, not later than 2:00 p.m., New York City time, on the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 2:00 p.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any ABR Borrowing shall be in a minimum amount of $1,000,000 with additional increments of $1,000,000. Each partial prepayment of any Eurodollar Borrowing shall be in a minimum amount of $5,000,000 with additional increments of $1,000,000. Each partial prepayment of any Swingline Borrowing shall be in a minimum amount of $1,000,000 with additional increments of $1,000,000. Each prepayment of any Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13 and any break funding costs pursuant to Section 2.16.

Section 2.12 Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Revolving Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) (Reserved).

(c) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to such Lender's participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurodollar Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Revolving Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to each

Issuing Bank a fronting fee, which shall accrue at the rate of 0.150% per annum on the average daily amount of the LC Exposure associated with Letters of Credit issued by such Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Revolving Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as such Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Revolving Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to any Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(d) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to each Issuing Bank, in the case of fees payable to them) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees payable that have been paid shall not be refundable under any circumstances.

Section 2.13 Interest. (a) The Loans comprising each ABR Borrowing and each Swingline Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2.00% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2.00% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan (other than Swingline Loans) prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

Section 2.14 Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing; provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

Section 2.15 Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or any Issuing Bank;

(ii) subject any Lender or any Issuing Bank to any Taxes (other than (A) Indemnified Taxes imposed on or with respect to payments made under this Agreement, or (y) Taxes described in clauses (b) through (f) of the definition of Excluded Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or any Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein (excluding for purposes of this subsection (iii) any Taxes);

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or such Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or such Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or any Issuing Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered; provided, that such Lender or such Issuing Bank is generally seeking, or intends generally to seek, compensation from similarly situated borrowers under similar credit facilities (to the extent such Lender or Issuing Bank has the right under such similar credit facilities to do so) with respect to such Change in Law regarding capital or liquidity requirements.

(c) A certificate of a Lender or an Issuing Bank setting forth in reasonable detail the basis for, the calculation of and the amount or amounts necessary to compensate such Lender or such Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay to such Lender or such Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof. In determining such amount, such Lender agrees to act in good faith and to use reasonable averaging and attribution methods.

(d) Failure or delay on the part of any Lender or any Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or an Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Lender or such Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor; provided, further, that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

Section 2.16 Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender (other than, in the case of a claim for compensation based on the failure to borrow as specified in clause (c) above, any Lender whose failure to make a Loan required to be made by it hereunder has resulted in such failure to borrow) for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth in reasonable detail the basis for and any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

Section 2.17 Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each Lender, and each Issuing Bank, within 15 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender, or such Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate setting forth in reasonable detail the basis for and the amount of such payment or liability delivered to the Borrower by a Lender or an Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or an Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) (i) Each Lender shall deliver to the Borrower and to the Administrative Agent, when reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable laws or by the taxing authorities of any jurisdiction that are reasonably requested by the Borrower as will permit the Borrower or the Administrative Agent, as the case may be, to determine (A) whether or not payments made hereunder or under any other Loan Document are subject to Taxes, (B) if applicable, the required rate of withholding or deduction, and (C) such Lender's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Lender by the Borrower as the case may be, pursuant to this Agreement or otherwise to establish such Lender's status for withholding Tax purposes in the applicable jurisdictions; provided that the delivery of any documentation described in this Section 2.17(e)(i) shall not be required if in the Lender's reasonable judgment the completion, execution or delivery of such documentation would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be reasonably requested by the recipient) on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent) executed originals of Internal Revenue Service Form W-9; and

(B) each Foreign Lender that is entitled under the Code or any applicable treaty to an exemption from or reduction of withholding Tax with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower and the

Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(1) executed originals of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income Tax treaty to which the United States is a party,

(2) executed originals of Internal Revenue Service Form W-8ECI,

(3) executed originals of Internal Revenue Service Form W-8IMY and all required supporting documentation, or

(4) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower or either Parent within the meaning of Section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and (y) executed originals of Internal Revenue Service Form W-8BEN.

(iii) If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with its or their obligations under FATCA, to determine that such Lender has or has not complied with such Lender's obligations under FATCA and, as necessary, to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (iii) "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iv) Each Lender agrees that if any form of certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(f) If the Administrative Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person. Notwithstanding anything to the contrary in this paragraph (f), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (f) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid.

Section 2.18 Payments Generally; Pro Rata Treatment; Sharing of Setoffs. (a) Except with respect to Excluded Taxes, the Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, Section 2.16 or Section 2.17, or otherwise) prior to 2:00 p.m., New York City time, on the date when due, in immediately available funds, without deduction, setoff or counterclaim (other than any deduction or setoff in respect of Excluded Taxes as explicitly described in such Sections). Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except payments to be made directly to each Issuing Bank or the Swingline Lender as expressly provided herein and except that payments pursuant to Section 2.15, Section 2.16, Section 2.17 and Section 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Banks hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Banks, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Banks, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.03(c), Section 2.06(d) or (e), Section 2.07(b), Section 2.18(d) or Section 9.03(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

Section 2.19 Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or Section 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender is a Defaulting Lender, or if any Lender fails to execute and deliver any amendment, consent or waiver to any Loan Document requested by the Borrower by the date specified by the Borrower (or gives the Borrower or the Administrative Agent written notice prior to such date of its intention not to do so), or if any Lender delivers a notice to the Borrower and/or the Administrative Agent pursuant to Section 2.20, or if any Lender shall fail to agree to extend the Maturity Date pursuant to Section 2.21, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, each Issuing Bank and the Swingline Lender), which consent (or consents) shall not unreasonably be withheld or delayed, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee or the Borrower, as applicable, and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments.

Section 2.20 Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its applicable lending office to honor its obligation to make or maintain Eurodollar Loans either generally or having a particular Interest Period hereunder, then (a) such Lender shall promptly notify the Borrower and the Administrative Agent thereof and such Lender's obligation to make such Eurodollar Loans shall be suspended (the "Affected Loans") until such time as such Lender may again make and maintain such Eurodollar Loans and (b) all Affected Loans which would otherwise be made by such Lender shall be made instead as ABR Loans (and, if such Lender so requests by notice to the Borrower and the Administrative Agent, all Affected Loans of such Lender then outstanding shall be automatically converted into ABR Loans on the date specified by such Lender in such notice) and, to the extent that Affected Loans are so made as (or converted into) ABR Loans, all payments of principal which would otherwise be applied to such Lender's Affected Loans shall be applied instead to its ABR Loans.

Section 2.21 Extension of Maturity Date.

(a) Not earlier than 75 days prior to, nor later than 30 days prior to, the Initial Maturity Date and each anniversary of the Initial Maturity Date, the Borrower may, upon notice to the Administrative Agent (which shall promptly notify the Lenders), request a one-year extension of the Maturity Date then in effect. Within 15 days of delivery of such notice, each Lender shall notify the Administrative Agent whether or not it consents to such extension (which consent may be given or withheld in such Lender's sole and absolute discretion). Any Lender not responding within the above time period shall be deemed not to have consented to such extension. The Administrative Agent shall promptly notify the Borrower and the Lenders of the Lenders' responses.

(b) The Maturity Date shall be extended only if the Required Lenders (calculated excluding any Defaulting Lender and after giving effect to any replacements of Lenders permitted herein) have consented thereto (the Lenders that so consent being the "Consenting Lenders" and the Lenders that do not consent being the "Non-Consenting Lenders"). If so extended, the Maturity Date, as to the Consenting Lenders, shall be extended to the same date in the year following the Maturity Date then in effect (such existing Maturity Date being the "Extension Effective Date"). The Administrative Agent and the Borrower shall promptly confirm to the Lenders such extension, specifying the date of such confirmation (the "Extension Confirmation Date"), the Extension Effective Date, and the new Maturity Date (after giving effect to such extension). As a condition precedent to such extension, the Borrower shall deliver to the Administrative Agent a certificate of the Borrower dated as of the Extension Confirmation Date signed by a Responsible Officer of the Borrower (i) certifying and attaching the resolutions adopted by the Borrower approving or consenting to such extension and (ii) certifying that, (A) before and after giving effect to such extension, the representations and warranties contained in Article III made by it are true and correct on and as of the Extension Confirmation Date, except to the extent that such representations and warranties specifically refer to an earlier date, (B) before and after giving effect to such extension no Default exists or will exist as of the Extension Confirmation Date, and (C) since December 31, 2010, no event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect has occurred. The Borrower shall prepay any Loans outstanding on the Extension Effective Date (and pay any additional amounts required pursuant to Section 2.16) to the extent necessary to keep outstanding Loans ratable with any revised and new Applicable Percentages of all the Lenders effective as of the Extension Effective Date; and if, after giving effect to such prepayment, the total Credit Exposures exceeds the total Commitments then in effect as a result of an LC Exposure, then the Borrower will pay to the Administrative Agent on behalf of the Lenders an amount equal to such excess to be held as cash collateral as provided in Section 2.06(j). In addition, each Consenting Lender shall automatically (without any further action) and ratably acquire on the Extension Effective Date the Non-Consenting Lenders' participations in Letters of Credit, in an amount equal to such Consenting Lender's Applicable Percentage of the amount of such participations.

Section 2.22 Defaulting Lenders.

(a) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) fees payable to such Defaulting Lender shall cease to accrue on the daily amount of the Commitment of such Defaulting Lender pursuant to Section 2.12(a);

(ii) the Commitment and Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 9.02 (other than with respect to clause (d) thereof) or any consent to an extension of the Maturity Date pursuant to Section 2.21), provided that in no event shall (A) such Defaulting Lender's Commitment be increased or extended without its consent, (B) the principal amount of, or interest or fees payable on, Loans or LC Disbursements be reduced or excused or the scheduled date of payment be postponed as to such Defaulting Lender or (C) this subsection (ii) be amended, in each case, without such Defaulting Lender's consent (except that fees shall be cease to accrue for the account of such Defaulting Lender to the extent specified in this Section 2.22 without such Defaulting Lender's consent);

(iii) if any Swingline Exposure or LC Exposure exists at the time a Lender becomes a Defaulting Lender then:

(A) all or any part of the Swingline Exposure and LC Exposure of such Defaulting Lender shall be reallocated among the Lenders that are not Defaulting Lenders (for purposes of this Section 2.22, the " non-Defaulting Lenders") in accordance with their respective Applicable Percentages but only to the extent that (x) the sum of all non-Defaulting Lenders' Credit Exposures plus such Defaulting Lender's Swingline Exposure plus such Defaulting Lender's LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments and (y) the conditions set forth in Section 4.02 are satisfied at such time;

(B) if the reallocation described in clause (iii)(A) above cannot, or can only partially, be effected, the Borrower shall within one Business Day following notice by the Administrative Agent (x) first, prepay such Defaulting Lender's Swingline Exposure (after giving effect to any partial reallocation pursuant to clause (iii)(A) above) and (y) second, cash collateralize, for the benefit of the Issuing Banks, the Borrower's obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (iii)(A) above) in accordance with the procedures set forth in Section 2.06(j) for so long as such LC Exposure is outstanding;

(C) if the Borrower cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (iii)(B) above, the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(c) with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(D) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (iii)(A) above, then the fees payable to such non-Defaulting Lenders pursuant to Section 2.12(c) shall be adjusted in accordance with such non-Defaulting Lenders' LC Exposure after giving effect to such reallocation and, to the extent of such reallocation, fees under Section 2.12(c) shall no longer accrue for the benefit of such Defaulting Lender; and

(E) if all or any portion of such Defaulting Lender's LC Exposure is neither reallocated nor cash collateralized pursuant to clause (iii)(A) or clause (iii)(B) above, then, without prejudice to any rights or remedies of any Issuing Bank or any non-Defaulting Lender hereunder, all fees that otherwise would have been payable to such Defaulting Lender pursuant to Section 2.12(c) with respect to such Defaulting Lender's LC Exposure shall be payable to the Issuing Banks (ratably in proportion to the amount of Letters of Credit issued by each Issuing Bank) until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and

(iv) so long as a Lender is a Defaulting Lender, the Swingline Lender shall not be required to fund any Swingline Loan and no Issuing Bank shall be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure and such Defaulting Lender's then outstanding LC Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.22(a)(iii), and participating interests in any newly made Swingline Loan or any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.22(a)(iii)(A) (and such Defaulting Lender shall not participate therein). For the avoidance of doubt, (A) with respect to Letters of Credit requested at a time when a Lender is a Defaulting Lender, to the extent such Defaulting Lender's obligations under Section 2.06 are reallocated to other non-Defaulting Lenders in accordance with such non-Defaulting Lenders' respective Applicable Percentages (to the extent, after giving effect to the issuance of such Letter of Credit, that the sum of all non-Defaulting Lenders' Credit Exposures *plus* such Defaulting Lender's Swingline Exposure *plus* such Defaulting Lender's LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments), the existence of such Defaulting Lender shall not affect the obligation of any Issuing Bank to issue Letters of Credit up to the LC Sublimit, as reduced by such Defaulting Lender's Applicable Percentage (without taking into consideration any reallocation described in this Section 2.22) of the LC Sublimit or (B) with respect to Swingline Loans requested at a time when a Lender is a Defaulting Lender, to the extent such Defaulting Lender's obligations under Section 2.03 are reallocated to other non-Defaulting Lenders in accordance with such non-Defaulting Lenders' respective Applicable Percentages (to the extent, after giving effect to such Swingline Loan, that the sum of all non-Defaulting Lenders' Credit Exposures *plus* such Defaulting Lender's Swingline Exposure *plus* such Defaulting Lender's LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments), the existence of such Defaulting Lender shall not affect the obligation of the Swingline Lender to make Swingline Loans up to the Swingline Sublimit, as reduced by such Defaulting Lender's Applicable Percentage (without taking into consideration any reallocation described in this Section 2.22).

(b) (Reserved)

(c) In the event that the Administrative Agent, the Borrower, the Swingline Lender and each Issuing Bank each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender having been a Defaulting Lender.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

Section 3.01 Organization; Powers. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 3.02 Authorization; Enforceability. The Transactions are within the Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. The Loan Documents have been duly executed and delivered by the Borrower and constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 3.03 Governmental Approvals; No Conflicts. The Transactions (a) do not require the Borrower or any Subsidiary to obtain any consent or approval of, or make any registration or filing with, or request any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect (except for any reports required to be filed by the Borrower with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934), (b) will not result in a violation by the Borrower or any Subsidiary of any law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its

Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any material indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any material payment to be made by the Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

Section 3.04 Financial Condition. The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholder's equity and cash flows (i) as of and for the fiscal years ended December 31, 2012, and December 31, 2011, reported on by KPMG LLP, independent public accountants, and (i) as of and for the Fiscal Quarter and the portion of the fiscal year ended September 30, 2013, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

Section 3.05 Environmental Matters. Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (a) has failed to comply with any applicable Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any applicable Environmental Law, (b) has become subject to any Environmental Liability, (c) has received notice of any claim with respect to any Environmental Liability or (d) knows of any basis for any Environmental Liability.

Section 3.06 No Default. No Default has occurred and is continuing.

Section 3.07 Investment Company Status. Neither the Borrower nor any of its Subsidiaries is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

Section 3.08 Taxes. Each of the Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves with respect thereto in accordance with GAAP or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

Section 3.09 ERISA. Each ERISA Affiliate has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No ERISA Affiliate has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could reasonably be expected to result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or

(iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums due but not delinquent under Section 4007 of ERISA.

Section 3.10 Disclosure. Neither the Information Memorandum nor any of the other reports, financial statements, certificates or other written information (other than information of a global economic or industry nature) furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other written information so furnished) contained as of the date such reports, financial statements, certificates or other written information were so furnished, any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to (i) projections, estimates, pro forma financial information, engineering reports and 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) contained in the materials referenced above, the Borrower represents only that such information was prepared in good faith based upon assumptions believed by it to be reasonable at the time and (ii) financial statements, the Borrower represents only that such financial statements were prepared as represented in Section 3.04 and as required by Section 5.01(a) and (b), as applicable.

Section 3.11 Anti-Corruption Laws and Sanctions; Use of Proceeds. The Borrower has implemented and maintains in effect policies and procedures intended to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective directors and officers, and to the knowledge of the Borrower, its employees and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) the Borrower, any Subsidiary or to the knowledge of the Borrower or such Subsidiary, any of their respective directors, officers or employees, or (b) to the knowledge of the Borrower, any agent of the Borrower or any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. Neither the Borrower nor any Subsidiary of the Borrower will, directly or, to the knowledge of the Borrower, indirectly, use or lend, contribute, provide or otherwise make available the proceeds of any Borrowing or any Letter of Credit to any subsidiary, joint venture partner, or other Person, (a) to fund payments to any officer or employee of a Governmental Authority, or any Person controlled by a Governmental Authority, or any political party, official of a political party, candidate for political office, or anyone else acting in an official capacity on behalf of any of the foregoing, in violation of applicable Anti-Corruption Laws or (b) to fund any activity or business in, of or with, any Sanctioned Country or to fund any activity or business of or with any Person located, organized or residing in any Sanctioned Country or who is the subject of any Sanctions to the extent that any such activity or business, or the funding of any such activity or business, would be in violation of the Sanctions or prohibited for a U.S. Person pursuant to Sanctions.

ARTICLE IV
CONDITIONS

Section 4.01 Revolving Effective Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy, facsimile or other electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a favorable written opinion reasonably satisfactory to the Administrative Agent (addressed to the Administrative Agent and the Lenders and dated the Revolving Effective Date) of (i) Jay Browning, in-house counsel of the Borrower, covering such matters related to the Borrower and the Loan Documents as the Administrative Agent shall reasonably request and (ii) Baker Botts L.L.P., counsel for the Borrower, providing an opinion as to the enforceability of the Loan Documents. The Borrower hereby requests each such counsel to deliver its applicable opinion to the Administrative Agent and the Lenders.

(c) The Administrative Agent shall have received a certificate of the Borrower attaching such documents and certificates as the Administrative Agent may reasonably request relating to the organization, existence and good standing of the Borrower, the authorization of the Transactions and any other legal matters relating to the Borrower, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent.

(d) The Administrative Agent shall have received the financial statements referred to in Section 3.04.

(e) The Administrative Agent shall have received a certificate, dated the Revolving Effective Date and signed by a Responsible Officer of the Borrower, certifying (which statements shall constitute a representation and warranty made by the Borrower to the Lenders hereunder on the Revolving Effective Date) that, as of the Revolving Effective Date, (i) there are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of any Responsible Officer of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (A) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (B) that involve the Loan Documents or the Transactions; and (ii) since December 31, 2012, there has been no material adverse change in the business, financial position, or results of operations of the Borrower together with its Subsidiaries on a consolidated basis.

(f) The Administrative Agent shall have received a certificate, dated the Revolving Effective Date and signed by a Responsible Officer of the Borrower, confirming compliance, as of the Revolving Effective Date, with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(g) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Revolving Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

The Administrative Agent shall notify the Borrower and the Lenders of the Revolving Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions contained in this Section 4.01 is satisfied (or waived pursuant to Section 9.02) at or prior to 5:00 p.m., New York City time, on December 31, 2013 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

Section 4.02 Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of each Issuing Bank to issue, amend or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement and in the other Loan Documents shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment or extension of such Letter of Credit, as applicable, except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, on and as of the date of such Borrowing or the date of issuance, amendment or extension of such Letter of Credit, as applicable, such representations and warranties shall continue to be true and correct as of such specified earlier date.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

(c) The Administrative Agent shall have received, as applicable, a Borrowing Request in accordance with Section 2.05, a request for a Swingline Loan pursuant to Section 2.03 or a request for a Letter of Credit pursuant to Section 2.06.

(d) In the case of the issuance, amendment, extension or increase of a Letter of Credit to be denominated in an Approved Currency other than dollars, there shall not have occurred any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls that in the reasonable opinion of the Administrative Agent or the applicable Issuing Bank would make it impracticable for such issuance, amendment, extension or increase to be denominated in the relevant Approved Currency.

Each Borrowing and each issuance, amendment or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V
AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 5.01 Financial Statements and Other Information. The Borrower will furnish to the Administrative Agent:

(a) within 65 days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet and related statements of income, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by KPMG LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, except for deviations from the application of GAAP concurred with by the Borrower's independent public accountants;

(b) within 45 days after the end of each of the first three Fiscal Quarters of each fiscal year of the Borrower, its consolidated balance sheet and related statements of income, stockholders' equity and cash flows as of the end of and for such Fiscal Quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, except for deviations from the application of GAAP concurred with by the Borrower's independent public accountants, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Borrower (i) certifying as to whether a Default has occurred and is continuing and, if a Default has occurred and is continuing, specifying the details thereof and any action taken or proposed to be taken with respect thereto, and (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.01, and with respect to any financial statements (beginning with the financial statements being delivered with respect to the first fiscal quarter ending after the Revolving Effective Date) relating to a period that includes any date occurring on or after the consummation of the VLP IPO, attaching (A) the related consolidating financial statements of the Borrower, reflecting the consolidated financial statements of the Borrower excluding the consolidated financial statements of VLP and its subsidiaries, consolidating adjustments, and the resulting financial statements of the Borrower delivered under Section 5.01(a) and Section 5.01(b) in calculating compliance with Section 6.01 and (B) a schedule describing all Indebtedness of VLP GP, VLP and their subsidiaries that is recourse to the Borrower or its Subsidiaries;

(d) promptly after the same become publicly available, notice of all registration statements or reports filed by the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, on Form S-1, S-3, S-4, 10-K, 10-Q, 8-K or 12b-25, and notice of any financial statements, reports, notices or proxy statements distributed by the Borrower to its shareholders generally, as the case may be; and

(e) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender through the Administrative Agent may reasonably request.

Documents required to be delivered pursuant to Section 5.01(a), Section 5.01(b) or Section 5.01(d) (to the extent any such documents are included in materials otherwise filed with the Securities and Exchange Commission) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at www.valero.com; or (ii) on which such documents are posted on the Borrower's behalf on the website of the Securities and Exchange Commission or any other Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent). Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the compliance certificate required by Section 5.01(c) to the Administrative Agent, which shall then promptly furnish such compliance certificate to the Lenders. Except for such compliance certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

Section 5.02 Notices of Material Events. The Borrower will furnish to the Administrative Agent, which shall then promptly furnish to each Lender, prompt written notice of the following:

(a) the occurrence of any Default of which any Responsible Officer of the Borrower obtains knowledge; and

(b) if and when any ERISA Affiliate (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which could reasonably be expected to constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could reasonably be expected to result in the imposition of a Lien or the posting of a bond or other security, a certificate of a Financial Officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable ERISA Affiliate is required or proposes to take. Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 5.03 Existence; Conduct of Business. The Borrower will, and will cause each of its Material Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises necessary or desirable in the normal conduct of its business; provided that the foregoing shall not prohibit any merger or consolidation of the Borrower permitted under Section 6.03 or any merger, consolidation, liquidation or dissolution of any Subsidiary that is not otherwise prohibited by the terms of this Agreement; and provided, further, that neither the Borrower nor any of its Subsidiaries shall be required to preserve, renew or keep in full force and effect any right, license, permit, privilege or franchise to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 5.04 Payment of Obligations. The Borrower will, and will cause each of its Subsidiaries to, pay or discharge, before the same shall become delinquent or in default, its obligations, including liabilities for Taxes, that, if not paid, could reasonably be expected to result in a Material Adverse Effect, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, and (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP.

Section 5.05 Maintenance of Properties; Insurance. The Borrower will, and will cause each of its Material Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations (including, without limitation, by the maintenance of adequate self-insurance reserves to the extent customary among such companies).

Section 5.06 Books and Records; Inspection Rights. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which complete and accurate entries are made of its financial and business transactions to the extent required by GAAP and applicable law. The Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, at such Administrative Agent's or Lender's expense, upon reasonable prior notice and subject to any applicable restrictions or limitations on access to any facility or information that is classified or restricted by contract or by law, regulation or governmental guidelines, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested; provided that advance notice of any discussion with such independent accountants shall be given to the Borrower and, so long as no Event of Default shall have occurred and be continuing, the Borrower shall have the opportunity to be present at any such discussion. The Administrative Agent and each Lender agree to keep all information obtained by them pursuant to this Section confidential in accordance with Section 9.12.

Section 5.07 Compliance with Laws. The Borrower will, and will cause each of its Subsidiaries to, comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of Governmental Authorities (including, without limitation, applicable Environmental Laws and ERISA and the rules and regulations thereunder and Anti-Corruption Laws and applicable Sanctions), except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.08 Use of Proceeds. The proceeds of the Loans will be used for general corporate purposes, including, at the option of the Borrower, to refinance any Indebtedness of the Borrower. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X. Letters of Credit will be issued only for general corporate purposes.

ARTICLE VI
NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 6.01 Indebtedness.

(a) The Borrower will not permit Adjusted Consolidated Net Debt at any time to exceed 60% of Total Capitalization.

(b) At no time shall the aggregate of the following exceed 15% of Consolidated Net Tangible Assets: (i) secured Indebtedness and Derivative Obligations of the Borrower and its Subsidiaries (provided that, for purposes of the calculation in this Section 6.01(b)(i), (A) Indebtedness of the Borrower and its Subsidiaries that is secured by a Lien that is permitted by Section 6.02 (other than clause (l) of such Section 6.02) and (B) Liens arising as a result of customary netting and offset provisions in Hedging Agreements, shall be disregarded), *plus* (ii) unsecured

Indebtedness of the Subsidiaries of the Borrower (provided that, for purposes of the calculation in this Section 6.01(b)(ii), Indebtedness that is Excluded Subsidiary Debt shall be disregarded).

(c) The Borrower will not permit Indebtedness of the Borrower or its Subsidiaries in respect of Securitization Transactions to exceed $1,500,000,000, in the aggregate at any time outstanding.

Section 6.02 Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, assume or suffer to exist any Lien to secure payment of any Indebtedness or any Derivatives Obligations on any Property now owned or hereafter acquired by it, except for:

(a) Liens in favor of the Administrative Agent securing Indebtedness or other obligations existing pursuant to this Agreement;

(b) Liens created by Capital Lease Obligations, provided that the Liens created by any such Capital Lease Obligations attach only to the Property leased to the Borrower or one of its Subsidiaries pursuant thereto and general intangibles and proceeds related thereto, and improvements, accessories and upgrades to the Property leased pursuant thereto;

(c) purchase-money Liens and Liens on Property acquired, constructed or improved by the Borrower or any Subsidiary (including such Liens securing Indebtedness incurred within 180 days of the date on which such Property was acquired or the date of completion of such construction or improvement), provided that all such Liens attach only to the Property purchased, constructed or improved with the proceeds of the Indebtedness secured thereby and improvements, accessions, general intangibles and proceeds related thereto;

(d) Liens on Property of a Person which exist at the time such Person becomes a Subsidiary of the Borrower as a result of an acquisition, merger or other combination, or at the time such Person is merged or consolidated with or into, or otherwise acquired by, the Borrower or a Subsidiary (including improvements, accessions, general intangibles and proceeds related thereto), which Liens were not granted in contemplation of such acquisition, merger, or other combination and which Liens attach only to the Property described in this clause (d);

(e) any Lien existing on any Property prior to the acquisition thereof by the Borrower or a Subsidiary (including improvements, accessions, general intangibles and proceeds related thereto), which Liens were not granted in contemplation of such acquisition and which Liens attach only to the Property described in this clause (e);

(f) Liens on Property of a non-wholly owned Subsidiary to secure obligations of such Subsidiary to the Borrower or to a wholly owned Subsidiary; provided, however, that the obligations so secured may not be assigned, sold or otherwise transferred to a Person other than the Borrower or another wholly owned Subsidiary unless such Liens are otherwise permitted hereunder;

(g) Liens arising in connection with statutory or contractual setoff provisions granted or arising in the ordinary course of business in favor of banks, brokers, or other creditors;

(h) Liens customarily granted on accounts receivable and related assets in connection with Securitization Transactions to the extent Indebtedness in respect of such Securitization Transactions is permitted under Section 6.01(c);

(i) any Lien on Property of a Subsidiary of the Borrower to the extent that (A) such Subsidiary has provided a Guarantee of the Borrower's Indebtedness and other obligations existing under this Agreement, (B) the Indebtedness of the Subsidiary of the Borrower that is secured by such Lien is *pari passu* with (or subordinate to) the Indebtedness and other obligations existing pursuant to this Agreement and (C) any Property that is subject to a Lien in support of such Indebtedness is also subject to a *pari passu* (or higher priority) Lien in favor of the Administrative Agent securing Indebtedness or other obligations existing pursuant to this Agreement;

(j) Liens securing Indebtedness existing on the Revolving Effective Date and listed on Schedule 6.02(j);

(k) any Lien arising out of refinancing, extending, renewing or refunding (or successively refinancing, extending, renewing or refunding) any Indebtedness secured by any Lien permitted by any of the foregoing clauses of this Section, provided that the principal amount of such Indebtedness is not increased and such Indebtedness is not secured by any additional Property; and

(l) Liens not otherwise permitted by the foregoing clauses of this Section 6.02 securing Indebtedness and Derivative Obligations, provided such Indebtedness and Derivative Obligations are permitted under Section 6.01(b).

Section 6.03 Fundamental Changes. (a) The Borrower will not merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with the Borrower, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of the Borrower's assets, whether now owned or hereafter acquired (including stock of its Subsidiaries), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Person may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, and (ii) any Person may merge with the Borrower as long as the surviving entity, if other than the Borrower, is of an Investment Grade Rating equal to or higher than the Borrower's rating and so long as the surviving entity assumes, pursuant to the terms of such transaction, each of the obligations of the Borrower under the Transactions and such assumption is evidenced by an agreement executed and delivered to the Lenders within 30 days of such transaction in a form reasonably satisfactory to the Required Lenders. Without limiting the generality of the foregoing, the transfer of more than 50% of the Borrower's Consolidated Total Assets shall be deemed, for the purposes of this Section 6.03(a), a transfer of all or substantially all of the assets of the Borrower.

(b) The Borrower will not, and will not permit any of its Material Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and its Subsidiaries on the Revolving Effective Date and businesses reasonably related thereto.

Section 6.04 Hedging Agreements. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any Hedging Agreement, other than Hedging Agreements entered into in the ordinary course of business.

Section 6.05 Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, provided that the foregoing restriction shall not apply to:

(a) transactions between or among the Borrower and its Subsidiaries or between or among Subsidiaries;

(b) transactions pursuant to any contract or agreement in effect on the date hereof, as the same may be amended, modified or replaced from time to time, so long as any such contract or agreement as so amended, modified or replaced is, taken as a whole, no less favorable to the Borrower and its Subsidiaries in any material respect than the contract or agreement in effect on the date hereof;

(c) transactions pursuant to which (i) taxes are allocated among the Borrower and its Affiliates in any manner consistent with Section 1552 (or any successor provision) of the Code, (ii) general and administrative expenses are allocated among the Borrower and its Affiliates in any manner consistent with Section 482 (or any successor provision) of the Code, and (iii) interest is charged or credited to Affiliates in any reasonable manner not inconsistent with the Code;

(d) the VLP IPO Transactions or the VLP Drop-Down Transactions; and

(e) transactions entered into with VLP and its subsidiaries on terms and conditions, taken as a whole, that are fair and reasonable to the Borrower and its Subsidiaries as determined in the good faith judgment of the Borrower, taking into account the totality of the relationship between the Borrower and its Subsidiaries, on the one hand, and VLP and its subsidiaries, on the other.

ARTICLE VII
EVENTS OF DEFAULT

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under the Loan

Documents, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with the Loan Documents or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with the Loan Documents or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, Section 5.03 (with respect to the Borrower's existence) or Section 5.08 or in Article VI;

(e) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in the Loan Documents (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) the Borrower or any Subsidiary shall fail to make any payment in excess of $1,000,000 in the aggregate (whether of principal, interest or fees) in respect of any Material Indebtedness, when and as the same shall become due and payable (after giving effect to any applicable notice requirement or grace period);

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other similar relief in respect of the Borrower or any Material Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Material Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any Material Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief with respect to itself or its debts under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Material Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding provided such petition on its face is sufficient such that admission of the material allegations therein provides a basis for granting the relief requested, (v) make a general assignment for the benefit of creditors or (vi) take any corporate action to authorize any of the foregoing;

(j) the Borrower or any Material Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of $100,000,000 (to the extent not covered by independent third party insurance as to which the respective insurer does not dispute coverage and is not subject to an insolvency proceeding) shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 60 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; or

(m) a Change in Control shall occur;

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII
THE ADMINISTRATIVE AGENT

Each of the Lenders and the Issuing Banks hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Banks and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

None of the Joint Lead Arrangers, Syndication Agent or Co-Documentation Agents shall have any duties, responsibilities or liabilities under this Agreement and the other Loan Documents other than the duties, responsibilities and liabilities assigned to such entities in their capacities as Lenders (or Issuing Banks, if applicable) hereunder.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX
MISCELLANEOUS

Section 9.01 Notices.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(i) if to the Borrower, to it at Valero Energy Corporation, One Valero Way, San Antonio, Texas 78249, Attention of Donna M. Titzman, Treasurer (Facsimile No. (210) 345-2267);

(ii) if to the Administrative Agent or to JPMorgan Chase Bank, N.A., as an Issuing Bank, the Swingline Lender or a Lender, to JPMorgan Chase Bank, N.A., Loan and Agency Services, 1111 Fannin Street, 10th Floor, Houston, Texas 77002, Attention of Nathan Lorensen (Facsimile No. (713) 427-6307), with a copy to JPMorgan Chase Bank, N.A., 712 Main Street, 12th Floor, Houston, Texas 77002, Attention of Muhammad Hasan (Facsimile No. (713) 216-4117); and

(iii) if to any other Lender, to it at its address (or facsimile number) set forth in its Administrative Questionnaire.

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including email and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article II by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Notices and other communications (i) sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, (ii) posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its email address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor and (iii) transmitted by telecopier or facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient).

(c) Change of Address. Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 9.02 Waivers; Amendments. (a) No failure or delay by the Administrative Agent, any Issuing Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Banks and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b), (c) or (d) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or any Issuing Bank may have had notice or knowledge of such Default at the time.

(b) No provision contained in Article III, Article V, Article VI or Article VII hereof, and none of the definitions of any defined terms related to such provisions, may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower, and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders.

(c) Except as provided for in Section 9.02(d), neither this Agreement or the Notes nor any provision of either of the foregoing may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders.

(d) Notwithstanding anything to the contrary contained in paragraphs (b) and (c) above, no such agreement or agreements referred to in such paragraphs shall (i) increase or extend the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration or termination of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.09(c), Section 2.18(b) or Section 2.18(c) in a manner that would alter the pro rata treatment of Lenders or pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change Section 2.21, Section 4.01, Section 4.02 or any of the provisions of this Section or the definition of "Required Lenders" or the definition of "Approved Currency" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender or (vi) amend, modify or otherwise change Section 2.22 without the written consent of the Administrative Agent, the Swingline Lender, each Issuing Bank and the Required Lenders. In addition, no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Swingline Lender or any Issuing Bank hereunder without the prior written consent of the Administrative Agent, the Swingline Lender or such Issuing Bank, as the case may be.

Section 9.03 Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out of pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of a law firm, as counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein and the preparation and administration of this Agreement, (ii) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of a law firm, as counsel for the Administrative Agent, in connection with any amendments, modifications or waivers of the provisions hereof (in the case of clauses (i) and (ii), whether or not the transactions contemplated hereby or thereby shall be consummated), (iii) all reasonable out-of-pocket expenses incurred by each Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit issued by it or any demand for payment thereunder, (iv) all reasonable out-of-pocket expenses incurred by the Swingline Lender in connection with making any Swingline Loan or any demand for payment thereunder, and (v) all out-of-pocket expenses incurred by the Administrative Agent, any Issuing Bank, the Swingline Lender or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, any Issuing Bank, the Swingline Lender or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Administrative Agent, the Joint Lead Arrangers, each Issuing Bank, the Swingline Lender and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including settlement costs and the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by any Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence, bad faith or willful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, any Joint Lead Arranger, the Swingline Lender or any Issuing

Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, such Joint Lead Arranger, the Swingline Lender or such Issuing Bank, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, such Joint Lead Arranger, the Swingline Lender or such Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, no party hereto shall assert, and each party hereto hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above, and no Credit Party, shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

Section 9.04 Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), except that (i) other than as permitted in Section 6.03, the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Banks, the Swingline Lender and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of any Commitment to an assignee that is a Lender with a Commitment immediately prior to giving effect to such assignment;

(C) each Issuing Bank; and

(D) the Swingline Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500 (which, for the avoidance of doubt, shall not be for the account of the Borrower, other than in respect of an assignment initiated by the Borrower pursuant to Section 2.19(b));

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(E) no assignment shall be made to a Defaulting Lender.

For the purposes of this Section 9.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Section 2.15, Section 2.16, Section 2.17 and Section 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, any Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.06(d) or (e), Section 2.07(b), Section 2.18(d) or Section 9.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Swingline Lender or any Issuing Bank, sell participations to one or more banks or other entities (other than Competitors) (a " Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, the Swingline Lender, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first sentence of Section 9.02(d) that affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Section 2.15, Section 2.16, and Section 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.15 or Section 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(iii) Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest amounts) of each Participant's interest in the Loans or other obligations under this Agreement (the " Participant Register"). The entries in the Participant Register shall be conclusive, absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. No Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under this Agreement) except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 9.05 Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and the issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, any Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Section 2.15, Section 2.16, Section 2.17 and Section 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

Section 9.06 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 9.07 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 9.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized, at any time and from time to time, to the fullest extent permitted by law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower that are due and payable at such time held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement; provided that such Lender shall provide prompt written notice to the Administrative Agent of the exercise of such setoff; provided, further, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.22 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the Issuing Banks, and the Lenders, and (y) the

Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. Each Lender agrees to promptly notify the Borrower after any such setoff and application by it or any of its Affiliates, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender under this Section are in addition to and shall not be affected by any other rights and remedies (including other rights of setoff) which such Lender may have.

Section 9.09 Governing Law; Jurisdiction; Consent to Service of Process . (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section is intended to waive the right of any party to remove any such action or proceeding commenced in any such New York State court to an appropriate New York Federal court to the extent the basis for such removal exists under applicable law. Nothing in this Agreement shall affect any right that the Administrative Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 9.10 Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDIN(DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HA: REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION,

SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.11 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 9.12 Confidentiality. (a) Each of the Administrative Agent, the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors, including any credit insurance provider relating to the Borrower and its obligations (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority or self-regulatory authority, (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section, to (1) any assignee of or Participant in, or any prospective assignee of or prospective Participant in, any of its rights or obligations under this Agreement or (2) any actual or prospective counterparty (or its advisors) to any swap, securitization or derivative transaction relating to the Borrower and its obligations under this Agreement, (vii) with the consent of the Borrower or (viii) to the extent such Information (1) becomes publicly available other than as a result of a breach of this Section or (2) becomes available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from or on behalf of the Borrower relating to the Borrower and its Subsidiaries or their respective businesses, other than any such information that is available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by or on behalf of the Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

(b) Each Lender acknowledges that Information as defined in Section 9.12(a) furnished to it pursuant to this agreement may include material non-public information concerning the Borrower and its Related Parties or their respective securities, and confirms that it has developed compliance procedures regarding the use of material non-public information and that it will handle such material non-public information in accordance with those procedures and applicable law, including federal and state securities laws.

(c) All information, including requests for waivers and amendments, furnished by the Borrower or the Administrative Agent pursuant to, or in the course of administering, this

Agreement will be syndicate-level information, which may contain material non-public information about the Borrower and its Related Parties or its securities. Accordingly, each Lender represents to the Borrower and the Administrative Agent that it has identified in its Administrative Questionnaire a credit contact who may receive information that may contain material non-public information in accordance with its compliance procedures and applicable law.

Section 9.13 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 9.14 USA PATRIOT Act Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act") hereby notifies the Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

Section 9.15 Amendment and Restatement. This Agreement shall be deemed to restate and amend the Existing Revolving Credit Agreement in its entirety, and all of the terms and provisions hereof shall supersede the terms and conditions thereof. The parties hereto further agree that this Agreement, each Borrowing and each issuance, amendment or extension of a Letter of Credit shall serve to extend, renew and continue, but not to extinguish or novate, the "Borrowings" and "Letters of Credit" under the Existing Revolving Credit Agreement and the corresponding promissory notes and to amend, restate and supersede, but not to extinguish or cause to be novated the Indebtedness under, the Existing Revolving Credit Agreement. The Borrower hereby agrees that, upon the effectiveness of this Agreement, the "Loans" made and outstanding under the Existing Revolving Credit Agreement and all accrued and unpaid interest thereon shall be deemed to be Loans outstanding under and payable by this Agreement and all "Letters of Credit" issued and outstanding under the Existing Revolving Credit Agreement, if any, shall be deemed to be issued and outstanding as Letters of Credit hereunder.

Section 9.16 Assignment and Reallocation of Commitments, Etc. On the Revolving Effective Date, each of the lenders under the Existing Revolving Credit Agreement (each, an "Existing Lender") hereby sells, assigns, transfers and conveys to the Lenders hereto, and each of the Lenders hereto hereby purchases and accepts, so much of the aggregate commitments under, and loans and, as further specified in Section 2.06(k), participations in letters of credit outstanding under, the Existing Revolving Credit Agreement such that, immediately after giving effect to the effectiveness of this Agreement (including any increase of the commitments effectuated hereby), the Applicable Percentage of each Lender to this Agreement and the portion of the relevant Commitment of each Lender, shall be as set forth on Schedule 2.01 hereto. The foregoing assignments, transfers and conveyances are without recourse to any Existing Lender and without any warranties whatsoever by the Administrative Agent, any Issuing Bank or any Existing Lender as to title, enforceability, collectability, documentation or freedom from liens or encumbrances, in whole or in part, other than that the warranty of any such Existing Lender that it has not previously sold, transferred, conveyed or encumbered such interests. The Existing Lenders and the Lenders shall, if appropriate, make all appropriate adjustments in payments under the Existing Revolving Credit Agreement, the "Notes" and the other "Loan Documents" thereunder for periods prior to the adjustment date among themselves, but in no event shall any such adjustment of Eurodollar Loans (a) constitute a payment or prepayment of all or a portion of any Eurodollar Loans or (b) entitle any Lender to any reimbursement under Section 2.16 hereof.

(Signature Pages Begin Next Page)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VALERO ENERGY CORPORATION, a
Delaware corporation, as Borrower

By: /s/ Donna M. Titzman
Name: Donna M. Titzman
Title: Vice President and Treasurer

JPMORGAN CHASE BANK, N.A., as the
Administrative Agent, the Swingline
Lender, an Issuing Bank and a Lender.

By: /s/ Muhammad Hasan
Name: Muhammad Hasan
Title: Vice President

[and other lenders]

We have omitted the Schedules to the Agreement from this Exhibit. We will furnish a copy of these Schedules to the Commission upon request.

EXHIBIT A

FORM OF
ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below (the "Effective Date") and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, restated, supplemented or otherwise modified from time to time, the " Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit and guarantees included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the " Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: ______________________________

2. Assignee: ______________________________
[and is an Affiliate/Approved Fund of [*identify Lender*][1]]

3. Credit Agreement: The $3,000,000,000 5-Year Second Amended and Restated Revolving Credit Agreement dated as of November 22, 2013 among Valero Energy Corporation, the Lenders parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Swingline Lender and an Issuing Bank and the other Persons from time to time party thereto.

4. Assigned Interest:

[1] Select as applicable.

Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans [2]
$	$	%
$	$	%
$	$	%

Effective Date: __________ ____, 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

(Signatures begin on following page)

[2] Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: ______________________________
Name:
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: ______________________________
Name:
Title:

(Consents begin on following page)

Consented to and Accepted:

JPMORGAN CHASE BANK, N.A., as
[Administrative Agent,][3] Swingline Lender
and Issuing Bank

By: ____________________________________
Name:
Title:

CITIBANK, N.A.,
as an Issuing Bank

By: ____________________________________
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION
as an Issuing Bank

By: ____________________________________
Name:
Title:

[3] To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement (See Section 9.04(b) of the Credit Agreement).

MIZUHO BANK, LTD.,
as an Issuing Bank

By: ______________________________
Name:
Title:

THE ROYAL BANK OF SCOTLAND PLC,
as an Issuing Bank

By: ______________________________
Name:
Title:

[If additional Issuing Banks, add additional
signature blocks for consent]

[Consented to:][4]

VALERO ENERGY CORPORATION,
as Borrower

By: ______________________________
Name:
Title:

[4] To be added only if the consent of the Borrower is required by the terms of the Credit Agreement. (See Section 9.04(b) of the Credit Agreement).

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This

Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

(End of Annex 1)

FORM OF
NOTICE OF COMMITMENT INCREASE

[Date]

JPMorgan Chase Bank, N.A.
1111 Fannin Street, 10th Floor
Houston, Texas, 77002
Attention: Loan and Agency Services, Nathan Lorensen

With a copy to:

JPMorgan Chase Bank, N.A.
712 Main Street, 12th Floor
Houston, Texas 77002
Attention: Muhammad Hasan

Ladies and Gentlemen:

The undersigned, Valero Energy Corporation (the "Borrower"), refers to the $3,000,000,000 5-Year Second Amended and Restated Revolving Credit Agreement dated as of November 22, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement", with terms defined in the Credit Agreement and not otherwise defined herein being used herein as therein defined) among the Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, Swingline Lender and an Issuing Bank, the Lenders and other Persons from time to time party thereto. The Borrower hereby notifies you, pursuant to Section 2.02 of the Credit Agreement, that it has arranged for the aggregate amount of the Commitments under the Credit Agreement to be increased by adding to the Credit Agreement the CI Lenders referenced below and/or by allowing one or more existing Lenders to increase their respective Commitments. With respect thereto, the Borrower sets forth below the information relating to such proposed Commitment Increase as required by Section 2.02(b) of the Credit Agreement:

(a) the effective date of such increase of aggregate amount of the Lenders' Commitments is ________________ (herein, the "Commitment Increase Effective Date")[1];

(b) the amount of the requested increase of the Commitments is $________________;

(c) the CI Lenders that have agreed with the Borrower to provide their respective Commitments are ______________________________ [INSERT NAMES OF THE CI LENDERS];

[1] The Commitment Increase Effective Date Shall be no earlier than five Business Days after receipt by the Administrative Agent of this notice.

(d) the existing Lenders that have agreed with the Borrower to increase their respective Commitments are _____________________________ [INSERT NAMES OF THE LENDERS]; and

(e) set forth on Annex I attached hereto is the amount of the respective Commitments of each Lender and each CI Lender, after giving effect to the aggregate Commitment increase hereunder, including the Commitments of all Reducing Percentage Lenders, all CI Lenders and all existing Lenders increasing their respective Commitments as of the Commitment Increase Effective Date.

Delivery of an executed counterpart of this Notice of Commitment Increase by telecopier or facsimile shall be effective as delivery of an original executed counterpart of this Notice of Commitment Increase.

Very truly yours,

VALERO ENERGY CORPORATION

By: ____
Name:
Title:

On _________[2], acknowledged by:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: ____
Name:
Title:

[2] Insert date that Administrative Agent acknowledges receipt of this notice.

ANNEX I
to Exhibit B of Credit Agreement

REVISED SCHEDULE OF COMMITMENTS
AS OF THE COMMITMENT INCREASE EFFECTIVE DATE

[Insert revised schedule]

EXHIBIT C

FORM OF
BORROWING REQUEST

JPMorgan Chase Bank, N.A., as Administrative Agent
for the Lenders parties
to the Credit Agreement
referred to below

1111 Fannin Street, 10th Floor
Houston, Texas, 77002
Attention: Loan and Agency Services, Nathan Lorensen

With a copy to:

JPMorgan Chase Bank, N.A.
712 Main Street, 12th Floor
Houston, Texas 77002
Attention: Muhammad Hasan [Date]

Reference: Valero Energy Corporation

Ladies and Gentlemen:

The undersigned, VALERO ENERGY CORPORATION, refers to the $3,000,000,000 5-Year Second Amended and Restated Revolving Credit Agreement dated as of November 22, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement," with terms defined therein and not otherwise defined herein being used herein as therein defined), among the undersigned, JPMorgan Chase Bank, N.A., as Administrative Agent, Swingline Lender and an Issuing Bank, the Lenders and other Persons from time to time party thereto, and the undersigned hereby gives you notice, irrevocably, pursuant to Section 2.05 of the Credit Agreement, that the undersigned hereby requests a Borrowing under the Credit Agreement, and with respect thereto sets forth below the information relating to such Borrowing (the " Proposed Borrowing") as required by Section 2.05 of the Credit Agreement:

(i) The aggregate amount of the Proposed Borrowing is $___________.

(ii) The Business Day of the Proposed Borrowing is___________.

(iii) The Type of the Proposed Borrowing is [an ABR Borrowing] [a Eurodollar Borrowing].

(iv) The Interest Period for each Eurodollar Borrowing made as part of the Proposed Borrowing is ___________ month[s].

(v) The Borrower's transit routing and bank account for loan funding is ____.

Very truly yours,

VALERO ENERGY CORPORATION

By: ______________________________

Name:

Title:

EXHIBIT D

FORM OF PROMISSORY NOTE

$_________ New York, New York

[ ], 2013

FOR VALUE RECEIVED, the undersigned, VALERO ENERGY CORPORATION, a Delaware corporation (the "Borrower"), hereby unconditionally promises to pay to ________________________ (the " Lender") at the office of JPMorgan Chase Bank, N.A., located at 1111 Fannin Street, 10th Floor, Houston, Texas 77002, in lawful money of the United States of America and in same day funds, on the Initial Maturity Date (or such later Maturity Date as the Lender has consented to in writing) the principal amount of (a)____________ DOLLARS ($___________), or, if less, (b) the aggregate unpaid principal amount of all Loans made by the Lender to the Borrower pursuant to the Credit Agreement, as hereinafter defined. The Borrower further agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in the Credit Agreement.

The holder of this Promissory Note (this "Note") is authorized to, and prior to any transfer hereof shall, endorse on the schedules attached hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the date, Type and amount of each Loan made pursuant to the Credit Agreement and the date and amount of each payment or prepayment of principal thereof, each continuation thereof, each conversion of all or a portion thereof to another Type and, in the case of a Eurodollar Loan, the length of each Interest Period with respect thereto. The failure to make any such endorsement shall not affect the obligations of the Borrower in respect of such Loan.

This Note (a) is one of the Notes referred to in the $3,000,000,000 5-Year Second Amended and Restated Revolving Credit Agreement, dated as of November 22, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, Swingline Lender and an Issuing Bank, the Lenders and other Persons from time to time party thereto, (b) is subject to the provisions of the Credit Agreement and (c) is subject to optional prepayment in whole or in part as provided in the Credit Agreement.

Reference is made to the Credit Agreement for provisions for the acceleration of the maturity hereof.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest, notice of intent to accelerate, notice of acceleration and all other notices of any kind except those expressly required under the Credit Agreement.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

VALERO ENERGY CORPORATION

By: ____
Name:
Title:

SCHEDULE A
to
Promissory Note

LOANS, CONTINUATIONS, CONVERSIONS AND REPAYMENTS OF EURODOLLAR LOANS

Date	Amount of Eurodollar Loans	Amount Continued or Converted to Eurodollar Loans	Interest Period and Eurodollar Rate with Respect Thereto	Amount of Principal of Eurodollar Loans Repaid	Amount of Eurodollar Loans Converted to ABR Loans	Unpaid Principal Balance of Eurodollar Loans	Notation Made By

SCHEDULE B
to
Promissory Note

LOANS, CONVERSIONS AND REPAYMENTS OF ABR LOANS

Date	Amount of ABR Loans	Amount Converted to ABR Loans	Amount of Principal of ABR Loans Repaid	Amount of ABR Loans Converted to Eurodollar Loans	Unpaid Principal Balance of ABR Loans	Notation Made By

Exhibit 12.01

VALERO ENERGY CORPORATION
STATEMENTS OF COMPUTATIONS OF RATIO OF EARNINGS TO FIXED CHARGES
(Millions of Dollars)

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Earnings:					
Income (loss) from continuing operations before income tax expense (benefit), excluding income from equity investees	$ 3,957	$ 3,702	$ 3,322	$ 1,481	$ (334)
Add:					
Fixed charges	677	711	735	743	701
Amortization of capitalized interest	32	25	23	20	18
Distributions from equity investees	3	1	—	10	—
Less:					
Interest capitalized	(118)	(221)	(152)	(90)	(105)
Total earnings	$ 4,551	$ 4,218	$ 3,928	$ 2,164	$ 280
Fixed charges:					
Interest and debt expense, net of capitalized interest	$ 365	$ 313	$ 401	$ 484	$ 416
Interest capitalized	118	221	152	90	105
Rental expense interest factor (a)	194	177	182	169	180
Total fixed charges	$ 677	$ 711	$ 735	$ 743	$ 701
Ratio of earnings to fixed charges	6.7 x	5.9 x	5.3 x	2.9 x	(b)

(a) The interest portion of rental expense represents one-third of rents, which is deemed representative of the interest portion of rental expense.

(b) For the year ended December 31, 2009, earnings were insufficient to cover fixed charges by $421 million. The deficiency included the effect of a $222 million pre-tax impairment loss resulting from the permanent cancellation of certain capital projects classified as “construction in progress” as a result of the unfavorable impact of the economic slowdown on refining industry fundamentals during the year. The deficiency was also partially attributable to a $120 million loss contingency accrual related to our dispute of a turnover tax on export sales in Aruba.

Exhibit 21.01

Valero Energy Corporation and Subsidiaries
as of January 31, 2014

Name of Entity	State of Incorporation/Organization
CANADIAN ULTRAMAR COMPANY	Nova Scotia
COLONNADE VERMONT INSURANCE COMPANY	Vermont
DIAMOND ALTERNATIVE ENERGY, LLC	Delaware
DIAMOND ALTERNATIVE ENERGY OF CANADA INC.	Canada
DIAMOND GREEN DIESEL HOLDINGS LLC	Delaware
DIAMOND GREEN DIESEL LLC	Delaware
DIAMOND K RANCH LLC	Texas
DIAMOND OMEGA COMPANY, L.L.C.	Delaware
DIAMOND SHAMROCK REFINING COMPANY, L.P.	Delaware
DIAMOND UNIT INVESTMENTS, L.L.C.	Delaware
DSRM NATIONAL BANK	U.S.A.
EASTVIEW FUEL OILS LIMITED	Ontario
ENTERPRISE CLAIMS MANAGEMENT, INC.	Texas
GOLDEN EAGLE ASSURANCE LIMITED	British Columbia
HUNTWAY REFINING COMPANY	Delaware
MAINLINE PIPELINES LIMITED	England and Wales
MICHIGAN REDEVELOPMENT GP, LLC	Delaware
MICHIGAN REDEVELOPMENT, L.P.	Delaware
MRP PROPERTIES COMPANY, LLC	Michigan
NECHES RIVER HOLDING CORP.	Delaware
OCEANIC TANKERS AGENCY LIMITED	Quebec
PI DOCK FACILITIES LLC	Delaware
PORT ARTHUR COKER COMPANY L.P.	Delaware
PREMCOR USA INC.	Delaware
PROPERTY RESTORATION, L.P.	Delaware
SABINE RIVER HOLDING CORP.	Delaware
SABINE RIVER LLC	Delaware
SUNBELT REFINING COMPANY, L.P.	Delaware
THE PREMCOR PIPELINE CO.	Delaware
THE PREMCOR REFINING GROUP INC.	Delaware
THE SHAMROCK PIPE LINE CORPORATION	Delaware
ULTRAMAR ACCEPTANCE INC.	Canada
ULTRAMAR ENERGY INC.	Delaware
ULTRAMAR INC.	Nevada
VALERO ARUBA ACQUISITION COMPANY I, LTD.	Virgin Islands (U.K.)
VALERO ARUBA FINANCE INTERNATIONAL, LTD.	Virgin Islands (U.K.)
VALERO ARUBA HOLDING COMPANY N.V.	Aruba
VALERO ARUBA HOLDINGS INTERNATIONAL, LTD.	Virgin Islands (U.K.)

Name of Entity	State of Incorporation/Organization
VALERO ARUBA MAINTENANCE/OPERATIONS COMPANY N.V.	Aruba
VALERO BROWNSVILLE TERMINAL LLC	Texas
VALERO CANADA FINANCE, INC.	Delaware
VALERO CANADA L.P.	Newfoundland
VALERO CAPITAL CORPORATION	Delaware
VALERO CARIBBEAN SERVICES COMPANY	Delaware
VALERO COKER CORPORATION ARUBA N.V.	Aruba
VALERO CUSTOMS & TRADE SERVICES, INC.	Delaware
VALERO ENERGY ARUBA II COMPANY	Cayman Islands
VALERO ENERGY INC.	Canada
VALERO ENERGY (IRELAND) LIMITED	Ireland
VALERO ENERGY LTD	England and Wales
VALERO ENERGY PARTNERS GP LLC	Delaware
VALERO ENERGY PARTNERS LP	Delaware
VALERO ENERGY UK LTD	England and Wales
VALERO ENTERPRISES, INC.	Delaware
VALERO EQUITY SERVICES LTD	England and Wales
VALERO FINANCE L.P. I	Newfoundland
VALERO FINANCE L.P. II	Newfoundland
VALERO FINANCE L.P. III	Newfoundland
VALERO GRAIN MARKETING, LLC	Texas
VALERO HOLDCO UK LTD	United Kingdom
VALERO HOLDINGS, INC.	Delaware
VALERO INTERNATIONAL HOLDINGS, INC.	Nevada
VALERO LIVE OAK LLC	Texas
VALERO LOGISTICS UK LTD	England and Wales
VALERO MARKETING & SUPPLY-ARUBA N.V.	Aruba
VALERO MARKETING AND SUPPLY COMPANY	Delaware
VALERO MARKETING AND SUPPY INTERNATIONAL LTD.	Cayman Islands
VALERO MARKETING IRELAND LIMITED	Ireland
VALERO MKS LOGISTICS, L.L.C.	Delaware
VALERO MOSELLE COMPANY S.à r.l.	Luxembourg
VALERO NEDERLAND COÖPERATIEF U.A.	The Netherlands
VALERO NEW AMSTERDAM B.V.	The Netherlands
VALERO OMEGA COMPANY, L.L.C.	Delaware
VALERO OPERATIONS SUPPORT, LTD	England and Wales
VALERO PARTNERS EP, LLC	Delaware
VALERO PARTNERS LUCAS, LLC	Delaware
VALERO PARTNERS MEMPHIS, LLC	Delaware
VALERO PARTNERS OPERATING CO. LLC	Delaware
VALERO PARTNERS PAPS, LLC	Delaware
VALERO PARTNERS WEST MEMPHIS, LLC	Delaware
VALERO PAYMENT SERVICES COMPANY	Virginia
VALERO PEMBROKESHIRE LLC	Delaware

Name of Entity	State of Incorporation/Organization
VALERO PLAINS COMPANY LLC	Texas
VALERO POWER MARKETING LLC	Delaware
VALERO REFINING AND MARKETING COMPANY	Delaware
VALERO REFINING COMPANY-ARUBA N.V.	Aruba
VALERO REFINING COMPANY-CALIFORNIA	Delaware
VALERO REFINING COMPANY-OKLAHOMA	Michigan
VALERO REFINING COMPANY-TENNESSEE, L.L.C.	Delaware
VALERO REFINING-MERAUX LLC	Delaware
VALERO REFINING-NEW ORLEANS, L.L.C.	Delaware
VALERO REFINING-TEXAS, L.P.	Texas
VALERO RENEWABLE FUELS COMPANY, LLC	Texas
VALERO SECURITY SYSTEMS, INC.	Delaware
VALERO SERVICES, INC.	Delaware
VALERO TEJAS COMPANY LLC	Delaware
VALERO TERMINALING AND DISTRIBUTION COMPANY	Delaware
VALERO TEXAS POWER MARKETING, INC.	Delaware
VALERO ULTRAMAR HOLDINGS INC.	Delaware
VALERO UNIT INVESTMENTS, L.L.C.	Delaware
VALERO WEST WALES LLC	Delaware
VEC TRUST I	Delaware
VEC TRUST III	Delaware
VEC TRUST IV	Delaware
VRG PROPERTIES COMPANY	Delaware
VTD PROPERTIES COMPANY	Delaware

Exhibit 23.01

Consent of Independent Registered Public Accounting Firm

The Board of Directors
of Valero Energy Corporation and subsidiaries:

We consent to the incorporation by reference in the registration statements, as amended, on Form S-3 (Registration No. 333-157867) and Form S-8 (Registration Nos. 333-31709, 333-31721, 333-31723, 333-31727, 333-81858, 333-106620, 333-118731, 333-125082, 333-129032, 333-136333, and 333-174721) of Valero Energy Corporation and subsidiaries, of our reports dated February 27, 2014, with respect to the consolidated balance sheets of Valero Energy Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and the effectiveness of internal control over financial reporting as of December 31, 2013, which reports appear in the December 31, 2013 annual report on Form 10-K of Valero Energy Corporation and subsidiaries.

/s/ KPMG LLP

San Antonio, Texas
February 27, 2014

Exhibit 31.01

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, William R. Klesse, certify that:

1. I have reviewed this annual report on Form 10-K of Valero Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2014

/s/ William R. Klesse

William R. Klesse
Chief Executive Officer

Exhibit 31.02

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Michael S. Ciskowski, certify that:

1. I have reviewed this annual report on Form 10-K of Valero Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2014

/s/ Michael S. Ciskowski

Michael S. Ciskowski
Executive Vice President and Chief Financial Officer

Exhibit 32.01

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Valero Energy Corporation (the Company) on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, William R. Klesse, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William R. Klesse

William R. Klesse
Chief Executive Officer and President
February 27, 2014

A signed original of the written statement required by Section 906 has been provided to Valero Energy Corporation and will be retained by Valero Energy Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Valero Energy Corporation (the Company) on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Michael S. Ciskowski, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael S. Ciskowski

Michael S. Ciskowski
Executive Vice President and Chief Financial Officer
February 27, 2014

A signed original of the written statement required by Section 906 has been provided to Valero Energy Corporation and will be retained by Valero Energy Corporation and furnished to the Securities and Exchange Commission or its staff upon request.