

VALERO ENERGY CORP/TX

Form 11-K

June 29, 2009

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 11-K  
ANNUAL REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2008  
Commission File Number 1-13175  
VALERO ENERGY CORPORATION SAVINGS PLAN  
(formerly Valero Savings Plan)  
VALERO ENERGY CORPORATION  
One Valero Way  
San Antonio, Texas 78249**

---

**VALERO ENERGY CORPORATION SAVINGS PLAN  
Index**

	<b>Page</b>
<u>Report of Independent Registered Public Accounting Firm</u>	3
<u>Statements of Net Assets Available for Benefits as of December 31, 2008 and 2007</u>	4
<u>Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2008 and 2007</u>	5
<u>Notes to Financial Statements</u>	6
<u>Schedule H, line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2008</u>	16
<u>Signature</u>	17
All other supplemental schedules required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 are omitted because they are not applicable or not required.	

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Valero Energy Corporation Benefit Plans Administrative Committee:

We have audited the accompanying statements of net assets available for benefits of the Valero Energy Corporation Savings Plan (formerly Valero Savings Plan) (the Plan) as of December 31, 2008 and 2007, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule H, line 4i schedule of assets (held at end of year) as of December 31, 2008 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

San Antonio, Texas

June 29, 2009

**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

	December 31,	
	2008	2007
<b>Assets:</b>		
Investments:		
Valero Energy Corporation common stock	\$ 17,670,932	\$ 66,125,731
Common/collective trusts	20,966,259	21,153,555
Mutual funds	6,052,364	9,006,339
Money market security		38,088
Investments at fair value	44,689,555	96,323,713
Participant loans	6,520,930	7,656,945
Receivables:		
Employer contributions, net of forfeitures of \$288,000 and \$255,795, respectively	3,562,458	3,667,098
Interest	18,820	15,520
Due from brokers for securities sold	33,155	28,379
Total receivables	3,614,433	3,710,997
Cash	151,749	238,187
Net assets available for benefits before adjustment	54,976,667	107,929,842
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	2,029,870	125,399
<b>Net assets available for benefits</b>	<b>\$ 57,006,537</b>	<b>\$ 108,055,241</b>

See Notes to Financial Statements.

**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

	<b>Years Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Investment income (loss):</b>		
Interest income	\$ 567,253	\$ 559,513
Dividend income	1,373,316	1,684,512
Net appreciation (depreciation) in fair value of investments	(49,215,949)	22,191,888
 Total investment income (loss)	 (47,275,380)	 24,435,913
 <b>Contributions:</b>		
Employee	3,042,846	3,052,572
Employer, net of forfeitures:		
Cash	4,924,087	4,133,962
Non-cash		910,249
 Total employer contributions, net of forfeitures	 4,924,087	 5,044,211
 Total contributions	 7,966,933	 8,096,783
 <b>Asset transfers in from Valero Energy Corporation Thrift Plan</b>	 151,191	
	(39,157,256)	32,532,696
 <b>Deductions from net assets:</b>		
Withdrawals by participants	(11,726,816)	(17,598,799)
Asset transfers out to Valero Energy Corporation Thrift Plan	(153,803)	
Administrative expenses	(10,829)	(13,304)
 Total deductions	 (11,891,448)	 (17,612,103)
 <b>Net increase (decrease) in net assets available for benefits</b>	 (51,048,704)	 14,920,593
 <b>Net assets available for benefits:</b>		
Beginning of year	108,055,241	93,134,648
 End of year	 \$ 57,006,537	 \$ 108,055,241

See Notes to Financial Statements.



**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS**

**1. Description of the Plan**

As used in this report, the term Valero may refer, depending upon the context, to Valero Energy Corporation, one or more of its consolidated subsidiaries, or all of them taken as a whole.

Valero Energy Corporation is a publicly held independent refining and marketing company with approximately 22,000 employees. As of December 31, 2008, Valero owned and operated 16 refineries in the United States, Canada, and Aruba with a combined total throughput capacity, including processed crude oil, intermediates, and other feedstocks, of approximately 3.0 million barrels per day. Valero markets refined products through an extensive bulk and rack marketing network and a network of approximately 5,800 retail and wholesale branded outlets in the United States, Canada, and Aruba under various brand names including Valero®, Diamond Shamrock®, Shamrock®, Ultramar®, and Beacon®.

Valero's common stock trades on the New York Stock Exchange under the symbol VLO.

The following description of the Valero Energy Corporation Savings Plan (the Plan), formerly Valero Savings Plan, provides only general information. Participants should refer to the plan document for a complete description of the Plan's provisions.

***General***

The Plan is a defined contribution plan covering eligible employees of Valero. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Valero is the plan sponsor. The Valero Energy Corporation Benefit Plans Administrative Committee (Administrative Committee), consisting of persons selected by Valero, administers the Plan. The members of the Administrative Committee serve without compensation for services in that capacity. Merrill Lynch Bank & Trust Co., FSB (Merrill Lynch) is the trustee under the Plan and has custody of the securities and investments of the Plan through a trust. Merrill Lynch, Pierce, Fenner & Smith Incorporated is the record keeper for the Plan.

***Participation***

Participation in the Plan is voluntary and is open to Valero retail employees who have completed one year of service. Employees are eligible to participate in Valero's employer matching contributions after completion of one year of continuous service. Effective July 1, 2007, all newly hired or rehired above-the-store-level retail organization employees are immediately eligible to participate in the Plan, other than (i) the president of the retail organization, (ii) his direct reports, and (iii) anyone in a legal counsel position for the retail organization. The determination of above-the-store-level retail organization employee is made in accordance with the internal records of the retail organization.

***Asset Transfers***

From time to time, asset transfers occur between the Plan and the Valero Energy Corporation Thrift Plan due to the transfer or reemployment of employees to or from retail store positions.

***Contributions***

Participants can contribute up to 30% of their compensation, as defined in the plan document. Valero contributes \$0.60 for every \$1.00 of the participant's contribution up to 6% of compensation. The Plan's definition of compensation excludes unused vacation pay paid to former employees following a



**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

separation from service. Effective January 1, 2008, the definition of compensation was revised to include compensation paid by the later of (i) 2<sup>1</sup>/<sub>2</sub> months after an employee's severance from employment or (ii) the end of the plan year that includes the date of the employee's severance from employment, if the compensation would have been paid to the employee during his employment.

Any employee may make rollover contributions to the Plan. Former employees who retain an account balance under the Plan and who have received or who are eligible to receive a distribution from a defined benefit pension plan sponsored by Valero are also eligible to make a rollover contribution to the Plan. For the years ended December 31, 2008 and 2007, rollover contributions totaled \$81,589 and \$12,703, respectively, and are included in employee contributions in the statements of changes in net assets available for benefits.

Valero, at the discretion of the Valero Energy Corporation Board of Directors or such other party as designated by such Board, may make profit-sharing contributions to the Plan to be allocated to the accounts of the Eligible Members as described in the plan document. For the years ended December 31, 2008 and 2007, the Administrative Committee approved profit-sharing contributions totaling \$3,850,458 and \$3,922,893, respectively, which were offset by available forfeitures. Employer profit-sharing contributions receivable as of December 31, 2008 and 2007 were received by the Plan in March 2009 and 2008, respectively.

The Internal Revenue Code of 1986, as amended (the Code) establishes an annual limitation on the amount of individual pre-tax salary deferral contributions. This limit was \$15,500 for each of the years ended December 31, 2008 and 2007. Participants who were eligible to make pre-tax contributions and who attained age 50 before the end of the year were eligible to make an additional catch-up pre-tax contribution of up to \$5,000 for each of the years ended December 31, 2008 and 2007.

Prior to September 4, 2007, Valero made non-cash employer contributions of its common stock; however, participants could transfer 100% of Valero's employer contributions to any other investment option offered. Effective September 4, 2007, all employer contributions are made in cash and are invested according to the investment options elected for the employee contributions.

***Forfeitures***

In the event a participant terminates before becoming 100% vested in the employer contributions, the non-vested employer contribution amounts held in the participant's account will be forfeited. If the terminated participant receives a distribution from the vested portion of his account and subsequently resumes employment, any portion of the participant's account forfeited shall be restored if the participant repays to the Plan the full amount of his distribution within five years after reemployment. If the participant incurs five consecutive one-year breaks in service or fails to repay the distribution received from the vested portion of his account, the participant will permanently forfeit the non-vested portion of his account.

Forfeited amounts are used to reduce future employer contributions or defray Plan administrative expenses. Employer contributions for the years ended December 31, 2008 and 2007 were reduced by \$288,000 and \$255,795, respectively, related to forfeited non-vested accounts.

**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

***Participant Accounts***

Employer contributions are credited to an employer account for each participant and employee contributions are credited to an employee account maintained under the Plan for each participant. The employer and employee accounts for each participant are adjusted to reflect all contributions, withdrawals, income, expenses, gains, and losses attributable to these accounts.

***Vesting***

Participants are vested 100% in their employee account at all times. Participants become 20% vested in their employer account for each year of service with 100% vesting after five years of service. Certain participants are subject to accelerated vesting as a result of special Plan provisions associated with past mergers. Active participants vest 100% in any profit-sharing contributions after completion of three years of service. A participant will be vested in 100% of his account balance upon his death, disability, or attainment of normal retirement age, as defined in the plan document, and termination or partial termination of the Plan, as defined in the plan document.

In August 2008, Valero purchased 70 convenience stores and fueling kiosks from Albertson's LLC (Albertson's). Effective January 1, 2009, the uninterrupted years of service of certain former Albertson's employees who became employees of Valero and are categorized as Fuel Center Employees in Valero's internal records will be included in the calculation of eligible service of the Plan.

***Investment Options***

Participants direct the investment of 100% of their employee contributions and may transfer existing account balances into any of the investment options offered. These investment options include Valero common stock, common/collective trusts, mutual funds, and the Vanguard Multi-Cap Core Fund. Investments in the Vanguard Multi-Cap Core Fund are comprised of investments in the Vanguard PRIMECAP Fund (a mutual fund) and a money market security.

Effective September 4, 2007, participants may not designate more than 20% of their contributions to be invested in Valero common stock. Transfers into Valero common stock will not be permitted to the extent a transfer would result in more than 50% of the aggregate value of the participant's account being invested in Valero common stock.

***Withdrawals and Distributions***

Participants may make the following types of withdrawals of all or part of their respective accounts:

one withdrawal during any six-month period from a participant's after-tax employee account and rollover contribution account with no suspension of future contributions;

upon completion of five years of participation in the Plan, one withdrawal from a participant's after-tax employee account and employer account, with a similar withdrawal allowed 36 months after the date of a previous withdrawal under this provision, with no suspension of future contributions;

upon reaching age 59<sup>1/2</sup>, one withdrawal during any six-month period from a participant's employee account and employer account; or

upon furnishing proof of financial necessity, one withdrawal during any six-month period from a participant's employee account and the vested portion of the employer account, but, for withdrawals of before-tax amounts, not to exceed the aggregate amount of the participant's

**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

before-tax contributions. Individuals who receive a withdrawal for financial necessity will be suspended from making contributions to the Plan for a period of at least six months.

Upon a participant's death, total and permanent disability, or retirement, the participant or the beneficiary of a deceased participant is entitled to a distribution of the entire value of the participant's employee account and employer account regardless of whether or not the accounts are fully vested. Upon a participant's termination for any other reason, the participant is entitled to a distribution of only the value of the participant's employee account and the vested portion of the participant's employer account. Distributions resulting from any of these occurrences may be received in a single sum in whole shares of Valero common stock and cash, or entirely in cash. Alternatively, a participant or beneficiary may elect to receive this distribution in the form of equal monthly installments over a period not exceeding the lesser of (i) five years or (ii) the participant's life expectancy or the joint life expectancy of the participant and the participant's designated beneficiary. In addition, when the value of a distribution to a participant exceeds \$1,000, the distribution may be made prior to the participant attaining age 65 only with the participant's consent.

Terminated participants may elect to have the Plan trustee hold their accounts for distribution to them at a date not later than April 1 of the calendar year after which they attain age 70<sup>1/2</sup>. In this event, terminated participants continue to share in the income, expenses, gains, and losses of the Plan until their accounts are distributed.

Effective January 1, 2008, the Plan was amended to allow participants who are called to active duty military service and who are on military leave for a period of 179 days or more to make withdrawals of all or any portion of their account. Effective September 12, 2008, the Plan was amended to provide certain relief to a participant whose principal residence on September 12, 2008 was located in the Hurricane Ike disaster area and who sustained an economic loss by reason of Hurricane Ike.

***Participant Loans***

Participants may borrow a minimum of \$500. The maximum loan amount a participant may have outstanding is restricted to the lesser of:

- a) \$50,000, reduced by the excess of (i) the highest outstanding balance of the participant's loans during a one-year period over (ii) the participant's then currently outstanding loan balance on the day any new loan is made, or
- b) one-half of the current value of the participant's vested interest in his account balance.

The participant may elect a repayment term of up to five years for general-purpose loans or up to 15 years for the purchase of a primary residence. The loan is secured by a lien on the participant's vested account balance and bears interest at a reasonable rate as determined by the Administrative Committee, presently at prime plus 1%. As of December 31, 2008, interest rates on outstanding participant loans ranged from 5.0% to 10.5% and maturity dates ranged from January 2009 to December 2023. Principal and interest is repaid through payroll deductions. A participant can have two loans outstanding at any time.

***Plan Expenses***

The Plan pays a portion of its administrative expenses, including trustee fees and administrative fees. Plan administrative expenses not paid by the Plan are paid by Valero. Valero also provides certain other services at no cost to the Plan.

**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The Plan's financial statements are prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles (GAAP).

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the amounts of assets and changes therein reported in the financial statements and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

***Valuation of Investments***

The Plan's investments are stated at fair value. Valero common stock is valued at its quoted market price as of December 31. Shares of mutual funds are valued at the net asset value of shares held by the Plan as of December 31. The money market security represents interest-bearing cash held by the Plan, which is valued based on its redemption value. The Plan's investments in the Merrill Lynch Equity Index Trust and the Barclays LifePath Portfolios are stated at fair value as determined by the issuers of the funds based on the fair value of the underlying assets.

As described in Financial Accounting Standards Board (FASB) Staff Position Nos. AAG INV-1 and SOP 94-4-1 (FSP), Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans, investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the FSP, investments in common/collective trusts that include benefit-responsive investment contracts are presented at fair value in the statement of net assets available for benefits, with a separate adjustment reflected to convert the investments from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

As provided in the FSP, the Plan's investment in the Retirement Preservation Trust, a common/collective trust that is fully benefit-responsive, is presented in the statement of net assets available for benefits at the fair value of units held by the Plan as of December 31, with separate disclosure of the adjustment from fair value to contract value, which is equal to principal balance plus accrued interest. The fair value of the fully benefit-responsive investment contracts is calculated by the issuer using a discounted cash flow model, which considers (i) recent fee bids as determined by recognized dealers, (ii) discount rate, and (iii) the duration of the underlying portfolio securities.

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements. Statement No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measures, but does not require any new fair value measurements. The adoption of Statement No. 157 by the Plan effective January 1, 2008 did not affect its financial position or results of operations but did result in additional required disclosures, which are provided in Note 4.

**Table of Contents****VALERO ENERGY CORPORATION SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)*****Participant Loans***

Participant loans are carried at their outstanding principal balances, which approximate fair value.

***Income Recognition***

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

Net appreciation (depreciation) in fair value of investments consists of net realized gains and losses on the sale of investments and net unrealized appreciation (depreciation) of investments.

***Withdrawals by Participants***

Withdrawals by participants are recorded when paid.

***Risks and Uncertainties***

The Plan's investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term.

The Plan invests in securities with contractual cash flows, such as asset-backed securities, collateralized mortgage obligations, and commercial mortgage-backed securities, including securities backed by subprime mortgage loans. The value, liquidity, and related income of those securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

***Reclassifications***

Certain amounts previously reported in the Plan's annual report on Form 11-K for the year ended December 31, 2007 have been reclassified to conform to the 2008 presentation.

**3. Investments**

Investments that represent 5% or more of the Plan's net assets available for benefits are as follows:

	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
Valero Energy Corporation common stock	\$17,670,932	\$66,125,731
Retirement Preservation Trust (contract value of \$14,603,144 and \$13,658,794, respectively)	12,573,274	13,533,395

The Plan's investment in shares of Valero common stock represents 39.5% and 68.6% of total investments at fair value as of December 31, 2008 and 2007, respectively. The closing price for Valero common stock was \$21.64 and \$70.03 on December 31, 2008 and 2007, respectively. As of June 24, 2009, the closing price for Valero common stock was \$16.03.

**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

During the years ended December 31, 2008 and 2007, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	<b>Years Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Valero Energy Corporation common stock	\$ (42,915,073)	\$ 21,598,165
Common/collective trusts	(3,229,534)	(4,006)
Mutual funds	(3,071,342)	597,729
Net appreciation (depreciation) in fair value of investments	\$ (49,215,949)	\$ 22,191,888

For the years ended December 31, 2008 and 2007, dividend income included \$495,711 and \$507,938, respectively, of dividends paid on Valero common stock.

**4. Fair Value Measurements**

As discussed in Note 2, effective January 1, 2008, the Plan adopted Statement No. 157, which defines fair value, establishes a consistent framework for measuring fair value, establishes a fair value hierarchy (Level 1, Level 2, or Level 3) based on the quality of inputs used to measure fair value, and expands disclosure requirements for fair value measurements. Pursuant to the provisions of Statement No. 157, fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs are based on quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair values of its applicable assets and liabilities. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

The table below presents information about the Plan's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the inputs utilized to determine the fair values as of December 31, 2008. These assets have previously been measured at fair value in accordance with existing GAAP, and the accounting for these assets was not impacted by the adoption of Statement No. 157.

	Fair Value Measurements Using			Total as of December 31, 2008
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	<b>Assets:</b>			
Valero Energy Corporation common stock	\$ 17,670,932	\$	\$	\$ 17,670,932
Common/collective trusts		20,966,259		20,966,259
Mutual funds	6,052,364			6,052,364
Investments at fair value	\$ 23,723,296	\$ 20,966,259	\$	\$ 44,689,555

The valuation methods used to measure the Plan's financial instruments at fair value are as follows:

Valero Energy Corporation common stock and mutual funds are measured at fair value using a market approach based on quotations from national securities exchanges and are categorized in Level 1 of the fair value hierarchy.

Common/collective trusts are stated at fair value as determined by the issuers of the funds and are categorized in Level 2 of the fair value hierarchy. The fair values of the Plan's investments in the Merrill Lynch Equity Index Trust and the Barclays LifePath Portfolios are based on the fair values of the underlying assets. The fair value of the Retirement Preservation Trust is calculated by the issuer using a discounted cash flow model, which considers (i) recent fee bids as determined by recognized dealers, (ii) discount rate, and (iii) the duration of the underlying portfolio securities.

#### **5. Party-in-Interest Transactions**

Certain Plan investments are shares of mutual funds, a money market security, and common/collective trusts managed by an affiliate of Merrill Lynch, the trustee of the Plan and a party-in-interest with respect to the Plan. In addition, the Plan allows for investment in Valero's common stock. Valero, the sponsor of the Plan and a party-in-interest with respect to the Plan, provides accounting and administrative services at no cost to the Plan. These transactions are covered by an exemption from the prohibited transactions provisions of ERISA and the Code.

#### **6. Plan Termination**

Although it has not expressed any intent to do so, Valero has the right under the Plan to discontinue or reduce its contributions and to terminate the Plan at any time subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their employer accounts.

**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**7. Tax Status**

The Internal Revenue Service (IRS) has determined and informed Valero by a letter dated September 30, 2002, that the Plan is designed in accordance with applicable sections of the Code. Although the Plan has been amended since receiving the determination letter, the Administrative Committee believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code. Valero submitted an application to the IRS in January 2008 requesting an updated determination letter; the application is currently under review by the IRS.

**8. Reconciliation of Financial Statements to Form 5500**

Fully benefit-responsive investment contracts are recorded on the Form 5500 at fair value but are adjusted to contract value for financial statement presentation. Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit requests that have been processed and approved for payment prior to December 31, but not paid as of that date. Deemed distributions of participant loans are recorded on the Form 5500 upon default by participants; such amounts continue to be reported as participant loans in the financial statements until the participants' termination and actual distribution from the Plan.

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 Annual Return/Report of Employee Benefit Plan:

	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
Net assets available for benefits per the financial statements	\$ 57,006,537	\$ 108,055,241
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	(2,029,870)	(125,399)
Amounts allocated to withdrawing participants	(151,430)	(236,134)
Deemed distributions of participant loans	(105,823)	(86,744)
Net assets available for benefits per the Form 5500	\$ 54,719,414	\$ 107,606,964



**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

The following is a reconciliation of withdrawals by participants per the financial statements to the Form 5500 Annual Return/Report of Employee Benefit Plan:

	<b>Years Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Withdrawals by participants per the financial statements	\$ 11,726,816	\$ 17,598,799
Amounts allocated to withdrawing participants as of end of year	151,430	236,134
Amounts allocated to withdrawing participants as of beginning of year	(236,134)	(196,448)
 Benefits paid to participants per the Form 5500	 \$ 11,642,112	 \$ 17,638,485

The following is a reconciliation of investment income (loss) per the financial statements to the Form 5500 Annual Return/Report of Employee Benefit Plan:

	<b>Years Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Investment income (loss) per the financial statements	\$ (47,275,380)	\$ 24,435,913
Adjustment from contract value to fair value for fully benefit-responsive investment contracts as of end of year	(2,029,870)	(125,399)
Adjustment from contract value to fair value for fully benefit-responsive investment contracts as of beginning of year	125,399	207,392
 Investment income (loss) per the Form 5500	 \$ (49,179,851)	 \$ 24,517,906

The following is a reconciliation of deemed distributions of participant loans per the financial statements to the Form 5500 Annual Return/Report of Employee Benefit Plan:

	<b>Years Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Deemed distributions of participant loans per the financial statements	\$	\$
Deemed distributions of participant loans as of end of year	105,823	86,744
Deemed distributions of participant loans as of beginning of year	(86,744)	
 Deemed distributions of participant loans per the Form 5500	 \$ 19,079	 \$ 86,744

**Table of Contents**

**VALERO ENERGY CORPORATION SAVINGS PLAN**  
**EIN: 74-1828067**  
**Plan No. 003**  
**Schedule H, line 4i Schedule of Assets (Held at End of Year)**  
**As of December 31, 2008**

<b>Identity of Issue/Description of Investment</b>	<b>Current Value</b>
Common stock:	
*Valero Energy Corporation	\$ 17,670,932
Common/collective trusts:	
Barclays LifePath 2010 Portfolio	591,362
Barclays LifePath 2015 Portfolio	1,317,013
Barclays LifePath 2020 Portfolio	1,209,580
Barclays LifePath 2025 Portfolio	1,169,790
Barclays LifePath 2030 Portfolio	1,025,945
Barclays LifePath 2035 Portfolio	680,560
Barclays LifePath 2040 Portfolio	441,484
Barclays LifePath 2045 Portfolio	312,166
Barclays LifePath 2050 Portfolio	400,088
Barclays LifePath Retirement Portfolio	195,493
*Merrill Lynch Equity Index Trust	1,049,504
*Retirement Preservation Trust	12,573,274
Total common/collective trusts	20,966,259
Mutual funds:	
American Funds EuroPacific Growth Fund	780,467
American Funds Growth Fund of America	760,751
Ariel Fund	102,192
*BlackRock Basic Value Fund, Inc.	1,504,889
*BlackRock Small Cap Growth Equity Portfolio	71,978
Pioneer Bond Fund	1,157,488
Vanguard PRIMECAP Fund	1,564,004
Victory Small Company Opportunity Fund	110,595
Total mutual funds	6,052,364
*Participant loans (interest rates range from 5.0% to 10.5%; maturity dates range from January 2009 to December 2023)	6,520,930
Total investments	\$ 51,210,485

\*

Party-in-interest  
to the Plan.

See accompanying report of independent registered public accounting firm.

16

---

**Table of Contents**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Valero Energy Corporation Benefit Plans Administrative Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**VALERO ENERGY CORPORATION SAVINGS PLAN**

By: /s/ Donna M. Titzman  
Donna M. Titzman  
Chairman of the Valero Energy Corporation  
Benefit Plans Administrative Committee  
Vice President and Treasurer, Valero Energy  
Corporation

Date: June 29, 2009