

FIRST CASH FINANCIAL SERVICES INC  
Form DEF 14A  
April 25, 2013

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. \_\_)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Soliciting Material Pursuant to Section 240.14a-12

First Cash Financial Services, Inc.

(Name of Registrant as Specified in its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:



First Cash Financial Services, Inc.  
690 East Lamar Boulevard, Suite 400  
Arlington, Texas 76011

---

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held June 12, 2013

---

To Our Stockholders:

We cordially invite you to attend the Annual Meeting of Stockholders of First Cash Financial Services, Inc. (the "Company"). Our 2013 Annual Meeting will be held at the Company's corporate offices located at 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011 at 10:00 a.m. CDT on Wednesday, June 12, 2013, for the following purposes:

1. To elect Ambassador Jorge Montañó as a director of the Company;
2. To ratify the selection of Hein & Associates LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2013;
3. To consider an advisory vote on the compensation of the Company's named executive officers; and
4. To transact such other business as may properly come before the meeting.

You should read with care the attached Proxy Statement, which contains detailed information about these proposals.

Common stockholders of record at the close of business on April 18, 2013 will be entitled to notice of and to vote at the meeting.

Your vote is important, and accordingly, we urge you to complete, sign, date and return your Proxy card promptly in the enclosed postage-paid envelope. The fact that you have returned your Proxy in advance will in no way affect your right to vote in person should you attend the meeting. However, by signing and returning the Proxy, you have assured representation of your shares.

We hope that you will be able to join us on June 12.

Very truly yours,

Arlington, Texas  
May 3, 2013

/s/ Rick L. Wessel  
Rick L. Wessel  
Chairman of the Board, Chief Executive Officer and President

First Cash Financial Services, Inc.  
690 East Lamar Boulevard, Suite 400  
Arlington, Texas 76011

---

PROXY STATEMENT  
Annual Meeting of Stockholders

---

This Proxy Statement is being furnished to stockholders in connection with the solicitation of proxies by the Board of Directors of First Cash Financial Services, Inc., a Delaware corporation (the "Company"), for use at the Annual Meeting of Stockholders of the Company (the "Annual Meeting") to be held at the Company's corporate offices located at 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011 at 10:00 a.m. CDT, on Wednesday, June 12, 2013, and at any adjournments thereof for the purpose of considering and voting upon the matters set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and the accompanying form of proxy are first being mailed to stockholders on or about May 3, 2013.

The close of business on April 18, 2013 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. As of the record date, there were 29,632,608 shares of the Company's common stock, par value \$.01 per share ("Common Stock"), issued and outstanding. The presence, in person or by proxy, of a majority of the outstanding shares of Common Stock on the record date is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker non-votes will be counted as present for the purposes of determining the presence of a quorum. A broker non-vote occurs when a bank, broker or other nominee who holds shares for another person returns a proxy but does not vote on a particular item, usually because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares.

Each share of Common Stock is entitled to one vote on all questions requiring a stockholder vote at the Annual Meeting. The votes required to act on each proposal at the Annual Meeting are summarized below.

Item 1 (Election of Director). A plurality of the votes of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required for the approval of the election of the director under Item 1 as set forth in the accompanying Notice. Stockholders may not cumulate their votes in the election of the director. Abstentions and broker non-votes will not be counted as having been voted on Item 1 and will have no effect on the outcome of the vote.

Item 2 (Ratification of Independent Registered Public Accounting Firm). The affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required for the approval of Item 2. The ratification of the selection of Hein & Associates LLP as the Company's independent public accountants for 2013 will be deemed to be a discretionary matter and brokers will be permitted to vote uninstructed shares as to such matter. Therefore there will be no broker non-votes on this proposal. Abstentions will have the same effect as votes against Item 2.

Item 3 (Advisory Vote on Executive Compensation). The non-binding resolution to approve the compensation of the Company's executive officers will be approved if a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting vote in favor of the proposal. Broker non-votes will not be counted as having been voted on Item 3, and will have no effect on the outcome of the vote. Abstentions will have the same effect as votes against Item 3.

Stockholder Proposals. If any stockholder proposal is properly presented at the Annual Meeting, the stockholder proposal will be approved if it receives the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting. Broker non-votes will not be counted as having been voted on such a proposal, and will have no effect on the outcome of the vote. Abstentions will have the same effect as votes against any shareholder proposal.

If you are a stockholder of record, you may vote in person at the Annual Meeting, or by proxy without attending the Annual Meeting. You may vote by mail by signing, dating and returning your proxy card in the enclosed prepaid envelope. You may also vote over the Internet or by telephone. The proxy card we mail you will instruct you on how to vote over the Internet or by telephone. If you hold your shares in an account through a broker or other nominee in "street name," you should complete, sign and date the voting instruction card that your broker or nominee provides to you or as your broker or nominee otherwise instructs.

All shares represented by properly executed proxies, unless such proxies previously have been revoked, will be voted at the Annual Meeting in accordance with the directions on the proxies. If no direction is indicated, the shares will be voted to: (i) ELECT AMB. JORGE MONTAÑO AS A DIRECTOR; (ii) RATIFY THE SELECTION OF HEIN & ASSOCIATES LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2013; (iii) APPROVE THE ADVISORY PROPOSAL ON THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS; AND (iv) TRANSACT SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING. The enclosed proxy, even though executed and returned, may be revoked at any time prior to the voting of the proxy (a) by the execution and submission of a revised proxy, (b) by written notice to the Secretary of the Company or (c) by voting in person at the Annual Meeting.

#### ANNUAL REPORT

The Annual Report on Form 10-K, covering the Company's fiscal year ended December 31, 2012 including audited financial statements, is enclosed herewith. The Annual Report on Form 10-K does not form any part of the material for solicitation of proxies.

The Company's website can be accessed at [www.firstcash.com](http://www.firstcash.com), where a link to the Annual Report on Form 10-K is available on the Investor Relations page of the website. The Company will provide, without charge, a printed copy of its Annual Report on Form 10-K upon written request to R. Douglas Orr, Chief Financial Officer, at 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011. The Company will provide exhibits to its Annual Report on Form 10-K, upon payment of the reasonable expenses incurred by the Company in furnishing such exhibits.

#### ITEM 1

##### TO ELECT ONE DIRECTOR

The Bylaws of the Company provide that the Board of Directors will determine the number of directors, but shall consist of at least one director and no more than 15 directors. The stockholders of the Company elect the directors. At each annual meeting of the stockholders of the Company, successors of the class of directors whose term expires at the annual meeting will be elected for a three-year term. Any director elected to fill a vacancy or newly created directorship resulting from an increase in the authorized number of directors shall hold office for a term that shall coincide with the remaining term of that class. In no case will a decrease in the number of directors shorten the term of any incumbent director. Any vacancy on the Board of Directors howsoever resulting may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. The stockholders will elect one director for the coming year; the nominee presently serves as a director of the Company and will be appointed for a term of three years.

Unless otherwise instructed or unless authority to vote is withheld, the enclosed proxy will be voted for the election of the nominee listed herein. Although the Board of Directors does not contemplate that the nominee will be unable to serve, if such a situation arises prior to the Annual Meeting, the person named in the enclosed proxy will vote for the election of such other person as may be nominated by the Board of Directors.

The Board of Directors of the Company currently consists of four directors divided into three classes. At each annual meeting of stockholders, one class is elected to hold office for a term of three years. Directors serving until the earlier of (i) resignation or (ii) expiration of their terms at the annual meeting of stockholders in the years indicated as follows: 2013 - Amb. Jorge Montaño; 2014 - Messrs. Mikel D. Faulkner and Randel G. Owen; and 2015 - Mr. Rick L. Wessel.

The director standing for election at this year's Annual Meeting of Stockholders is as follows:

Ambassador Jorge Montaña, age 67, was elected to the Board of Directors in 2010. He is a native and resident of Mexico, where he has served in a variety of senior diplomatic positions and business consulting roles. His extensive diplomatic career includes service as Ambassador of Mexico to the United States, Permanent representative of Mexico to the United Nations and Assistant Secretary of Foreign Affairs. He was part of Mexico's NAFTA negotiations team and a private consultant on NAFTA affairs. Amb. Montaña is currently the President of Asesoría y Análisis, a Mexico-based consulting and lobbying firm, a position he has held since 1995. In addition, he has served as a professor of International Organizations at the Instituto Tecnológico Autónoma de México since 1996. Amb. Montaña has a doctoral degree in international affairs from the London School of Economics. The Company believes that Amb. Montaña is qualified to serve as a director of the Company based on his educational background and experience as an international diplomat and business consultant.

#### Directors Not Standing For Election

Rick L. Wessel, age 54, has served as chairman of the board since October 2010, as chief executive officer since November 2006, as president since May 1998 and has been a director since November 1992. He previously served as vice chairman of the board from November 2004 to October 2010 and secretary and treasurer of the Company from May 1992 to November 2006 and the Company's chief financial officer from May 1992 to December 2002. Prior to February 1992, Mr. Wessel was employed by Price Waterhouse LLP for approximately nine years.

Mikel D. Faulkner, age 63, was appointed to the Board of Directors in 2009. He has served as chief executive officer of HKN, Inc. (OTCQB: HKNI) since 1982 and president of HKN since 2003. HKN, Inc., formerly Harken Energy Corporation, is an independent energy company engaged both in the development and production of crude oil, natural gas and coalbed methane assets. Since 2002, Mr. Faulkner has also served as chairman of the board of directors of Global Energy Development PLC, a quoted company on the London Stock Exchange (AIM). The Company believes that Mr. Faulkner is qualified to serve as a director of the Company based on his experience as a chief executive officer and board member for publicly-held, multi-national corporations.

Randel G. Owen, age 54, was appointed to the Board of Directors in 2009. He currently serves as executive vice president and chief operating officer/chief financial officer of Emergency Medical Services Corporation (EMS). EMS is the holding company for American Medical Response and EmCare. Prior to the formation of EMS in 2005, Mr. Owen served as executive vice president and chief financial officer of American Medical Response from 2003 to 2005 and experience in a progression of senior financial positions, including chief financial officer, at EmCare Holdings, Inc. from 1999 to 2003. The Company believes that Mr. Owen is qualified to serve as a director of the Company based on his experience as the principal financial and accounting officer for a publicly-held corporation.

#### Required Vote

Proxies will be voted for the election of Amb. Montañó as a director of the Company unless otherwise specified in the proxy. A plurality of the votes cast by the holders of shares of Common Stock present in person or represented by proxy at the Annual Meeting will be necessary to elect the nominee as a director. If, for any reason, any nominee is unable or unwilling to serve, the proxies will be voted for a substitute nominee who will be designated by the Board of Directors at the Annual Meeting. Stockholders may abstain from voting by marking the appropriate boxes on the accompanying proxy. Abstentions will be counted separately and used for purposes of calculating whether a quorum is present at the Annual Meeting. The Company has adopted a voting policy for non-contested director elections, which is described below in the "Corporate Governance" section.

#### Recommendation of the Board of Directors

The Nominating and Corporate Governance Committee of the Board and the entire Board of Directors unanimously recommend a vote "FOR" the election of Amb. Montañó as a director of the Company.

#### CORPORATE GOVERNANCE AND BOARD MATTERS

##### Board of Directors, Committees and Meetings

The Board of Directors held ten meetings during the year ended December 31, 2012. Messrs. Wessel, Faulkner, Owen and Amb. Montañó each attended, either telephonically or in person, all of the meetings of the Board of Directors during the year ended December 31, 2012. Members of the Board of Directors are encouraged to attend the Company's annual meeting; however, attendance is not mandatory. Mr. Wessel attended last year's Annual Meeting.



During 2012, the Audit and Compensation Committees each consisted of Mr. Faulkner, Mr. Owen and Amb. Montaña; the Nominating and Corporate Governance Committee consisted of Mr. Owen and Amb. Montaña. The Audit Committee held four meetings during the year ended December 31, 2012, the Compensation Committee held three meetings during the year ended December 31, 2012, and the Nominating and Corporate Governance Committee held one meeting during the year ended December 31, 2012. Each member attended 100% of the committee meetings, either in person or telephonically.

Audit Committee. The Audit Committee is responsible for the oversight of the Company's accounting and financial reporting processes. This includes the selection and engagement of the Company's independent registered public accounting firm and review of the scope of the annual audit, audit fees and results of the audit. The Audit Committee reviews and discusses with management and the Board of Directors such matters as accounting policies, internal accounting controls, procedures for preparation of financial statements and other financial disclosures, scope of the audit, the audit plan and the independence of such accountants. In addition, the Audit Committee has oversight over the Company's internal audit function. The Board of Directors has determined that Messrs. Faulkner and Owen are Audit

Committee financial experts as defined by Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934, as amended (“Exchange Act”), and independent under the listing standards of The NASDAQ Global Select Stock Market (“NASDAQ”).

**Compensation Committee.** The Compensation Committee approves the standards for salary ranges for executive, managerial and technical personnel of the Company and establishes, subject to existing employment contracts, the specific compensation, incentive and bonus plans of all corporate officers. In addition, the Compensation Committee oversees the Company’s stock option plans and the incentive compensation plans.

**Nominating and Corporate Governance Committee.** The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board of Directors concerning the governance structure and practices of the Company, including the size of the Board of Directors and the size and composition of various committees of the Board of Directors. In addition, the Nominating and Corporate Governance Committee is responsible for identifying individuals believed to be qualified to become directors, and to recommend to the Board of Directors the nominees to stand for election as directors at the Annual Meeting of Stockholders.

#### Directors' Fees

For the year ended December 31, 2012, the independent directors received compensation for service as a director and attending the 2012 meetings of the Board of Directors and committee meetings thereof. In addition, the directors were reimbursed for their reasonable expenses incurred for each Board of Directors and committee meetings attended. See “Compensation of Directors” for a complete summary.

#### Code of Ethics

The Company has adopted a Code of Ethics that applies to all of its directors, officers, and key employees. This Code of Ethics is publicly available on the Company’s website at [www.firstcash.com](http://www.firstcash.com). The Company intends to disclose future amendments to, or waivers from, certain provisions of its Code of Ethics on its website in accordance with applicable NASDAQ and the Securities and Exchange Commission (“SEC”) requirements. In addition, the Board of Directors has adopted charters for the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The committee charters can be accessed on the Company’s website at [www.firstcash.com](http://www.firstcash.com). Copies of the Company’s Code of Ethics and committee charters are also available, free of charge, by submitting a written request to First Cash Financial Services, Inc., Investor Relations, 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011.

#### Director Election (Majority Voting) Policy

The Company has adopted a Director Election (Majority Voting) Policy. Pursuant to this policy, in an uncontested election of directors (that is, an election where the number of nominees is equal to the number of seats open) any nominee for director who receives a greater number of “WITHHOLD” votes than “FOR” votes for his election must promptly submit an offer of resignation to the Nominating and Corporate Governance Committee following the certification of the stockholder vote for consideration in accordance with the following procedures.

The Nominating and Governance Committee will consider any tendered resignation and, promptly following the date of the shareholders’ meeting at which the election occurred, will make a recommendation to the Board concerning the acceptance or rejection of such resignation. In determining its recommendation to the Board, the Nominating and Governance Committee will consider all factors deemed relevant by the members of the Nominating and Governance Committee including, without limitation, the stated reason or reasons why shareholders who cast “withhold” votes for the director did so, the qualifications of the director (including, for example, the impact the director’s resignation would have on the Company’s compliance with the requirements of the Securities and Exchange Commission and the

rules of the NASDAQ), and whether the director's resignation from the Board would be in the best interests of the Company and its shareholders.

The Nominating and Governance Committee also will consider a range of possible alternatives concerning the director's tendered resignation as members of the Committee deem appropriate including, without limitation, acceptance of the resignation, rejection of the resignation, or rejection of the resignation coupled with a commitment to seek to address and cure the underlying reasons reasonably believed by the Nominating and Governance Committee to have substantially resulted in the "withheld" votes.

#### Director Independence

The Board of Directors has determined that, with the exception of Mr. Wessel, chief executive officer and president of the Company, all of its directors, including all of the members of the Audit, Compensation, and Nominating and Corporate Governance Committees, are "independent" as defined by NASDAQ and the SEC and for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). No director is deemed independent unless the Board of Directors affirmatively determines that the director has

no relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making its determination, the Board of Directors observes all criteria for independence established by the rules of the SEC and NASDAQ.

#### Oversight of Risk Management

The Board of Directors is responsible for overseeing and monitoring the material risks facing the Company. In its oversight role, the Board of Directors regularly reviews the Company's strategic initiatives, which address, among other things, the risks and opportunities facing the Company. The Board also has overall responsibility for executive officer succession planning and reviews succession plans from time to time. The Board has delegated certain risk management oversight responsibility to the Board committees. As part of its responsibilities set forth in its charter, the Audit Committee is responsible for discussing with management the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures, including the Company's risk assessment and risk management policies.

The Compensation Committee reviews the risks and rewards associated with the Company's compensation programs. The Compensation Committee designs compensation programs with features that mitigate risk without diminishing the incentive nature of the compensation. While these performance-based compensation and equity programs have been designed and administered in a manner that discourages undue risk-taking by employees, the Compensation Committee believes these programs create appropriate incentives to increase long-term stockholder value. The Compensation Committee has discussed the concept of risk as it relates to the compensation programs and the Committee does not believe the compensation programs encourage excessive or inappropriate risk taking for the following reasons:

The Company structures its pay to consist of both fixed and variable compensation. The fixed (or salary) portion of compensation is designed to provide a steady income regardless of the Company's stock price performance so that executives do not feel pressured to focus exclusively on stock price performance to the detriment of other important business metrics. The variable (both annual cash awards and equity-based incentive compensation) portions of compensation are designed to reward both short- and long-term corporate performance. For short-term performance, the Company's annual cash awards are based primarily on achieving earnings per share targets, with additional targets related to growth in revenue, gross profit and store locations. For long-term performance, restricted stock awards generally vest over at least four years and only vest if the Company achieves annual earnings growth targets over a multi-year vesting period. The Company feels that these variable elements of compensation are a sufficient percentage of overall compensation to motivate executives to produce superior short- and long-term corporate results, while the fixed element is also sufficiently high that the executives are not encouraged to take unnecessary or excessive risks in doing so.

Because net income and earnings per share are the primary performance measures for determining incentive payments, the Company believes its executives are encouraged to take a balanced approach that focuses on corporate profitability, rather than other measures which may incentivize management to drive sales or growth targets without regard to cost structure. If the Company is not profitable at a reasonable level, there are no payouts under the annual incentive cash award program.

The Company caps cash payments under the annual incentive plan, which the Company believes also mitigates excessive risk taking. Even if the company dramatically exceeds its net income and earnings per share targets, bonus payouts are limited by such caps. Conversely, the Company has a floor on the net income and earnings per share targets so that profitability below a certain level (as approved by the Compensation Committee) does not permit bonus payouts.

The Company's bonus program has been structured primarily around the attainment of net income and/or earnings per share targets for many years and the Company has seen no evidence that it encourages unnecessary or excessive risk taking.

•

The Company's use of distinct long-term incentive vehicles - both restricted stock awards and stock options - having either premium price features and/or vesting over a number of years, thereby providing strong incentives for sustained operational and financial performance.

The Compensation Committee has discretion to adjust payouts under both the annual and long-term performance plans to reflect the core operating performance of the business, but prohibits discretion for payouts above stated maximum awards.

#### Board Leadership Structure

The Board recognizes that the leadership structure and combination or separation of the chief executive officer and chairman roles is driven by the needs of the Company at any point in time. The Board does not believe there should be a fixed rule as to whether the offices of chairman and chief executive officer should be vested in the same person or two different people, or whether the chairman should be an employee of the Company or should be elected from among the non-employee directors. The needs of the Company and the individuals available to fulfill these roles may dictate different outcomes at different times, and the Board believes that retaining flexibility in these decisions is in the best interest of the Company and its stockholders.

The Board has determined that the Company and its stockholders are currently best served by having one person serve as both chairman and chief executive officer as it allows for a bridge between the Board and management and provides critical leadership for carrying out the Company's strategic initiatives and confronting its challenges. Mr. Wessel's service as chairman facilitates the Board's decision-making process because Mr. Wessel has first-hand knowledge of the Company's operations and the major issues facing the Company, and he chairs the Board meetings where the Board discusses strategic and business issues. Mr. Wessel is the only member of executive management who is also a director. The Board does not have a lead independent director.

#### Director Qualifications

In discharging its responsibilities to nominate candidates for election to the Board of Directors, the Nominating and Corporate Governance Committee has not specified any minimum qualifications for serving on the Board of Directors. However, the Nominating and Corporate Governance Committee endeavors to evaluate, propose and approve candidates, including those recommended by stockholders, with business experience and personal skills in finance, marketing, financial reporting and other areas that may be expected to contribute to an effective Board of Directors. The Nominating and Corporate Governance Committee seeks to assure that the Board of Directors is composed of individuals who have experience relevant to the needs of the Company and who have the highest professional and personal ethics, consistent with the Company's values and standards. Candidates should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Each director must represent the interests of all stockholders.

Although there is no specific policy on considering diversity, the Board of Directors and the Nominating and Corporate Governance Committee take various diversity-related considerations into account in the selection criteria for new directors. The Nominating and Corporate Governance Committee seeks members from diverse professional backgrounds to combine a broad spectrum of experience and expertise with a reputation for integrity. Some additional considerations may include national origin, gender, race, functional background and the diversity of perspectives that the candidate would bring to the Board of Directors.

#### Identifying and Evaluating Nominees for Directors

The Nominating and Corporate Governance Committee will utilize a variety of methods for identifying and evaluating nominees for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current Board of Directors members, professional search firms, stockholders or other persons. These candidates will be evaluated at regular or special meetings of the Nominating and Corporate Governance Committee, and may be considered at any point during the year. As described above, the Nominating and Corporate Governance Committee will consider properly submitted stockholder nominations for candidates for the Board of Directors. The procedures to be followed by stockholders in submitting such nominations are set forth in the "Stockholder Proposals" section. Following verification of the stockholder status of persons proposing candidates, recommendations will be aggregated and considered by the Nominating and Corporate Governance Committee. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials will be forwarded to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee may also review materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a stockholder.

#### Procedure for Contacting Directors

The Board of Directors has established a procedure for stockholders to send communications to the Board of Directors. Stockholders may communicate with the Board of Directors generally or with a specific director at any time by writing to the Company's Corporate Secretary at the Company's address, 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011. The Secretary will review all messages received and will forward any message that

reasonably appears to be a communication from a stockholder about a matter of stockholder interest that is intended for communication to the Board of Directors. Communications will be sent as soon as practicable to the director to whom they are addressed, or if addressed to the Board of Directors generally, to the chairman of the Nominating and Corporate Governance Committee. Because other appropriate avenues of communication exist for matters that are not of stockholder interest, such as general business complaints or employee grievances, communications that do not relate to matters of stockholder interest will not be forwarded to the Board of Directors. The Corporate Secretary has the option, but not the obligation, to forward these other communications to appropriate channels within the Company.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of April 18, 2013, the number and percentage of outstanding shares of our Common Stock owned by: (a) each person who is known by us to be the beneficial owner of more than 5% of our outstanding shares of Common Stock; (b) each of our directors or director nominees; (c) the named executive officers as defined in Item 402 of Regulation S-K; and (d) all directors and executive officers, as a group. As of April 18, 2013, there were 29,632,608 shares of Common Stock issued and outstanding.

Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Under this rule, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire shares (for example, upon exercise of an option or warrant) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares is deemed to include the amount of shares beneficially owned by such person by reason of such acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the following table does not necessarily reflect the person's actual voting power at any particular date.

To the best of the Company's knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

Name		Shares Beneficially Owned		
		Number	Percent	
BlackRock Inc.	(1)	2,533,466	8.55	%
Vanguard Group Inc.	(2)	1,712,909	5.78	
Officers and Directors:				
Rick L. Wessel	(3)	882,700	2.95	
R. Douglas Orr	(4)	226,500	0.76	
Jim A. Motley	(5)	4,916	0.02	
Peter H. Watson	(6)	400	—	
Mikel D. Faulkner		—	—	
Jorge Montaña		—	—	
Randel G. Owen		—	—	

Executive officers and directors as a group

(7 persons, including the nominee(s) for director) 1,114,516 3.73 %

(1) According to a Schedule 13G filed with the SEC on February 1, 2013, BlackRock Inc. beneficially owns 2,533,466 shares. BlackRock Inc.'s address is 40 East 52nd Street, New York, NY 10022.

(2) According to a Schedule 13G filed with the SEC on February 12, 2013, Vanguard Group Inc. beneficially owns 1,712,909 shares. Vanguard Group Inc.'s address is 100 Vanguard Blvd., Malvern, PA 19355.

(3) Comprised of (i) a stock option to purchase 70,000 shares at a price of \$15.00 per share to expire in December 2015, (ii) a stock option to purchase 90,000 shares at a price of \$17.00 per share to expire in December 2015, (iii) a stock option to purchase 90,000 shares at a price of \$19.00 per share to expire in December 2015, (iv) a stock option to purchase 90,000 shares at a price of \$20.00 per share to expire in January 2015 and (v) 542,700 shares of common stock.

(4) Comprised of (i) a stock option to purchase 60,000 shares at a price of \$17.00 per share to expire in December 2015, (ii) a stock option to purchase 60,000 shares at a price of \$19.00 per share to expire in December 2015, (iii) a stock option to purchase 60,000 shares at a price of \$20.00 per share to expire in January 2015 and (iv) 46,500 shares of common stock.

(5) Comprised of (i) a stock option to purchase 4,166 shares at a price of \$24.57 per share to expire in April 2017 and (ii) 750 shares of common stock.

(6) Comprised of 400 shares of common stock.



## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely on the reports furnished pursuant to Section 16a-3(e) of the Exchange Act and representations made to the Company, all reports as required under Section 16(a) of the Exchange Act were filed on a timely basis during the year ending December 31, 2012.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The CompTYLE="BORDER-COLLAPSE:COLLAPSE; font-family:Times New Roman; font-size:10pt" BORDER="0" CELLPADDING="0" CELLSPACING="0" WIDTH="100%"> 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 alternative fuels;

the volatility in the market price of biofuel credits (primarily Renewable Identification Numbers needed to comply with the U.S. federal Renewable Fuel Standard);

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 implemented under the California Global Warming Solutions Act (also known as AB 32), Quebec's Regulation respecting the cap-and-trade system for greenhouse gas emission allowances (the Quebec cap-and-trade system), and the U.S. Environmental Protection Agency'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 our most recent Annual Report on Form 10-K filed with the SEC, as those risk factors are amended or supplemented by subsequent Quarterly Reports on Form 10-Q and other reports and documents we file with the SEC after the date of this prospectus that are incorporated by reference herein.

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.

**Table of Contents****Risk Factors**

Investing in our securities involves significant risks. Before making an investment decision, you should carefully consider the risks and other information we include or incorporate by reference in this prospectus. In particular, you should consider the risk factors set forth in our most recent Annual Report on Form 10-K filed with the SEC, as those risk factors are amended or supplemented by subsequent Quarterly Reports on Form 10-Q and other reports and documents we file with the SEC after the date of this prospectus that are incorporated by reference herein. The risks and uncertainties we have described are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations. Additional risk factors may be included in a prospectus supplement relating to a particular offering of securities.

**Valero Energy Corporation**

We are a Fortune 500 company based in San Antonio, Texas. 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, 2015, we had 10,065 employees.

Our 15 petroleum refineries are located in the U.S., Canada, and the United Kingdom ( U.K. ). 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 11 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.

Our principal executive offices are located at One Valero Way, San Antonio, Texas, 78249, and our telephone number is (210) 345-2000.

**Use of Proceeds**

We intend to use the net proceeds from the sales of the securities for general corporate purposes unless otherwise set forth in the applicable prospectus supplement.

**Ratios of Earnings to Fixed Charges**

Our ratios of earnings to fixed charges for each of the periods indicated are as follows:

	<b>Years Ended December 31, <sup>(a)</sup></b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Ratio of earnings to fixed charges	9.0	6.6	7.2	5.7	3.3

(a) The results of operations of the Aruba Refinery have been reported as discontinued operations for all years presented.

We have computed the ratio of earnings to fixed charges by dividing earnings by fixed charges. For these purposes, earnings consist of income from continuing operations before income tax expense and fixed charges

## **Table of Contents**

(excluding interest capitalized), with certain other adjustments. Fixed charges consist of interest, whether expensed or capitalized, debt expense and one-third (the proportion deemed representative of the interest factor) of rental expense.

### **Description of Debt Securities**

The debt securities covered by this prospectus will be our general senior unsecured obligations. We will issue the debt securities under the Indenture dated as of March 10, 2015 between us and U.S. Bank National Association, as trustee, which we refer to herein as the indenture. We have summarized selected provisions of the indenture and the debt securities below. This summary is not complete. For a complete description, we encourage you to read the indenture. We have filed the indenture with the SEC, and we will include any other instrument establishing the terms of any debt securities we offer as exhibits to a filing we will make with the SEC in connection with that offering. Please read [Where You Can Find More Information](#).

In this summary description of the debt securities, unless we state otherwise or the context clearly indicates otherwise, all references to we, us, our or Valero are references to Valero Energy Corporation only.

### **Ranking**

The debt securities will constitute senior debt and will rank equally with all of our unsecured and unsubordinated debt. The indenture does not limit the amount of debt securities that can be issued under the indenture or the amount of additional indebtedness we or any of our subsidiaries may incur. We may issue debt securities under the indenture from time to time in one or more series, each in an amount we authorize prior to issuance. The trustee will authenticate and deliver debt securities executed and delivered to it by us as set forth in the indenture.

We are organized as a holding company that owns subsidiary companies. Our subsidiary companies conduct substantially all of our business. The holding company structure results in two principal risks:

Our subsidiaries may be restricted by contractual provisions or applicable laws from providing us the cash that we need to pay parent company debt service obligations, including payments on the debt securities.

In any liquidation, reorganization or insolvency proceeding involving us, your claim as a holder of the debt securities will be effectively junior to the claims of holders of any indebtedness or preferred stock of our subsidiaries.

### **Terms**

The prospectus supplement relating to any series of debt securities we are offering will include specific terms relating to that offering. These terms will include some or all of the following:

the title of the debt securities;

any limit on the total principal amount of the debt securities;

the date or dates on which the principal of the debt securities will be payable;

any interest rate, or the method of determining the interest rate, on the debt securities, the date from which interest will accrue, interest payment dates and record dates;

any right to defer interest payments by extending the interest payment periods and the duration of the extension;

if other than as set forth in this prospectus, the place or places where payments on the debt securities will be payable;

any optional redemption provisions;

**Table of Contents**

any sinking fund or other provisions that would obligate us to redeem or purchase the debt securities;

any provisions for the remarketing of the debt securities;

any changes or additions to the events of default or covenants;

whether we will issue the debt securities in individual certificates to each holder in registered or bearer form, or in the form of temporary or permanent global securities held by a depository on behalf of holders;

the denominations in which we will issue the debt securities, if other than minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof;

the terms of any right to convert debt securities into shares of our common stock or other securities or property;

whether payments on the debt securities will be payable in foreign currency or currency units (including composite currencies) or another form;

any provisions that would determine the amount of principal, premium, if any, or interest, if any, on the debt securities by references to an index or pursuant to a formula;

the portion of the principal amount of the debt securities that will be payable if the maturity is accelerated, if other than the entire principal amount;

any limit on our right to pay dividends on, make distributions with respect to, redeem or purchase any of our capital stock; and

any other terms of the debt securities not inconsistent with the indenture.

We may sell the debt securities at a discount, which may be substantial, below their stated principal amount. These debt securities may bear no interest or interest at a rate that at the time of issuance is below market rates. We will describe in the prospectus supplement any material U.S. federal income tax consequences applicable to those securities.

If we sell any of the debt securities for any foreign currency or currency unit or if payments on the debt securities are payable in any foreign currency or currency unit, we will describe in the prospectus supplement the restrictions, elections, tax consequences, specific terms and other information relating to those debt securities and the foreign currency or currency unit.

## **Restrictive Covenants**

We have agreed to two principal restrictions on our activities for the benefit of holders of the debt securities. Unless waived or amended, the restrictive covenants summarized below will apply to a series of debt securities issued under the indenture as long as any of those debt securities is outstanding, unless the prospectus supplement for the series states otherwise. We have used in this summary description terms that we have defined below under [Glossary](#).

### ***Limitations on Liens***

We have agreed that when any debt securities are outstanding neither we nor any of our Subsidiaries will create or assume any liens upon any of our receivables or other assets or any asset, stock or indebtedness of any of our Subsidiaries unless those debt securities are secured equally and ratably with or prior to the debt secured by the lien. This covenant has exceptions that permit:

subject to certain limitations, any lien created to secure all or part of the purchase price of any property or to secure a loan made to finance the acquisition of the property described in such lien;

subject to certain limitations, any lien existing on any property at the time of its acquisition or any lien created on property acquired or constructed by us not later than 12 months thereafter;



**Table of Contents**

subject to certain limitations, any lien created in connection with the operation or use of any property acquired or constructed by us and created within 12 months after the acquisition, construction or commencement of full operations on the property;

any mechanic's or materialmen's lien or any lien related to workmen's compensation or other insurance;

any lien arising by reason of deposits with or the giving of any form of security to any governmental agency, including for taxes and other governmental charges;

liens for taxes or charges which are not delinquent or are being contested in good faith;

liens due to zoning, planning and environmental laws and ordinances and governmental regulations; minor defects or irregularities in or encumbrances on the titles to properties which in the aggregate do not materially impair the use of our property; easements, exceptions or reservations in any of our property granted or reserved for the purpose of pipelines, roads, telecommunication equipment and cable, streets, alleys, highways, railroad purposes, the removal of oil, gas, coal or other minerals or timber, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of our property, or materially detract from the value of the property subject thereto;

any judgment lien the execution of which has been stayed or which has been adequately appealed and secured;

any lien incidental to the conduct of our business which was not incurred in connection with the borrowing of money or the obtaining of advances or credit and which does not materially interfere with the conduct of our business;

any intercompany lien;

any lien on current assets created to secure indebtedness and letter of credit reimbursement obligations incurred in connection with the extension of working capital financing;

any lien existing on the date of the indenture;

liens incurred in connection with the borrowing of funds, if such funds are used within 120 days to repay indebtedness of at least an equal amount secured by a lien on our property having a fair market value at least equal to the fair market value of the property securing the new lien;

liens incurred within 90 days (or any longer period, not in excess of one year, as permitted by law) after acquisition of the property subject to such lien arising solely in connection with the transfer of tax benefits in accordance with any provisions of law similar to former Section 168(f)(8) of the Internal Revenue Code of 1954;

subject to an aggregate limit of \$200 million, any lien on cash, cash equivalents or other account holdings securing derivative obligations; or

subject to an aggregate limit of 10% of our consolidated net tangible assets, any liens not otherwise permitted by any of the other exceptions set forth in the indenture.

***Limitations on Sale/Leaseback Transactions***

We have agreed that neither we nor our Subsidiaries will enter into any sale/leaseback transactions with regard to any principal property, providing for the leasing back to us or a Subsidiary by a third party for a period of more than three years of any asset which has been or is to be sold or transferred by us or such Subsidiary to such third party or to any other person. This covenant has exceptions that permit transactions of this nature under the following circumstances:

we would be entitled, pursuant to the Limitations on Liens covenant described above, to incur indebtedness secured by a lien on the property to be leased, without equally and ratably securing the debt securities then outstanding; or

## **Table of Contents**

within 120 days after the effective date of such sale/leaseback transaction, we apply an amount equal to the value of such transaction, subject to certain limitations:

to the voluntary retirement of funded debt, or

to the purchase of another principal property.

In addition, we are permitted to enter into sale/leaseback transactions (i) with Valero Energy Partners GP LLC, Valero Energy Partners LP and their respective Subsidiaries and (ii) in an aggregate principal amount not exceeding, together with indebtedness secured by liens permitted by the last bullet discussed under the Limitations on Liens covenant described above, 10% of our consolidated net tangible assets.

## ***Glossary***

We define the following terms in the indenture. We use them here with the same definitions. Generally accepted accounting principles should be used to determine all items in this section, unless otherwise indicated.

**Consolidated net tangible assets** means the total amount of assets shown on a consolidated balance sheet of us and our Subsidiaries (excluding goodwill and other intangible assets), less all current liabilities (excluding notes payable, short-term debt and current portion of long-term debt and capital lease obligations).

**Funded debt** means generally any indebtedness for money borrowed, created, issued, incurred, assumed or guaranteed which would be classified as long-term debt or capital lease obligations.

**Principal Property** means any of our or our Subsidiaries refineries or refinery-related assets, distribution facilities or other real property that have a net book value exceeding 2.5% of consolidated net tangible assets, but not including any property which in our opinion is not material to our and our Subsidiaries total business conducted as an entirety or any portion of a particular property that is similarly found not to be material to the use or operation of such property.

**Subsidiary** means any entity of which at the time of determination we or one or more of our Subsidiaries owns or controls directly or indirectly more than 50% of the shares of voting stock or the outstanding partnership or similar interests and any limited partnership (i) of which we or any one of our Subsidiaries are a general partner and (ii) which is consolidated with us for financial reporting purposes; provided that Valero Energy Partners GP LLC and Valero Energy Partners LP and their respective Subsidiaries, for so long as Valero Energy Partners LP is not wholly owned, directly or indirectly, by us, in each case shall be deemed not to be Subsidiaries.

**wholly owned** means, when used with reference to an entity, an entity of which all of the outstanding capital stock (except for qualifying shares) or partnership or similar interests, as applicable, is owned by us or by one or more of our wholly owned Subsidiaries.

## **Consolidation, Merger and Sale**

We have agreed in the indenture that we will consolidate with or merge into any entity or transfer or dispose of all or substantially all of our assets to any entity only if:

we are the continuing corporation, or

if we are not the continuing corporation, the successor is organized and existing under the laws of any U.S. jurisdiction and assumes all of our obligations under the indenture and the debt securities, and

in either case, immediately after giving effect to the transaction, no default or event of default would occur and be continuing under the indenture.

**Table of Contents**

**Events of Default**

Unless we inform you otherwise in the prospectus supplement, the following are events of default under the indenture with respect to a series of debt securities issued under the indenture:

our failure to pay interest on any debt security of that series for 30 days;

our failure to pay principal of or any premium on any debt security of that series when due;

our failure to make any sinking fund payment for any debt security of that series when due;

our failure to perform any of our other covenants or breach of any of our other warranties in the indenture, other than a covenant or warranty included in the indenture solely for the benefit of another series of debt securities, and that failure continues for 60 days after written notice is given or received as provided in the indenture;

certain bankruptcy, insolvency or reorganization events involving us; and

any other event of default we may provide for that series.

If an event of default for any series of debt securities occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the outstanding debt securities of the series affected by the default may declare the principal amount of all the debt securities of that series to be due and payable immediately. After any declaration of acceleration of a series of debt securities, but before a judgment or decree for payment has been obtained, the event of default giving rise to the declaration of acceleration will, without further act, be deemed to have been waived, and such declaration and its consequences will, without further act, be deemed to have been rescinded and annulled if:

we have paid or deposited with the trustee a sum sufficient to pay

all overdue interest;

the principal and premium, if any, due otherwise than by the declaration of acceleration and any interest on such amounts;

any interest on overdue interest, to the extent legally permitted;

all amounts due to the trustee under the indenture, and

all events of default with respect to that series of debt securities, other than the nonpayment of the principal which became due solely by virtue of the declaration of acceleration, have been cured or waived.

In most cases, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless the holders have offered to the trustee indemnity reasonably satisfactory to the trustee. Subject to this provision for indemnification, the holders of a majority in aggregate principal amount of the outstanding debt securities of any series may direct the time, method and place of:

conducting any proceeding for any remedy available to the trustee; or

exercising any trust or power conferred on the trustee, with respect to the debt securities of that series.

The indenture requires us to furnish to the trustee annually a statement as to our performance of our obligations under the indenture and as to any default in performance.

#### **Modification and Waiver**

We may modify or amend the indenture without the consent of any holders of the debt securities in certain circumstances, including to:

evidence the assumption of our obligations under the indenture and the debt securities by a successor;

add further covenants for the benefit of the holders;

**Table of Contents**

cure any ambiguity or correct any inconsistency in the indenture, so long as such action will not adversely affect the interests of the holders;

establish the form or terms of debt securities of any series; or

evidence the acceptance of appointment by a successor trustee.

We may modify or amend the indenture with the consent of the holders of a majority in principal amount of the outstanding debt securities of each series affected by the modification or amendment. Without the consent of the holder of each outstanding debt security affected, however, no modification may:

change the stated maturity of the principal of, or any installment of interest on, any debt security;

reduce the principal amount of, the rate of interest on, or the premium payable on, any debt security;

reduce the amount of principal of discounted debt securities payable upon acceleration of maturity due to an event of default;

change the place of payment or the currency in which any debt security is payable;

impair the right to institute suit for the enforcement of any payment on any debt security; or

reduce quorum or voting rights.

The holders of a majority in aggregate principal amount of the outstanding debt securities of each series may waive past defaults by us under the indenture with respect to the debt securities of that series only. Those holders may not, however, waive any default in any payment on any debt security of that series or compliance with a provision that cannot be modified or amended without the consent of each holder affected.

**Discharge**

We will be discharged from all obligations relating to any series of debt securities, except for certain surviving obligations to register the transfer or exchange of the debt securities and any right by the holders to receive additional amounts under the indenture if:

all debt securities of that series previously authenticated and delivered under the indenture have been delivered to the trustee for cancellation, or

all debt securities of that series have become due and payable or will become due and payable within one year, at maturity or by redemption, and we deposit with the trustee, in trust, sufficient money to pay the entire indebtedness of all the debt securities of that series on the dates the payments are due in accordance with the terms of the debt securities.

To exercise the right of deposit described above, we must pay all other sums payable under the indenture, and deliver to the trustee an opinion of counsel and an officers' certificate stating that all conditions precedent to the satisfaction and discharge of the indenture have been complied with.

### **Form, Exchange, Registration and Transfer**

Unless we inform you otherwise in the prospectus supplement, we will issue the debt securities only in fully registered form, without coupons, in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Debt securities will be exchangeable for other debt securities of the same series, the same total principal amount and the same terms in such authorized denominations as may be requested. Holders may present debt securities for registration of transfer at the office of the security registrar or any transfer agent we designate. The security registrar or transfer agent will effect the transfer or exchange when it is satisfied with the documents of



## **Table of Contents**

title and identity of the person making the request. We will not charge a service charge for any transfer or exchange of the debt securities. We may, however, require payment of any tax or other governmental charge payable for the registration of the transfer or exchange.

We will appoint the trustee as security registrar for the debt securities. We are required to maintain an office or agency for transfers and exchanges in each place of payment. We may at any time designate additional offices or agencies for transfers and exchanges of any series of debt securities.

We will not be required:

to issue, register the transfer of or exchange debt securities of a series during a period beginning 15 business days prior to the day of mailing of a notice of redemption of debt securities of that series selected for redemption and ending on the close of business on the day of mailing of the relevant notice, or

to register the transfer of or exchange any debt security, or portion of any debt security, called for redemption, except the unredeemed portion of any debt security we are redeeming in part.

## **Payment and Paying Agents**

Unless we inform you otherwise in the prospectus supplement, principal and interest will be payable, and the debt securities will be transferable and exchangeable, at the office or offices of the trustee or any paying agent we designate. At our option, we will pay interest on the debt securities by check mailed to the holder's registered address or by wire transfer for global debt securities. Unless we inform you otherwise in a prospectus supplement, we will make interest payments to the persons in whose name the debt securities are registered at the close of business on the record date for each interest payment date.

In most cases, the trustee and paying agent will repay to us upon written request any funds held by them for payments on the debt securities that remain unclaimed for two years after the date upon which that payment has become due. After payment to us, holders entitled to the money must look to us for payment.

## **Book-Entry and Settlement**

We may issue the debt securities of a series in the form of one or more global debt securities that would be deposited with a depositary or its nominee identified in the prospectus supplement. The prospectus supplement will describe:

any circumstances under which beneficial owners may exchange their interests in a global debt security for certificated debt securities of the same series with the same total principal amount and the same terms;

the manner in which we will pay principal of and any premium and interest on a global debt security; and

the terms of any depositary arrangement and the rights and limitations of owners of beneficial interests in any global debt security.

**Notices**

Notices to holders will be given by mail to the addresses of such holders as they appear in the security register.

**Governing Law**

New York law will govern the indenture and the debt securities.

## **Table of Contents**

### **The Trustee**

U.S. Bank National Association is the trustee under the indenture.

If an event of default occurs and is continuing, the trustee will be required in the exercise of its rights and powers to use the degree of care and skill of a prudent person under the circumstances in the conduct of his own affairs. The trustee may resign at any time or the holders of a majority in principal amount of the debt securities may remove the trustee. If the trustee resigns, is removed or becomes incapable of acting as trustee or if a vacancy occurs in the office of the trustee for any reason, we will appoint a successor trustee in accordance with the provisions of the indenture.

If the trustee becomes one of our creditors, it will be subject to limitations in the indenture on its rights to obtain payment of claims or to realize on certain property received for any claim, as security or otherwise. The trustee may engage in other transactions with us. If, however, it acquires any conflicting interest, it must eliminate that conflict or resign as required under the Trust Indenture Act of 1939.

### **Description of Common Stock**

We have summarized selected aspects of our common stock below. The summary is not complete. For a complete description, you should refer to our certificate of incorporation and by-laws, each as amended, which are exhibits to the registration statement of which this prospectus is a part.

#### **Common Stock**

Our authorized common stock consists of 1,200,000,000 shares, par value \$0.01 per share. Each share of common stock is entitled to participate equally in dividends as and when declared by our board of directors. The payment of dividends on our common stock may be limited by obligations we may have to holders of any preferred stock. For information regarding restrictions on payments of dividends, see the prospectus supplement applicable to any issuance of common stock.

Common stockholders are entitled to one vote for each share held on all matters submitted to them. Our common stock does not have cumulative voting rights, meaning that holders of a majority of the shares of common stock voting for the election of directors can elect all the directors if they choose to do so.

If we liquidate or dissolve our business, the holders of common stock will share ratably in the distribution of assets available for distribution to stockholders after creditors are paid and preferred stockholders receive their distributions. The shares of common stock have no preemptive rights and are not convertible, redeemable or assessable or entitled to the benefits of any sinking fund.

All issued and outstanding shares of common stock are fully paid and nonassessable. Any shares of common stock we offer under this prospectus will be fully paid and nonassessable.

Our common stock is listed on the NYSE and trades under the symbol VLO.

#### **Anti-Takeover Provisions**

The provisions of Delaware law, our certificate of incorporation and our by-laws, each as amended, summarized below may have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider in his or her best interest, including those attempts that might result in a premium over the

market price for our common stock.

**Preferred Stock**

Our authorized preferred stock consists of 20,000,000 shares, par value \$0.01 per share, issuable in series. Our board of directors can, without action by stockholders, issue one or more series of preferred stock. The board

## **Table of Contents**

can determine for each series the number of shares, designation, relative voting rights, dividend rates, liquidation and other rights, preferences and limitations. In some cases, the issuance of preferred stock could delay or discourage a change in control of us.

The issuance of preferred stock, while providing desired flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power of holders of our common stock. It could also affect the likelihood that holders of our common stock will receive dividend payments and payments upon liquidation.

## **Fair Price Provision**

Our certificate of incorporation contains a fair price provision. Mergers, consolidations and other business combinations involving us and an interested stockholder require the approval of holders of at least 66 2/3% of our outstanding voting stock not owned by the interested stockholder. Interested stockholders include any holder of 15% or more of our outstanding voting stock. The 66 2/3% voting requirement does not apply, however, if the continuing directors, as defined in our certificate of incorporation, approve the business combination, or the business combination meets other specified conditions.

## **Liability of Our Directors**

As permitted by the Delaware General Corporation Law, we have included in our certificate of incorporation a provision that limits our directors' liability for monetary damages for breach of their fiduciary duty of care to us and our stockholders. The provision does not affect the liability of a director:

for any breach of his/her duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

for the declaration or payment of unlawful dividends or unlawful stock repurchases or redemptions; and

for any transaction from which the director derived an improper personal benefit.

This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

## **Stockholder Proposals and Director Nominations**

Our stockholders can submit stockholder proposals and nominate candidates for our board of directors if the stockholders follow advance notice procedures described in our restated by-laws.

Generally, stockholders must submit a written notice between 60 and 90 days before the first anniversary of the date of our previous year's annual stockholders' meeting. To nominate directors, the notice must include the name and address of the stockholder, the class or series and number of shares beneficially owned by the stockholder, information about the nominee required by the SEC and a description of any arrangements or understandings with

respect to the election of directors that exist between the stockholder and any other person. To make stockholder proposals, the notice must include a description of the proposal, the reasons for bringing the proposal before the meeting, the name and address of the stockholder, the class and number of shares owned by the stockholder and any material interest of the stockholder in the proposal.

In each case, if we have changed the date of the annual meeting to more than 30 days before or 60 days after the anniversary date of our previous year's annual stockholders' meeting, stockholders must submit the notice between 60 and 90 days prior to such annual meeting or no later than 10 days after the day we make public the date of the annual meeting.

## **Table of Contents**

Director nominations and stockholder proposals that are late or that do not include all required information may be rejected. This could prevent stockholders from bringing certain matters before an annual meeting, including making nominations for directors.

## **Delaware Anti-takeover Statute**

We are a Delaware corporation and are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents us from engaging in a business combination with an interested stockholder (generally, a person owning 15% or more of our outstanding voting stock) for three years following the time that person becomes a 15% stockholder unless one of the following is satisfied:

before that person became a 15% stockholder, our board of directors approved the transaction in which the stockholder became a 15% stockholder or approved the business combination;

upon completion of the transaction that resulted in the stockholder becoming a 15% stockholder, the stockholder owned at least 85% of our voting stock outstanding at the time the transaction began (excluding stock held by directors who are also officers and by employee stock plans that do not provide employees with the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); and

after the transaction in which that person became a 15% stockholder, the business combination is approved by our board of directors and authorized at a stockholders meeting by at least two-thirds of the outstanding voting stock not owned by the 15% stockholder.

Under Section 203, these restrictions also do not apply to certain business combinations proposed by a 15% stockholder following the disclosure of an extraordinary transaction with a person who was not a 15% stockholder during the previous three years or who became a 15% stockholder with the approval of a majority of our directors. This exception applies only if the extraordinary transaction is approved or not opposed by a majority of our directors who were directors before any person became a 15% stockholder in the previous three years, or the successors of these directors.

## **Other Provisions**

Our certificate of incorporation also provides that:

stockholders may act only at an annual or special meeting and not by written consent;

an 80% vote of the outstanding voting stock is required for the stockholders to amend our restated by-laws; and

an 80% vote of the outstanding voting stock is required to amend our certificate of incorporation with respect to certain matters, including those described in the first two bullet points above.

**Transfer Agent and Registrar**

Computershare Investor Services, LLC, is our transfer agent and registrar.

**Plan of Distribution**

We will set forth in the applicable prospectus supplement a description of the plan of distribution of the securities that may be offered pursuant to this prospectus.



**Table of Contents**

**Legal Matters**

Mr. Jay D. Browning, Esq., our Executive Vice President and General Counsel, will issue opinions about the legality of the offered securities for us. Mr. Browning is our employee and at December 31, 2014, beneficially owned approximately 165,248 shares of our common stock (including shares held under employee benefit plans) and held options under our employee stock option plans to purchase an additional 19,679 shares of our common stock. None of such shares or options were granted in connection with the offering of the securities. Any underwriters will be advised about issues relating to any offering by their own legal counsel.

**Experts**

The consolidated financial statements of Valero Energy Corporation as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2014, have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

**Table of Contents**