

Reso.
2007-0197

**INTRODUCED BY: ALBERT D. LAQUE, PARISH PRESIDENT
(DEPARTMENT OF ECONOMIC DEVELOPMENT & TOURISM)**

RESOLUTION NO. 5445

A resolution authorizing the Parish President of the Parish of St. Charles, State of Louisiana, to execute a preliminary agreement between said Parish and Valero Energy Corporation; authorizing the issuance of revenue bonds in one or more series to finance certain facilities and providing for other matters in connection with the foregoing.

- WHEREAS**, under the authority of Sections 991 through 1001, inclusive of Title 39 of the Louisiana Revised Statutes of 1950, as amended (collectively, the "Act"), and other constitutional and statutory authority supplemental thereto, in order to encourage the location of or addition to industrial enterprises therein or adjoining thereto, the Parish of St. Charles, State of Louisiana (the "Parish"), is authorized to issue revenue bonds and use the funds derived from the sale of such bonds to acquire, purchase, lease, rent, construct, or improve industrial plant sites and industrial plant buildings, and necessary property and appurtenances thereto; and,
- WHEREAS**, Valero Energy Corporation, a Delaware corporation, or related entity (the "Company"), proposes to finance the acquisition, construction and installation of the expansion of its existing refinery located in the Parish (the "Project"), if the Parish will utilize the aforesaid authority in the manner hereinafter provided; and,
- WHEREAS**, this Parish Council has concluded that the aforesaid project meets the criteria and guidelines established by the Parish Council, that the acquisition, construction and installation of said project will benefit the welfare and economy of the citizens of the Parish and that it is in the public interest of said citizens to encourage the acquisition, construction and installation of said facilities; and,
- WHEREAS**, it is the desire of the Parish to meet the criteria of the State Bond Commission in order to have the Project placed on the agenda of the State Bond Commission for approval; and,
- WHEREAS**, the Parish, at the request of the Company, intends to issue the hereinafter described bonds as tax-exempt "Gulf Opportunity Zone Bonds" under Section 1400N of the Internal Revenue Code of 1986, as amended by the Gulf Opportunity Zone Act of 2005 provided that said bonds are designated as such by the State Bond Commission, and further to obtain an allocation of volume cap for such Gulf Opportunity Zone Bonds, and meet the other applicable requirements of the Code; and,
- WHEREAS**, Section 1.150-2 of the income tax regulations prescribed by the Internal Revenue Service require that the Parish of tax-exempt bonds adopt a bond resolution with respect to such bonds or make some other similar expression "official intent" towards the issuance of such bonds prior to the commencement of construction or acquisition of a project to be financed with tax-exempt bonds; and,
- WHEREAS**, the provisions of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), require that an applicable elected representative of a governmental unit approve the issuance of revenue bonds after a public hearing following reasonable public notice; and,

WHEREAS, the Parish desires to give notice of intention to hold a public hearing to consider the issuance of the Bonds in one or more series; and,
WHEREAS, one purpose of this resolution is to satisfy the requirements of said income tax regulations; and,
WHEREAS, it is now the desire of this Parish Council to authorize the Parish President to execute an appropriate agreement evidencing the understanding of this Parish Council with respect to the issuance of the revenue bonds hereinafter described.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ST. CHARLES PARISH COUNCIL acting as the governing authority of the Parish, that:

SECTION 1. Preliminary Approval of Bonds. Pursuant to the authority of the Act, the project, consisting of the acquisition, construction and installation of the expansion of its existing refinery located in the Parish (the "Project"), described and defined in Exhibit A hereto is hereby approved and the financing of a portion of the cost of the acquisition, construction and equipping thereof by the Parish, through the issuance of its revenue bonds in one or more series pursuant to the Act is hereby authorized, such bonds to be in an amount not exceeding One Billion Dollars (\$1,000,000,000), to be designated revenue bonds (the "Bonds") and to be issued in the form of Gulf Opportunity Zone Bonds described in Section 1400N of the Code, subject to the requirements for such bonds as set forth in the Code.

SECTION 2. Authorization of Preliminary Agreement. The Parish President is hereby authorized, empowered, and directed to execute, for and on behalf of the Parish, an agreement between the Parish and the Company, or related entity, authorizing the issuance of the Bonds in an amount not exceeding \$1,000,000,000, to finance the cost of the Project located in the Parish, said Agreement to be substantially in the form and to contain substantially the terms and provisions as set forth in Exhibit A hereto.

SECTION 3. Authorization of Officers. The Parish President and the officers of this Parish Council are authorized and empowered to take any and all further action and to sign any and all documents, instruments and writings as may be necessary to carry out the purposes of this resolution and to file, on behalf of the Parish, with any governmental board or entity having jurisdiction over the Project, such applications or requests for approval thereof as may be required by law

SECTION 4. State Bond Commission and Other State Approvals. Application shall be made to the State Bond Commission for approval of the financing. Application is also authorized to be made to the State Bond Commission, the Governor of the State of Louisiana and/or any other applicable governmental bodies, in connection with the designation of the Bonds as Gulf Opportunity Zone Bonds pursuant to the Gulf Opportunity Zone Act of 2005.

By virtue of the Parish's application for, acceptance and utilization of the benefits of the Louisiana State Bond Commission's approval(s) resolved and set forth herein, it resolves that the Parish understands and agrees that such approval(s) are expressly conditioned upon, and it further resolves that it understands, agrees and binds itself, its successors and assigns, to full and continuing compliance with the "State Bond Commission Policy on Approval of Proposed Use of Swaps, or other forms of Derivative Products Hedges, Etc.", adopted by the State Bond Commission on July 20, 2006, as to the borrowing(s) and other matter(s)

subject to the approval(s), including subsequent application and approval under said Policy of the implementation or use of any swap(s) or other product(s) or enhancement(s) covered thereby.

SECTION 5. Public Hearing. In accordance with Section 147(f) of the Code, the Parish President, the Chief Administrative Officer or the Director of the Parish Department of Economic Development & Tourism, or any one of the foregoing persons, are each hereby authorized, empowered and directed to conduct a public hearing and to publish a notice of public hearing, said notice of public hearing to be published not less than one time as soon as possible and in any event not less than fourteen (14) days in advance of said hearing. A report of said public hearing shall be made to the Parish President together with a request for the approval of said Parish President, all in accordance with Section 147(f) of the Code.

SECTION 6. Declaration of Official Intent. Prior to the delivery of the Bonds, the Parish anticipates that the Company may pay a portion of the costs of the Project from its general fund or other available funds. The Parish and the Company reasonably expect to reimburse any such expenditures or other available funds from a portion of the proceeds of the Bonds upon the delivery of the Bonds. Any such allocation of proceeds of the Bonds for reimbursement will be with respect to capital expenditures (as defined in Reg. 1.150-1(b)) and will be made upon the delivery of the Bonds and not later than one year after the later of (i) the date such expenditure was paid or (ii) the date on which the Project was placed in service. This Section is intended to be a declaration of official intent with the meaning of Treasury Reg. 1.150-2.

SECTION 7. Employment of Bond Counsel. It is recognized, found and determined that a real necessity exists for the employment of Bond Counsel in connection with the issuance of the Bonds and, accordingly, Adams and Reese LLP, of New Orleans, Louisiana, (who may sometimes be referred to as Company Bond Counsel or Co-Bond Counsel) are hereby employed together with Foley & Judell, LLP, of New Orleans, Louisiana (who may sometimes be referred to as Parish Bond Counsel or together with Adams and Reese LLP, referred to as Co-Bond Counsel, to do and to perform comprehensive, legal and coordinate professional work with respect to the issuance and sale of the Bonds. Co-Bond Counsel shall (i) prepare and submit to the Parish for adoption all of the proceedings incidental to the authorization, issuance, sale and delivery of the Bonds, (ii) counsel and advise the Parish with respect to the issuance and sale of the Bonds and (iii) furnish their opinion covering the legality of the issuance thereof. The fee to be paid Co-Bond Counsel shall be an amount based on the Attorney General's then current Bond Counsel Fee Schedule and other guidelines for comprehensive, legal and coordinate professional work in the issuance of revenue bonds applied to the actual aggregate principal amount issued, sold, delivered and paid for at the time Bonds are delivered, together with reimbursement of out-of-pocket expenses incurred and advanced in connection with the issuance of the Bonds. Said fee as to each Co-Bond Counsel shall be negotiated with the Company and shall be at rates approved by the Company and shall be contingent upon the delivery of the Bonds and payable out of Bond proceeds or other funds provided by the Company subject to the Attorney General's written approval of said employment and fee, as required by the Act. In the event that the bond financing of the Project does not proceed to completion, co-bond counsel shall be entitled to reimbursement of their out-of-pocket

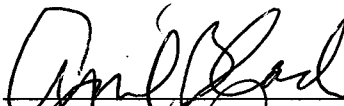
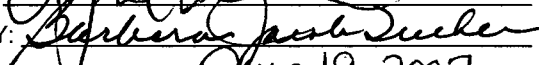

expenses incurred in connection with the Project, and legal fees at an hourly rate to be agreed upon between the Company and said Co-Bond Counsel; any amounts to be paid pursuant to this sentence shall be paid on behalf of the Parish by the Company.



SECTION 8. Local Special Counsel It is recognized, found and determined that a real necessity exists for the employment of local special counsel and Robert L. Raymond is hereby employed in such capacity. He is hereby employed to do and to perform as special counsel to the Issuer. The fee to be paid shall be an amount based on the Attorney General's then current fee schedule and other guidelines on an hourly basis not to exceed such schedule and shall be paid from an administrative fee or other arrangement with the Parish.

The foregoing resolution having been submitted to a vote, the vote thereon was as follows:

YEAS: MARINO, FAUCHEUX, HILAIRE, FABRE, RAMCHANDRAN, WALLS,
BLACK, DUHE, MINNICH
NAYS: NONE
ABSENT: NONE

And the resolution was declared adopted this 18th day of June, 2007, to become effective five (5) days after publication in the Official Journal.

CHAIRMAN: 
SECRETARY: 
DLVD/PARISH PRESIDENT: June 19, 2007
APPROVED:  DISAPPROVED: _____

PARISH PRESIDENT: 
RETD/SECRETARY: June 19, 2007
AT: 3:22 pm RECD BY: 

PRELIMINARY AGREEMENT
FOR ISSUANCE OF REVENUE BONDS

THIS PRELIMINARY AGREEMENT between the **PARISH OF ST. CHARLES, STATE OF LOUISIANA** (the "Parish") and **VALERO ENERGY CORPORATION**, a Delaware corporation (the "Company"):

WITNESSETH:

1. Preliminary Statement. Among the matters of mutual understanding which have resulted in the execution of this Agreement are the following:

(a) Under the authority of Sections 991 through 1001, inclusive of Title 39 of the Louisiana Revised Statutes of 1950, as amended (collectively, the "Act"), and other constitutional and statutory authority supplemental thereto, in order to encourage the location of or addition to industrial enterprises therein or adjoining thereto, the Parish is authorized to issue revenue bonds and use the funds derived from the sale of such bonds to acquire, purchase, lease, rent, construct, or improve industrial plant sites and industrial plant buildings, and necessary property and appurtenances thereto.

(b) The Company proposes to finance the acquisition, construction and equipping of an expansion of its existing refinery located in the Parish (the "Project"), as more particularly described in Exhibit "A" attached hereto. Subject to the terms hereof, the Parish intends this Agreement to be its commitment to issue its revenue bonds (the "Bonds"), but only at the request of the Company should it determine to finance the Project through the issuance of the Bonds, in an amount agreed to by the Parish and the Company up to One Billion Dollars (\$1,000,000,000) and to expend the proceeds thereof to finance a portion of the cost of the Project, including without limitation, the costs of planning, designing, acquiring, renovating, financing, constructing, modifying, installing and equipping the Project and all costs of the Parish in connection with the issuance of the Bonds, including legal fees and expenses and printing, engraving, and publication costs (the "Cost of the Project"). The Parish shall be furnished satisfactory financial information, including financial statements and such other items as the Parish may request, relative to the financial matters of the Company and the marketability of the Bonds proposed to be issued.

(c) The Parish considers that the issuance and sale of the Bonds for the purpose hereinabove set forth will be appropriate and consistent with the objectives of the Act. This commitment constitutes the adoption of an official intent of the Parish acting by and through its Parish Council, represented by the Parish President, or other authorized officers, toward the issuance of the Bonds as herein contemplated in accordance with the laws of Louisiana and the United States Treasury Regulations, Section 1.150-2(e).

2. Undertakings on the Part of the Parish. Subject to the terms hereof, the Parish agrees as follows:

(a) Upon the request of the Company, the Parish will cause the authorization of the issuance of the Bonds in an aggregate principal amount not to exceed the estimated Cost of the Project.

(b) Contingent upon the delivery of the Bonds and the receipt of the proceeds thereof, the Parish proposes to enter into a lease and sub-lease, a sale and lease and/or other financing agreements (collectively, the "Finance Agreements") with the Company. The Company's obligations to make payments under the Finance Agreements shall be sufficient to enable the Parish to pay the principal of, premium, if any, and interest on the Bonds as well as paying agent fees, trustees' fees, and all other costs and charges in connection with the servicing of the Bonds.

(c) The Parish will cooperate with the Company with respect to the issuance and sale of the Bonds, and will take such action and authorize the execution of such documents and the taking of such further action as may be necessary or advisable for the authorization, issuance and sale of the Bonds by the Parish, all as shall be authorized or permitted by law and as shall be mutually satisfactory to the Parish and the Company. It is specifically understood that the obligation of the Parish to acquire the Project through the purchase or leasing thereof, if Bonds be issued therefor, is limited solely to the payment therefor out of Bond proceeds, and the purchase price or rental, as the case may be, to be paid by the Parish to the Company for the Project shall not exceed the cost of the Project, which cost may include issuance fees and expenses and interest on the Bonds during construction, or the net proceeds of the Bonds available to the Parish for such purpose, whichever is less.

(d) In authorizing the issuance of the Bonds pursuant to this Agreement, the Parish will make no warranty, either express or implied, that the proceeds of the Bonds will be sufficient to pay the Cost of the Project or that the Project will be suitable for the Company's purposes or needs. The Company will agree that should the Cost of the Project exceed the amount of the Bond proceeds, the Company will nonetheless complete the Project and shall not be entitled to any reimbursement for any excess either from the Parish, the Bondholders or the Trustee.

(e) The Bonds shall specifically provide that they are payable solely from the income and revenues derived from the Project, except to the extent payable out of amounts attributable to Bond proceeds. The Bonds shall not constitute an indebtedness or pledge of the general credit of the Parish, within the meaning of any constitutional or statutory limitation of indebtedness.

(f) The Parish will take such further action as may be required to implement its aforesaid undertakings as it may deem appropriate in pursuance thereof.

(g) It is understood that the Parish will proceed with the issuance of the Bonds only upon the request of, and with terms and conditions agreed to by the Company, but that the Company is under no obligation whatsoever to proceed with the issuance of the Bonds.

3. Undertakings on the Part of the Company. In the event that the Company determines to proceed with the financing of the Project through the issuance of the Bonds, the Company agrees as follows:

(a) The Company will use reasonable efforts to find one or more purchasers for the Bonds upon such terms and conditions as shall be mutually satisfactory to the Parish and the Company.

(b) Prior to or contemporaneously with the sale of the Bonds, the Company will enter into the Finance Agreements providing for the completion of the Project under the terms of which the Company will obligate itself to pay to the Parish (or the trustee, as the case may be) sums sufficient in the aggregate to pay the principal of and interest and redemption premium, if any, on the Bonds as and when the same shall become due and payable, all paying agent fees, trustees' fees, and other costs and charges in connection with the servicing of the Bonds. The Finance Agreements will contain such other provisions as may be required or permitted by law and as shall be mutually acceptable to the Parish and the Company.

(c) In addition to the payments required to pay the principal of, premium, if any, and interest on the Bonds, the Company will obligate itself to pay all costs of maintenance and operation of the Project, and casualty and property damage insurance and all taxes, governmental charges and other such charges, if any, which may be assessed or levied against or with respect to the Project.

(d) The operation of the Project will comply with all federal and state laws and regulations and the Company will obtain all necessary approvals and permits required thereunder.

(e) In any event, the Company agrees (i) to protect and insulate the Parish, the Board of Commissioners, and its commissioners individually, from any and all financial responsibility or liability whatsoever with respect to the Project and the financing thereof; and (ii) to indemnify, defend and hold the Parish and the aforesaid other parties harmless against any loss or damage to property or any injury or death of any person or persons occurring in connection with the construction, equipping and operation of the Project. Such indemnity shall be superseded by a similar indemnity in the Finance Agreements and in the event the Bonds are not delivered, said indemnity shall extend to causes of action arising prior or subsequent to the termination of this Agreement.

(f) The Company will agree to make such additional payments in such amounts and in such manner as may be provided for by agreement of the parties.

(g) The Company will reimburse the Parish for all reasonable expenses incurred by the Parish in connection with the financing of the Project, which expenses may be paid out of Bond proceeds.

(h) The Company will pay the reasonable out-of-pocket expenses, if any, of the Parish and its governing authority and the Company will also pay the reasonable fees for rendered legal services of bond counsel or special legal counsel related to the Project, which fees may be paid out of Bond proceeds.

(i) The Company will take such further action as may be required to implement its aforesaid undertakings as it may deem appropriate in pursuance thereof.

4. General Provisions. Unless the following events shall have occurred within two (2) years from the date hereof, or such other later date as shall be mutually satisfactory to the Parish and the Company, this Agreement may be cancelled by either party hereto :

(a) The Parish and the Company shall have agreed on mutually acceptable terms for the Bonds and of the sale and delivery thereof and mutually acceptable terms and conditions of the agreements and documents referred to in section 3 and the action referred to in sections 2 and 3 hereof.

(b) Such other orders, rulings, approvals, consents, certificates or opinions of counsel as to such matters with respect to the Bonds, the Project, the Finance Agreements, any guaranty agreement(s) and trust instrument(s) securing the Bonds shall be obtained from such governmental, as well as non-governmental, agencies and entities as may have or assert competence or jurisdiction over or interest in matters pertinent thereto and to the Project, and shall be in full force and effect at the time of the issuance of the Bonds. If the events set forth in this Section 4 do not take place within the time set forth herein or any extension thereof, it is agreed that this Agreement may be cancelled at the option of the Parish or the Company to be evidenced in writing, in which event neither party shall have any rights against the other party except the Company will reimburse the Parish for all reasonable and necessary direct out-of-pocket expenses which the Parish may incur arising from the execution of the Agreement and the performance by the Parish of its obligations hereunder; provided, however, that the indemnity provided for in Section 3(e) hereof shall continue in full force and effect.

5. Effect of Agreement Upon Delivery of Bonds. Upon the delivery of the Bonds, the provisions of the Agreement shall have no further effect (except with respect to Section 7 hereof), and, in the event of any inconsistency between the terms of the Agreement and the terms of the Finance Agreements or any guaranty agreement(s) and trust instrument(s) securing the Bonds, the provisions of the Finance Agreements and the guaranty agreement(s) and trust instrument(s) shall control.

6. Employment of Bond Counsel. It is recognized, found and determined that a real necessity exists for the employment of Bond Counsel in connection with the issuance of the Bonds and, accordingly, Adams and Reese LLP, of New Orleans, Louisiana, (who may sometimes be referred to as Company Bond Counsel or Co-Bond Counsel) are hereby employed together with Foley & Judell, LLP, of New Orleans, Louisiana (who may sometimes be referred to as Parish Bond Counsel or together with Adams and Reese LLP, referred to as Co-Bond Counsel to do and to perform comprehensive, legal and coordinate professional work with

respect to the issuance and sale of the Bonds. Co-Bond Counsel shall (i) prepare and submit to the Parish for adoption all of the proceedings incidental to the authorization, issuance, sale and delivery of the Bonds, (ii) counsel and advise the Parish with respect to the issuance and sale of the Bonds and (iii) furnish their opinion covering the legality of the issuance thereof. The fee to be paid Co-Bond Counsel shall be an amount based on the Attorney General's then current Bond Counsel Fee Schedule and other guidelines for comprehensive, legal and coordinate professional work in the issuance of revenue bonds applied to the actual aggregate principal amount issued, sold, delivered and paid for at the time Bonds are delivered, together with reimbursement of out-of-pocket expenses incurred and advanced in connection with the issuance of the Bonds, said fee as to each Co-Bond Counsel shall be negotiated with the Company and shall be at rates approved by the Company and shall be contingent upon the delivery of the Bonds and payable out of Bond proceeds or other funds provided by the Company subject to the Attorney General's written approval of said employment and fee, as required by the Act. In the event that the bond financing of the Project does not proceed to completion, bond counsel shall be entitled to reimbursement of their out-of-pocket expenses incurred in connection with the Project, and legal fees at an hourly rate to be agreed upon between the Company and said Co-Bond Counsel; any amounts to be paid pursuant to this sentence shall be paid on behalf of the Parish by the Company.

7. Local Special Counsel. It is recognized, found and determined that a real necessity exists for the employment of local special counsel and Robert L. Raymond is hereby employed in such capacity. He is hereby employed to do and to perform as special counsel to the Issuer. The fee to be paid shall be an amount based on the Attorney General's then current fee schedule and other guidelines on an hourly basis not to exceed such schedule and shall be paid from an administrative fee or other arrangement with the Parish, subject to the Attorney General's written approval of said employment and fee, as required by the Act.

8. Successors and Assigns. All covenants and agreements herein contained by or on behalf of the Parish and the Company shall bind and inure to the benefit of the respective successors and assigns of the Parish and the Company whether so expressed or not. It is further recognized and agreed that the Company at its option may exercise its rights hereunder and perform its obligations hereunder through or in conjunction with a wholly owned subsidiary, other related legal entity or operating entity in such event and all references herein to the Company shall be deemed to include the Company acting directly through itself or through or with any such wholly owned subsidiary, other related legal entity or operating entity.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement through their representatives duly authorized as of the 18th day of June, 2007.

PARISH OF ST. CHARLES,
STATE OF LOUISIANA

By: Albert D. Legere
Parish President

VALERO ENERGY CORPORATION

By: Michael S. Whorick
Title: Executive Vice President
and Chief Financial Officer

**EXHIBIT A
to Preliminary Agreement**

THE PROJECT

The planned project is intended to increase the complexity and volume expansion of the Valero St. Charles refinery by the addition of a grass-roots conversion unit, which includes a high pressure Hydrocracker unit (HCU) based on sour (virgin) gas-oil feedstock. The addition of an HCU at the refinery is particularly attractive since it improves the gas-oil balance and provides a significant improvement in refinery liquid yield