

VALERO ENERGY PARTNERS LP
Form 8-K
April 01, 2016

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 1, 2016

VALERO ENERGY PARTNERS LP
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	1-36232 (Commission File Number)	90-1006559 (I.R.S. Employer Identification No.)
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One Valero Way San Antonio, Texas (Address of principal executive offices)	78249 (Zip Code)
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Registrant's telephone number, including area code: (210) 345-2000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

Effective April 1, 2016, Valero Energy Partners LP (the Partnership) entered into a contribution agreement (the Contribution Agreement) pursuant to which Valero Energy Corporation, through its wholly owned subsidiaries, Valero Terminaling and Distribution Company (VTDC) and Valero Energy Partners GP LLC (the General Partner) contributed to the Partnership (the Contribution) all of the outstanding membership interests of Valero Partners McKee, LLC (Valero McKee), in exchange for (i) a cash distribution of \$204 million to VTDC, (ii) the issuance of 728,775 common units representing limited partner interests in the Partnership (Common Units) to VTDC and (iii) the issuance of 14,873 general partner units representing general partner interests in the Partnership (General Partner Units) to the General Partner. The cash distribution was funded with \$65 million of cash on hand and \$139 million of borrowings under the Partnership's revolving credit facility.

The term "Valero," when used in this report, may refer to Valero Energy Corporation, to one or more of its subsidiaries, or all of them taken as a whole (other than the Partnership or its subsidiaries or the General Partner) as the context requires.

Valero McKee operates a crude oil, intermediates, and refined petroleum products terminal that supports Valero's McKee Refinery (the McKee Terminal) located in Sunray, Texas. The McKee Terminal has storage tanks with 4.4 million barrels of storage capacity.

Valero owns (i) the 2% general partner interest in the Partnership, (ii) all incentive distribution rights in the Partnership, and (iii) a 66.1% limited partner interest in the Partnership. Certain officers of Valero (including Joseph W. Gorder who is Valero's Chairman of the Board, President and Chief Executive Officer) also serve as officers and/or directors of the Partnership and its subsidiaries. Additionally, the Partnership and Valero have certain commercial relationships as further described in the Partnership's Annual Report on Form 10 K for the year ended December 31, 2015, which descriptions are incorporated herein by reference.

The terms of the Contribution were determined pursuant to negotiations between the Partnership and the conflicts committee of the board of directors of the General Partner, which is composed solely of independent directors. The conflicts committee retained independent legal and financial advisors to assist in evaluating and negotiating the Contribution. The conflicts committee approved the Contribution and recommended approval of the Contribution to the General Partner's board of directors, which then approved the Contribution.

Effective April 1, 2016, the following documents were executed in connection with the Contribution.

Contribution Agreement

The Partnership entered into the Contribution Agreement with VTDC, which provides for, among other things, the contribution by VTDC and the General Partner of their interests in Valero McKee, in exchange for (i) a cash distribution of \$204 million to VTDC, (ii) the issuance of 728,775 Common Units to VTDC and (iii) the issuance of 14,873 General Partner Units to the General Partner. The Contribution Agreement contains customary representations, warranties, covenants, and indemnities.

The foregoing description of the Contribution Agreement is not complete and is qualified in its entirety by reference to the full text of the Contribution Agreement, which is attached as Exhibit 10.01 to this Current Report on Form 8-K and incorporated herein by reference.

Amended and Restated Schedules to Omnibus Agreement

The Partnership entered into amended and restated schedules (the Amended Omnibus Schedules) to the Amended and Restated Omnibus Agreement, dated as of July 1, 2014 (the Omnibus Agreement), among

Valero, the General Partner, the Partnership, and certain of their respective subsidiaries. The Amended Omnibus Schedules join Valero McKee as a party to the Omnibus Agreement and include the following modifications, among others:

the indemnification obligations of Valero and the Partnership under the Omnibus Agreement were extended to apply to the McKee Terminal in substantially the same manner as the assets acquired by the Partnership in its initial public offering;

the annual administrative fee payable by the Partnership was increased from \$11.2 million per year to \$11.7 million per year. The increase in the fee of \$0.5 million will be prorated for the remainder of 2016 based on the number of days from April 1, 2016 to December 31, 2016; and

the grant to Valero of a right of first refusal with respect to the McKee Terminal.

The Amended Omnibus Schedules are governed by the terms of the Omnibus Agreement, which is incorporated by reference to this Current Report on Form 8-K as Exhibit 10.02. The foregoing description of the Amended Omnibus Schedules is not complete and is qualified in its entirety by reference to the Amended Omnibus Schedules, which are filed as Exhibit 10.03 to this Current Report on Form 8-K and incorporated herein by reference.

Amended and Restated Exhibits to Services and Secondment Agreement

The General Partner entered into amended and restated exhibits (the Amended Services Exhibits) to the Amended and Restated Services and Secondment Agreement (the Services Agreement), dated as of March 1, 2015, with Valero. The Amended Services Exhibits provide for the additional secondment of employees to the General Partner for the provision of services with respect to the McKee Terminal.

The Amended Services Exhibits are governed by the terms of the Services Agreement, which is incorporated by reference to this Current Report on Form 8-K as Exhibit 10.04. The foregoing description of the Amended Services Exhibits is not complete and is qualified in its entirety by reference to the Amended Services Exhibits, which are filed as Exhibit 10.05 to this Current Report on Form 8-K and incorporated herein by reference.

Terminal Services Schedule

The Partnership and Valero entered into a commercial agreement with respect to the McKee Terminal in the form of an additional schedule (the Schedule) to the Master Terminal Services Agreement (together with the schedules thereto, the Terminal Services Agreement) entered into on December 16, 2013 in connection with the Partnership's initial public offering. The Schedule provides for inflation escalators, has an initial term of 10 years, and provides Valero an option to renew for one additional five year term. The Schedule is governed by the terms of the Terminal Services Agreement, which is incorporated by reference to this Current Report on Form 8-K as Exhibit 10.06. The description of the Terminal Services Agreement in the Partnership's Current Report on Form 8-K filed on December 16, 2013 is incorporated herein by reference.

Pursuant to the Schedule, the Partnership will charge Valero for terminaling services at the McKee Terminal. Valero will pay a fee of \$0.333 per barrel for throughput volumes up to 320,000 barrels per day and \$0.05 per barrel for throughput volumes in excess of 320,000 barrels per day. Valero will be obligated to deliver for throughput a quarterly average of at least 272,000 barrels per day at the McKee Terminal.

The foregoing description of the Schedule is not complete and is qualified in its entirety by reference to the Schedule, which is filed as Exhibit 10.07 to this Current Report on Form 8-K and incorporated herein by reference.

Lease and Access Agreement

Valero McKee entered into a Lease and Access Agreement with Valero (the Lease and Access Agreement) pursuant to which Valero McKee will lease the land on which the McKee Terminal is located. The term of the Lease and Access Agreement is for 10 years with four automatic successive renewal periods of five years each. Each party may terminate by providing written notice within 180 days of such period. Initially, Valero McKee will pay \$594,000 per year as base rent, subject to an annual inflation escalator. Valero McKee will also pay customary expense reimbursement for taxes, utilities, and similar costs incurred by Valero related to the leased premises.

The Lease and Access Agreement contains customary terms regarding the rights and obligations of the parties with respect to maintenance of the leased premises, alterations to the leased premises, and maintenance of certain types of insurance, as well as customary default, remedy, and indemnity provisions.

The foregoing description of the Lease and Access Agreement is not complete and is qualified in its entirety by reference to the Lease and Access Agreement, which is filed as Exhibit 10.08 to this Current Report on Form 8-K and incorporated herein by reference.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On April 1, 2016, the Partnership completed the Contribution pursuant to the terms of the Contribution Agreement. The Partnership, the General Partner, and Valero have various relationships with one another. The information set forth in Item 1.01 regarding the Contribution Agreement and the relationships among the Partnership, the General Partner, and Valero is incorporated by reference into this Item 2.01.

Item 3.02 Unregistered Sales of Equity Securities.

The information set forth in Item 1.01 regarding the issuance of Common Units to VTDC and the issuance of General Partner Units to the General Partner in connection with the Contribution is incorporated into this Item 3.02 by reference. The issuance of the Common Units and General Partner Units was completed in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended under Section 4(a)(2), as a transaction by an issuer not involving a public offering.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No. Description

- 10.01 Contribution Agreement, dated April 1, 2016, by and between Valero Terminaling and Distribution Company and Valero Energy Partners LP.
- 10.02 Amended and Restated Omnibus Agreement, dated July 1, 2014, by and among Valero Energy Corporation, Valero Energy Partners GP LLC, Valero Energy Partners LP, and the other parties named therein - incorporated by reference to Exhibit 10.2 to the Partnership's Current Report on Form 8-K dated July 1, 2014, and filed July 1, 2014 (SEC File No. 1-36232).
- 10.03 Amendment and Restatement of Schedules to Amended and Restated Omnibus Agreement, dated April 1, 2016, by and among Valero Energy Corporation, Valero Energy Partners GP LLC, Valero Energy Partners LP, and the other parties named therein.
- 10.04 Amended and Restated Services and Secondment Agreement, dated March 1, 2015, by and among Valero Services, Inc., Valero Refining Company-Tennessee, L.L.C., Valero Refining-Texas, L.P., and Valero Energy Partners GP LLC - incorporated by reference to Exhibit 10.04 to the Partnership's Current Report on Form 8-K dated March 1, 2015, and filed March 5, 2015 (SEC File No. 1-36232).
- 10.05 Amendment and Restatement of Exhibits to Amended and Restated Services and Secondment Agreement, dated April 1, 2016, by and among Valero Services, Inc., Valero Refining Company-Tennessee, L.L.C., Valero Refining-Texas, L.P., and Valero Energy Partners GP LLC.
- 10.06 Master Terminal Services Agreement, dated December 16, 2013, by and between Valero Partners Operating Co. LLC and Valero Marketing and Supply Company - incorporated by reference to Exhibit 10.7 to the Partnership's Current Report on Form 8-K dated December 16, 2013, and filed December 20, 2013 (SEC File No. 1-36232).
- 10.07 Terminal Services Schedule (McKee Terminal), dated April 1, 2016, by and between Valero Partners Operating Co. LLC and Valero Marketing and Supply Company.
- 10.08 Lease and Access Agreement, dated April 1, 2016, between Diamond Shamrock Refining Company, L.P. and Valero Partners McKee, LLC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Partnership has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VALERO ENERGY PARTNERS LP
(Registrant)

By: Valero Energy Partners GP LLC,
its general partner

Date: April 1, 2016

By: /s/ Donna M. Titzman
Donna M. Titzman
Senior Vice President, Chief Financial Officer,
and Treasurer
(Principal Financial and Accounting Officer)