

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 21, 2005**

**VALERO L.P.**

(Exact name of registrant as specified in its charter)

**Delaware**  
State or other jurisdiction  
Of incorporation

**1-16417**  
(Commission File Number)

**74-2956831**  
(IRS Employer  
Identification No.)

**One Valero Way**  
**San Antonio, Texas**  
(Address of principal executive offices)

**78249**  
(Zip Code)

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. below):

- 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))
-

**Item 1.01 Entry into a Material Definitive Agreement.**

On April 21, 2005, the board of directors (the “Board”) of Valero GP, LLC (the “Company”), the general partner of the general partner of Valero L.P., upon the recommendation of the Compensation Committee of the Board, revised the compensation structure for members of the Board contingent on and effective as of the closure of the mergers of Valero L.P. with Kaneb Pipe Line Partners L.P. and Kaneb Services LLC.

Under the new compensation structure, non-employee directors will receive a retainer fee of \$30,000 per year, plus \$1,000 for each Board and committee meeting attended in person, and \$500 for each Board and committee meeting attended telephonically. A director who serves as chairperson of the Audit Committee or the Compensation Committee will receive an additional \$10,000 annually, and a director who serves as chairperson of the Conflicts Committee will receive an additional \$7,500 annually. Each director will also be reimbursed for expenses of meeting attendance. Directors who are employees of the Company or its affiliates will receive no compensation (other than reimbursement of expenses) for serving as directors.

Under the new compensation structure, the Company will also award restricted Common Units under its Valero GP, LLC Amended and Restated 2000 Long-Term Incentive Plan (the “Plan”) to supplement the compensation paid to non-employee directors and to increase their identification with the interests of Valero L.P.’s unitholders through ownership of Valero L.P.’s Common Units (“Common Units”). Each non-employee director will receive from the Plan an annual grant of restricted Common Units valued at \$20,000 that will vest (become nonforfeitable) in equal annual installments over a three-year period.

In the event of a “Change of Control” as defined in the Plan, all unvested Common Units and options previously granted under the Plan will automatically vest and become payable or exercisable. The Plan also contains an antidilution provision providing that, if the Compensation Committee of the Board determines that a change in Valero L.P.’s capital structure affects the Common Units such that an adjustment is appropriate to prevent dilution or enlargement of the benefits intended, then the Compensation Committee will adjust any or all of the number or type of securities subject to outstanding “Awards,” as defined in the Plan.

**Item 9.01 Financial Statements and Exhibits**

(c) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by Reference to the Following Document</u>
<a href="#">10.01</a>	Valero GP, LLC Amended and Restated 2000 Long-Term Incentive Plan	Valero L.P.'s Annual Report on Form 10-K for the year ended December 31, 2004, Exhibit 10.05
<a href="#">10.02</a>	Form of Non-employee Director Restricted Unit Agreement under Valero GP, LLC Amended and Restated 2000 Long-Term Incentive Plan	*

---

\* filed herewith

**SIGNATURE**

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

VALERO L.P.

By: Riverwalk Logistics, L.P.  
its general partner

By: Valero GP, LLC  
its general partner

Date: April 26, 2005

By: /s/Bradley C. Barron  
Name: Bradley C. Barron  
Title: Corporate Secretary

**EXHIBIT INDEX**

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by Reference to the Following Document</u>
<a href="#">10.01</a>	Valero GP, LLC Amended and Restated 2000 Long-Term Incentive Plan	Valero L.P.'s Annual Report on Form 10-K for the year ended December 31, 2004, Exhibit 10.05
<a href="#">10.02</a>	Form of Non-employee Director Restricted Unit Agreement under Valero GP, LLC Amended and Restated 2000 Long-Term Incentive Plan	*

---

\* filed herewith

**Form of Non-Employee Director  
AWARD AGREEMENT**

This Restricted Unit and distribution equivalent right award agreement (“Agreement”), effective as of the date set forth at the end of this Agreement (“Grant Date”), is between Valero GP, LLC (the “Company”) and \_\_\_\_\_ (“Participant”), a participant in the **Valero GP, LLC Amended and Restated 2000 Long-Term Incentive Plan**, as amended (the “Plan”). All capitalized terms contained in this Award shall have the same definitions as are set forth in the Plan unless otherwise defined herein. The terms of this grant are set forth below.

1. The Compensation Committee of the Board of Directors of the Company hereby grants to Participant **[# granted]** Restricted Units under the Plan. A “Restricted Unit” is a phantom unit which is equivalent in value to a common unit (“MLP Common Unit”) of Valero L.P. (the “MLP”). In addition, a Restricted Unit represents the right to receive, upon vesting as provided below, an MLP Common Unit. Restricted Units are granted hereunder in tandem with an equal number of distribution equivalent rights (“DERs”). A DER is a right to receive an amount in cash from the Company or its designee equal to the distributions made by MLP with respect to an MLP Common Unit during the period that ends upon vesting of the tandem Restricted Unit or its forfeiture pursuant to Section 6.2 (ii) of the Plan.
2. The Restricted Units granted hereunder are subject to the following Restricted Periods, and will vest and accrue to Participant in the following increments: **[1/3 # granted]** Units on **[first anniversary of grant date]**; **[1/3 # granted]** Units on **[second anniversary of grant date]**; and **[1/3 # granted]** Units on **[third anniversary of grant date]**. The restrictions may terminate prior to the expiration of such period as set forth in the Plan. Upon vesting, for each Restricted Unit granted hereunder, the Participant will be entitled to receive an unrestricted Common Unit of Valero L.P.
3. DERs with respect to the Restricted Units will be paid to you in cash as of each record payment date during the period such Restricted Units are outstanding.
4. Neither this Award nor any right under this Award may be assigned, alienated, pledged, attached, sold, or otherwise transferred or encumbered by you otherwise than by will or by the laws of descent and distribution.
5. The Company will withhold any taxes due from your compensation as required by law, which, in the sole discretion of the Compensation Committee, may include withholding a number of Restricted Units otherwise payable to you.
6. By accepting this Award, you hereby accept and agree to be bound by all of the terms, provisions, conditions, and limitations of the Plan and any subsequent amendment or amendments, as if it had been set forth verbatim in this Award.
7. By accepting this Award, you will become a Participant as of the effective date of this Award and, as such, you shall have no rights with respect to the Restricted Units or DERs granted hereunder except as are expressly conferred by the Plan and this Award.
8. This Award shall be binding upon the parties hereto and their respective heirs, legal representatives, and successors.
9. This Award is effective as of **[grant date]**.

VALERO GP, LLC

By: \_\_\_\_\_  
Curtis V. Anastasio  
President & Chief Executive Officer

Accepted:

\_\_\_\_\_  
**[name of non-employee director]**  
**[date]**