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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-32940



NUSTAR GP HOLDINGS, LLC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

**19003 IH-10 West
San Antonio, Texas**

(Address of principal executive offices)

85-0470977

(I.R.S. Employer Identification No.)

78257

(Zip Code)

Registrant's telephone number, including area code (210) 918-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of common units outstanding as of April 30, 2013 was 42,624,146.

**NUSTAR GP HOLDINGS, LLC AND SUBSIDIARIES
FORM 10-Q**

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

**NUSTAR GP HOLDINGS, LLC
CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)**

	March 31, 2013	December 31, 2012
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,415	\$ 2,597
Receivable from related parties	14,602	7,870
Income tax receivable	2,473	2,450
Other receivables	305	147
Deferred income tax assets, net	—	928
Other current assets	188	248
Total current assets	19,983	14,240
Investment in NuStar Energy L.P.	451,873	464,981
Long-term receivable from related party	18,806	18,071
Deferred income tax assets, net	21,543	20,424
Total assets	\$ 512,205	\$ 517,716
Liabilities and Members' Equity		
Current liabilities:		
Short-term debt	\$ 18,500	\$ 20,000
Accounts payable	401	1,002
Accrued compensation expense	19,283	14,968
Accrued liabilities	388	429
Deferred income tax liabilities, net	392	—
Taxes other than income tax	407	1,399
Total current liabilities	39,371	37,798
Long-term liabilities	72,018	67,096
Commitments and contingencies (Note 8)		
Members' equity	432,641	444,844
Accumulated other comprehensive loss	(31,825)	(32,022)
Total members' equity	400,816	412,822
Total liabilities and members' equity	\$ 512,205	\$ 517,716

See Condensed Notes to Consolidated Financial Statements.

NUSTAR GP HOLDINGS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, Thousands of Dollars, Except Unit and Per Unit Data)

	Three Months Ended March 31,	
	2013	2012
Equity in earnings of NuStar Energy L.P.	\$ 12,144	\$ 11,772
General and administrative expenses	(800)	(857)
Other income, net	81	136
Interest expense, net	(173)	(133)
Income before income tax (expense) benefit	11,252	10,918
Income tax (expense) benefit	(177)	128
Net income	<u>\$ 11,075</u>	<u>\$ 11,046</u>
Comprehensive income	<u>\$ 11,272</u>	<u>\$ 5,286</u>
Basic and diluted net income per unit	<u>\$ 0.26</u>	<u>\$ 0.26</u>
Weighted-average number of basic units outstanding	<u>42,605,668</u>	<u>42,574,419</u>
Weighted-average number of diluted units outstanding	<u>42,605,668</u>	<u>42,597,641</u>

See Condensed Notes to Consolidated Financial Statements.

NUSTAR GP HOLDINGS, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, Thousands of Dollars)

	Three Months Ended March 31,	
	2013	2012
Cash Flows from Operating Activities:		
Net income	\$ 11,075	\$ 11,046
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of NuStar Energy L.P.	(12,144)	(11,772)
Distributions of equity in earnings from NuStar Energy L.P.	12,144	11,772
Gain on sale of NuStar Energy L.P. limited partner units in connection with unit-based compensation	(81)	(136)
Benefit (expense) for deferred income tax	201	(133)
Changes in current assets and liabilities (Note 6)	(3,783)	(7,996)
(Increase) decrease in long-term receivable from related party	(714)	830
Increase in long-term liabilities	4,922	4,554
Other, net	45	31
Net cash provided by operating activities	11,665	8,196
Cash Flows from Investing Activities:		
Distributions in excess of equity in earnings from NuStar Energy L.P.	11,917	11,088
Proceeds from sale of NuStar Energy L.P. units in connection with unit-based compensation	959	2,162
Other, net	—	(11)
Net cash provided by investing activities	12,876	13,239
Cash Flows from Financing Activities:		
Repayment of short-term debt	(1,500)	(500)
Distributions to unitholders	(23,223)	(21,708)
Other, net	—	362
Net cash used in financing activities	(24,723)	(21,846)
Net decrease in cash and cash equivalents	(182)	(411)
Cash and cash equivalents at the beginning of the period	2,597	1,354
Cash and cash equivalents at the end of the period	\$ 2,415	\$ 943

See Condensed Notes to Consolidated Financial Statements.

NUSTAR GP HOLDINGS, LLC
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH) is a publicly held Delaware limited liability company. Unless otherwise indicated, the terms “NuStar GP Holdings,” “we,” “our” and “us” are used in this report to refer to NuStar GP Holdings, LLC, to one or more of our consolidated subsidiaries or to all of them taken as a whole.

We have no operations or sources of income or cash flows other than our investment in NuStar Energy L.P. (NuStar Energy) (NYSE: NS). As of March 31, 2013, we owned approximately 15.0% of NuStar Energy, consisting of the following:

- the 2% general partner interest;
- 100% of the incentive distribution rights (IDR) issued by NuStar Energy, which entitle us to receive increasing percentages of the cash distributed by NuStar Energy, currently at the maximum percentage of 23%; and
- 10,301,923 common units of NuStar Energy representing a 13.0% limited partner interest.

NuStar Energy is a publicly held Delaware limited partnership engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia and fuels marketing. NuStar Energy has terminal and storage facilities in the United States, Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, the United Kingdom and Turkey.

Basis of Presentation

These unaudited condensed consolidated financial statements include the accounts of NuStar GP Holdings and subsidiaries in which it has a controlling interest. Intercompany balances and transactions have been eliminated in consolidation.

We account for our ownership interest in NuStar Energy using the equity method. Therefore, our financial results reflect a portion of NuStar Energy’s net income based on our ownership interest in NuStar Energy. We have no separate operating activities apart from those conducted by NuStar Energy and therefore generate no revenues from operations.

These unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature unless otherwise indicated. Financial information for the three months ended March 31, 2013 and 2012 included in these Condensed Notes to Consolidated Financial Statements is derived from our unaudited condensed consolidated financial statements. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The consolidated balance sheet as of December 31, 2012 has been derived from the audited consolidated financial statements as of that date. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012.

New Accounting Pronouncement

In February 2013, the FASB further amended the disclosure requirements for the presentation of comprehensive income. The amended guidance requires that entities present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The amended guidance is effective prospectively for annual and interim reporting periods beginning after December 15, 2012. Accordingly, we adopted the amended guidance January 1, 2013, and it did not have a material impact on our disclosures.

NUSTAR GP HOLDINGS, LLC
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

2. INVESTMENT IN NUSTAR ENERGY

Summary Financial Information

Condensed consolidated financial information reported by NuStar Energy is presented below (in thousands of dollars):

	March 31, 2013	December 31, 2012
	(Unaudited)	
Balance Sheet Information:		
Current assets	\$ 820,648	\$ 939,443
Property, plant and equipment, net	3,239,555	3,238,460
Goodwill	950,586	951,024
Note receivable from related party	159,200	95,711
Other long-term assets, net	377,041	388,451
Total assets	<u>\$ 5,547,030</u>	<u>\$ 5,613,089</u>
Current liabilities	\$ 846,370	\$ 845,971
Long-term debt, less current portion	2,136,072	2,124,582
Other long-term liabilities	55,408	57,541
Total liabilities	3,037,850	3,028,094
NuStar Energy partners' equity	2,497,017	2,572,384
Noncontrolling interest	12,163	12,611
Total liabilities and partners' equity	<u>\$ 5,547,030</u>	<u>\$ 5,613,089</u>

	Three Months Ended March 31,	
	2013	2012
	(Thousands of Dollars)	
Statement of Comprehensive Income Information:		
Revenues	\$ 999,710	\$ 1,609,405
Operating income	\$ 59,462	\$ 59,019
Income from continuing operations	\$ 16,038	\$ 37,952
Income (loss) from discontinued operations, net of tax	8,366	(11,698)
Net income	<u>\$ 24,404</u>	<u>\$ 26,254</u>

Other

Our investment in NuStar Energy reconciles to NuStar Energy's total partners' equity as follows:

	March 31, 2013	December 31, 2012
	(Thousands of Dollars)	
NuStar Energy's total partners' equity	\$ 2,497,017	\$ 2,572,384
NuStar GP Holdings' ownership interest in NuStar Energy	15.0%	15.0%
NuStar GP Holdings' share of NuStar Energy's partners' equity	374,553	385,858
Step-up in basis related to NuStar Energy's assets and liabilities, including equity method goodwill, and other	77,320	79,123
Investment in NuStar Energy	<u>\$ 451,873</u>	<u>\$ 464,981</u>

NUSTAR GP HOLDINGS, LLC
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

3. RELATED PARTY TRANSACTIONS

We had a receivable from related parties of \$14.6 million and \$7.9 million, as of March 31, 2013 and December 31, 2012, respectively, mainly relating to payroll, employee benefit plans and unit-based compensation for NuStar Energy and for services provided to NuStar Energy’s joint ventures. We also had a long-term receivable of \$18.8 million and \$18.1 million from related party as of March 31, 2013 and December 31, 2012, respectively, related to amounts payable for retiree medical benefits and other post-employment benefits for NuStar Energy. The following table summarizes information pertaining to related party transactions:

	Three Months Ended March 31,	
	2013	2012
	(Thousands of Dollars)	
Expenses for payroll, employee benefit plans and unit-based compensation	\$ 52,905	\$ 58,953
Other expenses	\$ 93	\$ 96

GP Services Agreement

NuStar Energy and NuStar GP, LLC, a wholly owned subsidiary of NuStar GP Holdings, entered into a services agreement, effective January 1, 2008 (the GP Services Agreement). The GP Services Agreement provides that NuStar GP, LLC will furnish administrative and certain operating services necessary to conduct the business of NuStar Energy. All employees providing services to both NuStar GP Holdings and NuStar Energy are employed by NuStar GP, LLC; therefore, NuStar Energy reimburses NuStar GP, LLC for all employee costs, other than the expenses allocated to NuStar GP Holdings (the Holdco Administrative Services Expense). The GP Services Agreement will terminate on December 31, 2014, renewing automatically every two years unless terminated by either party upon six months’ prior written notice. The aggregate amounts of Holdco Administrative Services Expense that we incurred were \$0.4 million and \$0.5 million for three months ended March 31, 2013 and 2012, respectively.

Asphalt JV Services Agreement

On September 28, 2012, NuStar Energy sold a 50% ownership interest (the Asphalt Sale) in NuStar Asphalt LLC (Asphalt JV), previously a wholly-owned subsidiary of NuStar Energy. NuStar GP, LLC entered into a services agreement with Asphalt JV, effective September 28, 2012 (the Asphalt JV Services Agreement). The Asphalt JV Services Agreement provides that we furnish certain administrative and other operating services necessary to conduct the business of Asphalt JV. Asphalt JV compensates us for these services through an annual fee totaling \$10.0 million, subject to adjustment based on the annual merit increase percentage applicable to our employees for the most recently completed contract year. The Asphalt JV Services Agreement will terminate on December 31, 2017 and will automatically renew for successive two-year terms. Asphalt JV may terminate the Asphalt JV Services Agreement at any time, with 180 days prior written notice or reduce the level of service with 45 days prior written notice. On March 14, 2013 and May 1, 2013, Asphalt JV provided written notice to us, reducing the level of services to be provided to Asphalt JV, which will reduce the annual fee by an aggregate amount of approximately \$3.3 million.

NUSTAR GP HOLDINGS, LLC
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

4. DISTRIBUTIONS FROM NUSTAR ENERGY

The following table reflects the allocation of NuStar Energy’s cash distributions earned for the periods indicated among its general and limited partners:

	Three Months Ended March 31,	
	2013	2012
(Thousands of Dollars, Except Per Unit Data)		
General partner interest	\$ 1,961	\$ 1,782
General partner incentive distribution	10,805	9,816
Total general partner distribution	12,766	11,598
Limited partner distribution	11,280	11,211
Total distributions to NuStar GP Holdings	24,046	22,809
Public unitholders’ distributions	74,005	66,267
Total cash distributions	\$ 98,051	\$ 89,076
Cash distributions per unit applicable to limited partners	\$ 1.095	\$ 1.095

On February 14, 2013, NuStar Energy paid a quarterly cash distribution totaling \$98.1 million, or \$1.095 per unit, related to the fourth quarter of 2012. On April 24, 2013, NuStar Energy announced a quarterly cash distribution of \$1.095 per unit related to the first quarter of 2013. This distribution will be paid on May 10, 2013 to unitholders of record on May 6, 2013 and will total \$98.1 million.

5. FAIR VALUE MEASUREMENTS

We segregate the inputs used in measuring fair value into three levels: Level 1, defined as observable inputs such as quoted prices for identical assets or liabilities in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in markets that are not active; and Level 3, defined as unobservable inputs in which little or no market data exists.

The following liabilities are measured at fair value on a recurring basis:

	March 31, 2013			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Accrued compensation expense:				
NuStar Energy restricted units and performance awards	\$ 14,093	\$ —	\$ —	\$ 14,093
NuStar Energy unit options	—	724	—	724
Total	\$ 14,093	\$ 724	\$ —	\$ 14,817
	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Accrued compensation expense:				
NuStar Energy restricted units and performance awards	\$ 10,376	\$ —	\$ —	\$ 10,376
NuStar Energy unit options	—	70	—	70
Total	\$ 10,376	\$ 70	\$ —	\$ 10,446

NUSTAR GP HOLDINGS, LLC
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The fair value of our accrued compensation expense for NuStar Energy restricted units and performance awards is determined using the NuStar Energy unit price at the reporting date. The fair value of our accrued compensation expense for NuStar Energy unit options is determined using the Black-Scholes option-pricing model on the reporting date based on the following weighted-average assumptions:

	March 31, 2013	December 31, 2012
Expected life in years	6.5	6.5
Expected volatility	23.4%	22.4%
Expected distribution yield	8.2%	10.3%
Risk-free interest rate	0.2%	0.2%

Fair Value of Financial Instruments

We recognize cash equivalents, receivables, payables and debt in our consolidated balance sheets at their carrying amount. The fair values of these financial instruments approximate their carrying amounts. The fair value of our debt would fall in Level 2 of the fair value hierarchy.

6. STATEMENTS OF CASH FLOWS

Changes in current assets and liabilities were as follows:

	Three Months Ended March 31,	
	2013	2012
	(Thousands of Dollars)	
Decrease (increase) in current assets:		
Receivable from related parties	\$ (6,298)	\$ (8,186)
Income tax receivable	(23)	25
Other receivables	(158)	(1,036)
Other current assets	15	(11)
Increase (decrease) in current liabilities:		
Accounts payable	(601)	104
Accrued compensation expense	4,315	2,103
Accrued liabilities	(41)	(148)
Taxes other than income tax	(992)	(847)
Changes in current assets and liabilities	<u>\$ (3,783)</u>	<u>\$ (7,996)</u>

Cash flows related to interest and income tax were as follows:

	Three Months Ended March 31,	
	2013	2012
	(Thousands of Dollars)	
Cash paid for interest	\$ 96	\$ 105
Cash refunded for income tax	\$ —	\$ (20)

7. CREDIT FACILITY

Our 364-day revolving credit agreement dated June 29, 2012, matures on June 28, 2013 and has a borrowing capacity of up to \$40.0 million, of which, up to \$10.0 million may be available for letters of credit (the 2012 Credit Facility). For the three months ended March 31, 2013, we repaid \$1.5 million under the 2012 Credit Facility. As of March 31, 2013, we had outstanding borrowings of \$18.5 million and availability of \$21.5 million for borrowings under the 2012 Credit Facility. Interest on the 2012 Credit Facility is based upon, at our option, either an alternative base rate plus 0.75% or a LIBOR-based rate plus 1.75%. As of March 31, 2013, the interest rate was 2.0%.

NUSTAR GP HOLDINGS, LLC
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The terms of the 2012 Credit Facility require NuStar Energy to maintain, as of the end of each rolling period, consisting of any period of four consecutive quarters, a consolidated debt coverage ratio not to exceed 5.0-to-1.0. If NuStar Energy consummates an acquisition for an aggregate net consideration of at least \$50.0 million, the maximum consolidated debt coverage ratio will increase to 5.5-to-1.0 for two rolling periods. As of March 31, 2013, NuStar Energy’s consolidated debt coverage ratio was 4.3x and the maximum allowed amount was 5.5-to-1.0, as a result of its acquisition of certain crude oil assets from TexStar Midstream Services, LP and certain of its affiliates in December 2012. We are also required to receive cash distributions of at least \$50.0 million in respect of our ownership interests in NuStar Energy for the preceding four fiscal quarters ending on the last day of each fiscal quarter. Our management believes that we are in compliance with the covenants of the 2012 Credit Facility as of March 31, 2013.

8. COMMITMENTS AND CONTINGENCIES

Contingencies

We are not currently a party to any material legal proceedings and have not recorded any accruals for loss contingencies. NuStar Energy is a party to claims and legal proceedings arising in the ordinary course of its business, which it believes are not material to its financial position or results of operations. However, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on NuStar Energy’s results of operations and ability to pay distributions, which would impact our results of operations and ability to pay distributions.

9. MEMBERS’ EQUITY

The following table presents changes to our members’ equity (in thousands):

Balance as of December 31, 2012	\$ 412,822
Net income	11,075
Distributions to unitholders	(23,223)
Other comprehensive income	197
Unit-based compensation	(55)
Balance as of March 31, 2013	<u>\$ 400,816</u>

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component (in thousands):

	Share of NuStar Energy's Other Comprehensive Loss	Pension and Other Postretirement Benefit Plan Adjustments	Accumulated Other Comprehensive (Loss) Income
Balance as of December 31, 2012	\$ (8,743)	\$ (23,279)	\$ (32,022)
NuStar Energy other comprehensive loss adjustment	(313)	—	(313)
Net loss reclassified into income:			
Amortization of prior service credit (a)	—	(60)	(60)
Amortization of net loss (a)	—	570	570
Other comprehensive (loss) income	(313)	510	197
Balance as of March 31, 2013	<u>\$ (9,056)</u>	<u>\$ (22,769)</u>	<u>\$ (31,825)</u>

- (a) Amounts are reclassified into general and administrative expense and NuStar Energy reimburses NuStar GP, LLC for these employee costs.

NUSTAR GP HOLDINGS, LLC
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Cash Distributions

The table set forth below shows our cash distributions applicable to the period in which the distributions were earned:

	Three Months Ended March 31,	
	2013	2012
(Thousands of Dollars, Except Per Unit Data)		
Cash distributions per unit	\$ 0.545	\$ 0.510
Total cash distributions	\$ 23,222	\$ 21,720

On February 19, 2013, we paid a quarterly cash distribution totaling \$23.2 million, or \$0.545 per unit, related to the fourth quarter of 2012. On April 24, 2013, we announced a quarterly cash distribution of \$0.545 per unit related to the first quarter of 2013. This distribution will be paid on May 15, 2013 to unitholders of record on May 6, 2013, and totals \$23.2 million.

10. NET INCOME PER UNIT

We treat restricted units granted under our long-term incentive plan as participating securities in computing net income per unit pursuant to the two-class method. Unit amounts used in the computation of basic and diluted net income per unit were as follows:

	Three Months Ended March 31,	
	2013	2012
Basic units outstanding:		
Weighted-average number of basic units outstanding	42,605,668	42,574,419
Diluted units outstanding:		
Weighted-average number of basic units outstanding	42,605,668	42,574,419
Effect of dilutive securities	—	23,222
Weighted-average number of diluted units outstanding	<u>42,605,668</u>	<u>42,597,641</u>

11. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost related to our defined benefit plans were as follows:

	Pension Plans (a)		Other Postretirement Benefit Plans	
	2013	2012	2013	2012
(Thousands of Dollars)				
For the three months ended March 31:				
Components of net periodic benefit cost:				
Service cost	\$ 4,080	\$ 3,904	\$ 293	\$ 315
Interest cost	1,259	1,003	235	244
Expected return on assets	(1,134)	(979)	—	—
Amortization of prior service credit	(10)	(4)	(50)	—
Amortization of net loss	518	348	52	35
Net periodic benefit cost before disposition charge	<u>\$ 4,713</u>	<u>\$ 4,272</u>	<u>\$ 530</u>	<u>\$ 594</u>
Disposition charge (b)	180	—	—	—
Net periodic benefit cost	<u>\$ 4,893</u>	<u>\$ 4,272</u>	<u>\$ 530</u>	<u>\$ 594</u>

- (a) Includes amounts related to the pension plan, the excess pension plan and the supplemental executive retirement plan.
(b) Disposition charge relates to NuStar Energy's sale of its fuels refinery in San Antonio, Texas and related assets on January 1, 2013.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain estimates, predictions, projections, assumptions and other forward-looking statements that involve various risks and uncertainties. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested in this report. These forward-looking statements can generally be identified by the words "anticipates," "believes," "expects," "plans," "intends," "estimates," "forecasts," "budgets," "projects," "will," "could," "should," "may" and similar expressions. These statements reflect our current views with regard to future events and are subject to various risks, uncertainties and assumptions. Please read our annual report on Form 10-K for the year ended December 31, 2012, Part I "Risk Factors," as well as our subsequent current and quarterly reports, for a discussion of certain of those risks, uncertainties and assumptions.

If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those described in any forward-looking statement. Other unknown or unpredictable factors could also have material adverse effects on our future results. Readers are cautioned not to place undue reliance on this forward-looking information, which is as of the date of this Form 10-Q. We do not intend to update these statements unless it is required by the securities laws to do so, and we undertake no obligation to publicly release the result of any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

OVERVIEW

NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH) is a publicly traded Delaware limited liability company. Unless otherwise indicated, the terms "NuStar GP Holdings," "we," "our" and "us" are used in this report to refer to NuStar GP Holdings, LLC, to one or more of our consolidated subsidiaries or to all of them taken as a whole.

Our only cash generating assets are our ownership interests in NuStar Energy L.P. (NuStar Energy), a publicly traded Delaware limited partnership (NYSE: NS). As of March 31, 2013, our aggregate ownership interests in NuStar Energy consisted of the following:

- the 2% general partner interest;
- 100% of the incentive distribution rights (IDR) issued by NuStar Energy, which entitle us to receive increasing percentages of the cash distributed by NuStar Energy, currently at the maximum percentage of 23%; and
- 10,301,923 common units of NuStar Energy representing a 13.0% limited partner interest.

We account for our ownership interest in NuStar Energy using the equity method. Therefore, our financial results reflect a portion of NuStar Energy's net income based on our ownership interest. We have no separate operating activities apart from those conducted by NuStar Energy and therefore generate no revenues from operations.

NuStar Energy is engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia and fuels marketing. NuStar Energy has terminal and storage facilities in the United States, Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, the United Kingdom and Turkey.

NuStar Energy is required by its partnership agreement to distribute all of its available cash at the end of each quarter, less reserves established by its general partner, in its sole discretion, to provide for the proper conduct of NuStar Energy's business. Similarly, we are required by our limited liability company agreement to distribute all of our available cash at the end of each quarter, less reserves established by our board of directors.

On January 1, 2013, NuStar Energy sold the fuels refinery in San Antonio, Texas (the San Antonio Refinery) and related assets, which included inventory, a terminal in Elmendorf, Texas and a pipeline connecting the terminal and refinery for approximately \$117.0 million (the San Antonio Refinery Sale). NuStar Energy presented the results of operations for the San Antonio Refinery and related assets as discontinued operations for the periods presented.

On December 13, 2012, NuStar Energy completed its acquisition of the TexStar Crude Oil Assets (as defined below), including 100% of the partnership interest in TexStar Crude Oil Pipeline, LP, from TexStar Midstream Services, LP and certain of its affiliates (collectively, TexStar) for approximately \$325.0 million (the TexStar Asset Acquisition). The TexStar Crude Oil Assets consist of approximately 140 miles of crude oil pipelines and gathering lines, as well as five terminals and storage facilities providing 0.6 million barrels of storage capacity.

On September 28, 2012, NuStar Energy sold a 50% ownership interest (the Asphalt Sale) in NuStar Asphalt LLC (Asphalt JV), previously a wholly-owned subsidiary of NuStar Energy. Asphalt JV owns and operates the asphalt refining assets that were previously wholly owned by NuStar Energy, including the asphalt refineries located in Paulsboro, New Jersey and Savannah, Georgia (collectively, the Asphalt Operations). Upon closing, NuStar Energy deconsolidated Asphalt JV and started reporting its remaining investment in Asphalt JV using the equity method of accounting.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2013 Compared to Three Months Ended March 31, 2012

Financial Highlights (Unaudited, Thousands of Dollars, Except Per Unit Data)

	Three Months Ended March 31,		Change
	2013	2012	
Equity in earnings of NuStar Energy	\$ 12,144	\$ 11,772	\$ 372
General and administrative expenses	(800)	(857)	57
Other income, net	81	136	(55)
Interest expense, net	(173)	(133)	(40)
Income before income tax (expense) benefit	11,252	10,918	334
Income tax (expense) benefit	(177)	128	(305)
Net income	\$ 11,075	\$ 11,046	\$ 29
Basic and diluted net income per unit	\$ 0.26	\$ 0.26	\$ —

The following table summarizes NuStar Energy's statement of comprehensive income data:

	Three Months Ended March 31,		Change
	2013	2012	
	(Unaudited, Thousands of Dollars, Except Per Unit Data)		
Revenues	\$ 999,710	\$ 1,609,405	\$ (609,695)
Cost of product sales	752,254	1,354,530	(602,276)
Operating expenses	117,574	125,114	(7,540)
Depreciation and amortization expense	40,428	41,761	(1,333)
Segment operating income	89,454	88,000	1,454
General and administrative expenses	27,494	27,167	327
Other depreciation and amortization expense	2,498	1,814	684
Operating income	\$ 59,462	\$ 59,019	\$ 443
Income from continuing operations	\$ 16,038	\$ 37,952	\$ (21,914)
Income (loss) from discontinued operations, net of tax	8,366	(11,698)	20,064
Net income	\$ 24,404	\$ 26,254	\$ (1,850)
Net income per unit applicable to limited partners	\$ 0.17	\$ 0.23	\$ (0.06)
Cash distributions per unit applicable to limited partners	\$ 1.095	\$ 1.095	\$ —

NuStar Energy's net income decreased \$1.9 million for the three months ended March 31, 2013, compared to the three months ended March 31, 2012, primarily due to a decrease in earnings of joint ventures and an increase in interest expense. In addition, NuStar Energy recorded income from discontinued operations in 2013, compared to a loss from discontinued operations in 2012, all of which is attributable to the San Antonio Refinery Sale. Segment operating income increased \$1.5 million for the

three months ended March 31, 2013, compared to the three months ended March 31, 2012, primarily due to increased operating income from NuStar Energy’s pipeline segment, offset by decreased operating income from its storage segment. As a result of the Asphalt Sale, NuStar Energy’s fuels marketing segment includes the results of the Asphalt Operations for the three months ended March 31, 2012, but not for the three months ended March 31, 2013.

Equity in earnings of NuStar Energy

The following table summarizes our equity in earnings of NuStar Energy:

	Three Months Ended March 31,		Change
	2013	2012	
(Thousands of Dollars)			
NuStar GP Holdings’ Equity in Earnings of NuStar Energy:			
General partner interest	\$ 276	\$ 331	\$ (55)
General partner incentive distribution rights (IDR)	10,805	9,816	989
General partner’s interest in earnings and incentive distributions of NuStar Energy	11,081	10,147	934
Limited partner interest in earnings of NuStar Energy	1,784	2,346	(562)
Amortization of step-up in basis related to NuStar Energy’s assets and liabilities	(721)	(721)	—
Equity in earnings of NuStar Energy	<u>\$ 12,144</u>	<u>\$ 11,772</u>	<u>\$ 372</u>

NuStar Energy’s number of limited partner units outstanding increased for the three months ended March 31, 2013, compared to the three months ended March 31, 2012, resulting from the issuance of units in the third quarter of 2012. That increase resulted in NuStar Energy increasing its total cash distributions. Since our IDR in NuStar Energy entitle us to an increasing amount of NuStar Energy’s cash distributions, our equity in earnings of NuStar Energy related to our IDR increased for the period.

Our equity in earnings related to our limited partner interest in NuStar Energy decreased for the three months ended March 31, 2013, compared to the three months ended March 31, 2012, due to a decrease in NuStar Energy’s net income per unit applicable to limited partners. The decrease in NuStar Energy’s net income discussed above, combined with its higher number of limited partner units outstanding resulted in a decrease in NuStar Energy’s net income per unit applicable to limited partners.

TRENDS AND OUTLOOK

NuStar Energy expects its operating income for 2013 to be higher than 2012 in each of its three reporting segments.

NuStar Energy's Storage Segment

NuStar Energy expects its storage segment earnings for the second quarter of 2013 to be less than the first quarter of 2013 and less than the second quarter of 2012. Continued backwardation of the forward pricing curve could result in reduced demand for storage in the markets NuStar Energy serves, thus negatively affecting its earnings.

However, NuStar Energy expects the full-year earnings for 2013 to improve compared to 2012. Expansion projects completed in 2012 and in the first quarter of 2013 at its St. James, Louisiana terminal and its St. Eustatius terminal in the Caribbean as well as the expected completion of a second 70,000 barrel per day rail-car offloading facility at its St. James, Louisiana terminal in the fourth quarter should more than offset the impacts of reduced demand at some of its terminals.

NuStar Energy's Pipeline Segment

NuStar Energy expects earnings for the pipeline segment (formerly known as the transportation segment) to continue to improve throughout the year. Results for the second quarter and full year of 2013 should exceed the comparable periods of 2012 mainly due to higher throughputs resulting from its Eagle Ford Shale projects and from its TexStar Asset Acquisition. Within the Eagle Ford Shale, NuStar Energy expects to complete projects in the third and fourth quarter of 2013 that should significantly increase throughputs and improve its earnings.

For the full-year 2013, NuStar Energy expects earnings for the pipeline segment to be higher than 2012. NuStar Energy expects crude oil pipeline throughputs to increase in 2013 as a result of the Eagle Ford Shale projects completed in 2012 and the December 2012 TexStar Asset Acquisition, as well as from an additional Eagle Ford Shale project it should complete in the third quarter of 2013. These increased throughputs and the benefits from its TexStar Asset Acquisition should contribute to higher earnings.

NuStar Energy's Fuels Marketing Segment

In 2013, in order to better reflect the current operations of this segment, NuStar Energy renamed it the "Fuels Marketing Segment." NuStar Energy believes this name is a more accurate description of the operations that remain after its deconsolidation of the Asphalt Operations in the third quarter of 2012 and the January 2013 sale of the San Antonio Refinery.

The second quarter of 2013 will continue to present challenges, but NuStar Energy expects 2013 results for the fuels marketing operations to be higher than the results for 2012, primarily due to higher projected earnings from heavy fuel oil and bunker fuel marketing. However, due to the many factors affecting margins of these businesses, actual results may be higher or lower than what NuStar Energy currently forecasts.

NuStar Energy's outlook for the partnership may change depending on, among other things, crude oil prices, the state of the economy, changes to refinery maintenance schedules and other factors that affect overall demand for the products it stores, transports and sells as well as changes in commodity prices for the products it markets.

We expect our equity in earnings of NuStar Energy to increase or decrease consistent with NuStar Energy's earnings.

LIQUIDITY AND CAPITAL RESOURCES

General

Our cash flows consist of distributions from NuStar Energy on our partnership interests, including the IDR that we own. Due to our ownership of NuStar Energy's IDR, our portion of NuStar Energy's total distributions may exceed our ownership interest in NuStar Energy. Our primary cash requirements are for distributions to members, capital contributions to maintain our 2% general partner interest in NuStar Energy in the event that NuStar Energy issues additional units, debt service requirements, benefit plan funding and general and administrative expenses. In addition, because NuStar GP, LLC, a wholly owned subsidiary of NuStar GP Holdings, elected to be treated as a taxable entity in August 2006, we may be required to pay income taxes, which may exceed the amount of tax expense recorded in the consolidated financial statements. We expect to fund our cash requirements primarily with the quarterly cash distributions we receive from NuStar Energy and borrowings under our revolving credit facility, if necessary. Additionally, NuStar Energy reimburses us for all costs incurred on their behalf, primarily employee-related costs.

Cash Distributions from NuStar Energy

NuStar Energy pays quarterly distributions within 45 days following the end of each quarter based on the partnership interests outstanding as of a record date that is set after the end of each quarter. Available cash is defined as all cash on hand at the end of any calendar quarter less the amount of cash reserves necessary or appropriate, as determined in good faith by our board of directors, to fund debt we may incur, if any, general and administrative expenses, future distributions and other miscellaneous uses of cash. The table set forth below shows the cash distributions earned for the periods shown with respect to our ownership interests in NuStar Energy and IDR:

	Three Months Ended March 31,	
	2013	2012
(Thousands of Dollars, Except Per Unit Data)		
Cash distributions per unit	\$ 1.095	\$ 1.095
Total cash distributions by NuStar Energy to all partners	\$ 98,051	\$ 89,076
Cash distributions we received from NuStar Energy:		
General partner interest	\$ 1,961	\$ 1,782
General partner incentive distribution	10,805	9,816
Limited partner interest – common units	11,280	11,211
Total cash distributions to us	<u>\$ 24,046</u>	<u>\$ 22,809</u>
Distributions to us as a percentage of total cash distributions	24.5%	25.6%

Cash Flows for the Three Months Ended March 31, 2013 and March 31, 2012

Cash distributions received from NuStar Energy for the three months ended March 31, 2013 were \$24.1 million compared to \$22.9 million for the three months ended March 31, 2012. The cash distributions we received were used principally to fund distributions to our unitholders, totaling \$23.2 million for the three months ended March 31, 2013, compared to \$21.7 million for the three months ended March 31, 2012. We also used excess cash to repay \$1.5 million on our revolving credit facility for the three months ended March 31, 2013.

Credit Facility

Our 364-day revolving credit agreement dated June 29, 2012, matures on June 28, 2013 and has a borrowing capacity of up to \$40.0 million, of which, up to \$10.0 million may be available for letters of credit (the 2012 Credit Facility). For the three months ended March 31, 2013, we repaid \$1.5 million under the 2012 Credit Facility. As of March 31, 2013, we had outstanding borrowings of \$18.5 million and availability of \$21.5 million for borrowings under the 2012 Credit Facility. Interest on the 2012 Credit Facility is based upon, at our option, either an alternative base rate plus 0.75% or a LIBOR-based rate plus 1.75%. As of March 31, 2013, the interest rate was 2.0%.

The terms of the 2012 Credit Facility require NuStar Energy to maintain, as of the end of each rolling period, consisting of any period of four consecutive quarters, a consolidated debt coverage ratio not to exceed 5.0-to-1.0. If NuStar Energy consummates an acquisition for an aggregate net consideration of at least \$50.0 million, the maximum consolidated debt coverage ratio will increase to 5.5-to-1.0 for two rolling periods. As of March 31, 2013, NuStar Energy's consolidated debt coverage ratio was 4.3x

and the maximum allowed amount was 5.5-to-1.0, as a result of its acquisition of certain crude oil assets from TexStar Midstream Services, LP and certain of its affiliates in December 2012. We are also required to receive cash distributions of at least \$50.0 million in respect of our ownership interests in NuStar Energy for the preceding four fiscal quarters ending on the last day of each fiscal quarter. Our management believes that we are in compliance with the covenants of the 2012 Credit Facility as of March 31, 2013.

We are in discussions with lenders to renew or replace the 2012 Credit Facility.

Cash Distributions to Unitholders

Our limited liability company agreement requires that, within 50 days after the end of each quarter, we distribute all of our available cash to the holders of record of our units on the applicable record date. The table set forth below shows our cash distributions applicable to the period in which the distributions were earned:

	Three Months Ended March 31,	
	2013	2012
	(Thousands of Dollars, Except Per Unit Data)	
Cash distributions per unit	\$ 0.545	\$ 0.510
Total cash distributions	\$ 23,222	\$ 21,720

Related Party Transactions

Please refer to [Note 3 of the Condensed Notes to Consolidated Financial Statements](#) in Item 1. “Financial Statements” for total transactions charged to and amounts due from related parties, and a description of the agreements.

Contingencies

As previously discussed, our only cash-generating assets are our indirect ownership interests in NuStar Energy. NuStar Energy is subject to certain loss contingencies, the outcomes of which could have a material effect on NuStar Energy’s results of operations and cash flows. Please refer to [Note 8 of the Condensed Notes to Consolidated Financial Statements](#) in Item 1. “Financial Statements” for a more detailed discussion of contingencies.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Our management has evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures were effective as of March 31, 2013.

(b) Changes in internal control over financial reporting.

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 6. Exhibits

Exhibit Number	Description
*31.01	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal executive officer
*31.02	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal financial officer
*32.01	Section 1350 Certification (under Section 906 of the Sarbanes-Oxley Act of 2002) of principal executive officer
*32.02	Section 1350 Certification (under Section 906 of the Sarbanes-Oxley Act of 2002) of principal financial officer
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURES

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, thereunto duly authorized.

NUSTAR GP HOLDINGS, LLC
(Registrant)

By: /s/ Curtis V. Anastasio

Curtis V. Anastasio
President and Chief Executive Officer
May 8, 2013

By: /s/ Steven A. Blank

Steven A. Blank
Executive Vice President and Chief Financial Officer
May 8, 2013

By: /s/ Thomas R. Shoaf

Thomas R. Shoaf
Senior Vice President and Controller
May 8, 2013