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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended September 30, 2016

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

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**NUSTAR GP HOLDINGS, LLC**

(Exact name of registrant as specified in its charter)

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**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**

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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 October 31, 2016 was 42,931,242.

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

**TABLE OF CONTENTS**

**PART I – FINANCIAL INFORMATION**

Item 1.	<a href="#">Financial Statements:</a>	
	<a href="#">Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015</a>	<a href="#">3</a>
	<a href="#">Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2016 and 2015</a>	<a href="#">4</a>
	<a href="#">Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015</a>	<a href="#">5</a>
	<a href="#">Condensed Notes to Consolidated Financial Statements</a>	<a href="#">6</a>
Item 2.	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">15</a>
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">22</a>
Item 4.	<a href="#">Controls and Procedures</a>	<a href="#">22</a>

**PART II – OTHER INFORMATION**

Item 6.	<a href="#">Exhibits</a>	<a href="#">23</a>
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<a href="#">SIGNATURES</a>	<a href="#">24</a>
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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

	September 30, 2016	December 31, 2015
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 360	\$ 34
Receivable from related party	—	14,799
Income tax receivable	303	1,212
Other receivables	—	69
Other current assets	239	344
Total current assets	902	16,458
Investment in NuStar Energy L.P.	280,532	306,694
Long-term receivable from related party	—	32,080
Deferred income tax assets, net	5,074	5,258
Total assets	\$ 286,508	\$ 360,490
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Short-term debt	\$ 30,000	\$ 26,000
Payable to related party	83	—
Accounts payable	2	636
Accrued compensation expense	—	8,990
Accrued liabilities	351	340
Deferred income tax liabilities, net	—	2,660
Taxes other than income tax	114	1,935
Total current liabilities	30,550	40,561
Long-term liabilities	—	32,859
Commitments and contingencies (Note 8)		
Members' equity (42,931,242 and 42,930,549 common units outstanding as of September 30, 2016 and December 31, 2015, respectively)	275,050	295,734
Accumulated other comprehensive loss	(19,092)	(8,664)
Total members' equity	255,958	287,070
Total liabilities and members' equity	\$ 286,508	\$ 360,490

See Condensed Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Equity in earnings of NuStar Energy L.P.	\$ 16,130	\$ 18,194	\$ 49,425	\$ 62,284
General and administrative expenses:				
Third parties	(454)	(825)	(1,794)	(2,697)
Related party	(250)	—	(583)	—
Total general and administrative expenses	(704)	(825)	(2,377)	(2,697)
Other income (expense), net	2,142	(3)	2,755	536
Interest expense, net	(276)	(234)	(789)	(661)
Income before income tax benefit (expense)	17,292	17,132	49,014	59,462
Income tax benefit (expense)	28	(215)	55	(213)
Net income	<u>\$ 17,320</u>	<u>\$ 16,917</u>	<u>\$ 49,069</u>	<u>\$ 59,249</u>
Comprehensive income	<u>\$ 17,076</u>	<u>\$ 12,762</u>	<u>\$ 38,641</u>	<u>\$ 56,136</u>
Basic and diluted net income per unit	<u>\$ 0.40</u>	<u>\$ 0.39</u>	<u>\$ 1.14</u>	<u>\$ 1.38</u>
Weighted-average number of basic and diluted units outstanding	<u>42,931,242</u>	<u>42,913,969</u>	<u>42,930,951</u>	<u>42,913,675</u>

See Condensed Notes to Consolidated Financial Statements.

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

	<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 49,069	\$ 59,249
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of NuStar Energy L.P.	(49,425)	(62,284)
Distributions of equity in earnings from NuStar Energy L.P.	49,425	62,284
Gain related to NuStar Energy L.P.'s issuance of limited partner units	(2,142)	—
Gain on sale of NuStar Energy L.P. limited partner units in connection with unit-based compensation	(613)	(536)
Unit-based compensation expense	460	169
Amortization of deferred debt costs	126	113
(Benefit) provision for deferred income tax	(63)	264
Changes in current assets and liabilities (Note 6)	(3,532)	3,130
(Increase) decrease in long-term receivable from related party	(899)	2,167
Increase (decrease) in long-term liabilities	1,183	(2,166)
<b>Net cash provided by operating activities</b>	<b>43,589</b>	<b>62,390</b>
<b>Cash Flows from Investing Activities:</b>		
Distributions in excess of equity in earnings from NuStar Energy L.P.	22,431	9,661
Investment in NuStar Energy L.P.	(737)	(6,417)
Proceeds from sale of NuStar Energy L.P. units in connection with unit-based compensation	1,319	1,956
<b>Net cash provided by investing activities</b>	<b>23,013</b>	<b>5,200</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt borrowings	4,000	—
Distributions to unitholders	(70,192)	(70,179)
Other, net	(84)	15
<b>Net cash used in financing activities</b>	<b>(66,276)</b>	<b>(70,164)</b>
Net increase (decrease) in cash and cash equivalents	326	(2,574)
Cash and cash equivalents as of the beginning of the period	34	2,840
Cash and cash equivalents as of the end of the period	<b>\$ 360</b>	<b>\$ 266</b>

See Condensed Notes to Consolidated Financial Statements.

**NUSTAR GP HOLDINGS, LLC AND SUBSIDIARIES**  
**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,” “NSH,” “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 September 30, 2016, we owned approximately 15% of NuStar Energy, consisting of the following:

- the 2% general partner interest;
- 100% of the incentive distribution rights 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
- 10,214,626 common units of NuStar Energy representing limited partner interests.

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

*Employee Transfer from NuStar GP, LLC.* On March 1, 2016, NuStar GP, LLC, our wholly owned subsidiary, transferred and assigned to NuStar Services Company LLC (NuStar Services Co), a wholly owned subsidiary of NuStar Energy, all of NuStar GP, LLC’s employees and related benefit plans, programs, contracts and policies (the Employee Transfer). As a result of the Employee Transfer, NuStar Energy pays employee costs directly and sponsors the long-term incentive plan and other employee benefit plans. Please refer to Note 3 for a discussion of this transfer and our related party agreements and Note 11 for a discussion of the employee benefit plans and long-term incentive plan obligations transferred.

***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 the Quarterly Report on 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, and all disclosures are adequate. All such adjustments are of a normal recurring nature unless disclosed otherwise. Financial information for the three and nine months ended September 30, 2016 and 2015 included in these Condensed Notes to Consolidated Financial Statements is derived from our unaudited condensed consolidated financial statements. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The consolidated balance sheet as of December 31, 2015 has been derived from the audited consolidated financial statements as of that date. These unaudited 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, 2015.

Certain previously reported amounts in the 2015 consolidated financial statements and condensed notes have been reclassified to conform to 2016 presentation.

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

***New Accounting Pronouncements***

*Statement of Cash Flows.* In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance that clarifies how entities should present certain cash receipts and cash payments on the statement of cash flows, including but not limited to debt prepayment or debt extinguishment costs; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims and distributions received from equity method investees. The changes are effective for annual and interim periods beginning after December 15, 2017, and amendments should be applied retrospectively. We will adopt these provisions January 1, 2018, and we do not expect the guidance to have a material impact on our statements of cash flows or disclosures.

*Unit-Based Payments.* In March 2016, the FASB issued amended guidance that simplifies certain aspects of accounting for unit-based payments to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The changes are effective for annual and interim periods beginning after December 15, 2016, and early adoption is permitted. The new requirements should be applied prospectively, retrospectively or using a modified retrospective transition method depending on the area affected by the amended guidance. We adopted this amended guidance effective January 1, 2016, which did not have a material impact on our financial position, results of operations or disclosures.

*Deferred Taxes.* In November 2015, the FASB issued amended guidance that requires deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The changes are effective for annual and interim periods beginning after December 15, 2016, using either a prospective or retrospective transition method, and early adoption is permitted. We will adopt these provisions on a prospective basis on January 1, 2017, and we do not expect the guidance to have a material impact on our financial position, results of operations or disclosures.

**2. INVESTMENT IN NUSTAR ENERGY**

During the nine months ended September 30, 2016, NuStar Energy issued 595,050 common units representing limited partner interests at an average price of \$47.39 per unit. NuStar Energy received net proceeds of \$28.3 million, which includes our contribution of \$0.6 million in order to maintain our 2.0% general partner interest. This issuance resulted in a gain of \$2.1 million for the quarter ended September 30, 2016, which is included in “Other income (expense), net” on our consolidated statements of comprehensive income, and represents the increase in the value of our proportionate share of NuStar Energy’s capital.

On January 2, 2015, NuStar Energy acquired full ownership of ST Linden Terminal, LLC, which owns a refined products terminal in Linden, NJ (the Linden Acquisition). Prior to the Linden Acquisition, the terminal operated as a joint venture between NuStar Energy and Linden Holding Corp, with each party owning 50%.

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

**Summary Financial Information**

Condensed consolidated financial information reported by NuStar Energy is presented below:

	September 30, 2016	December 31, 2015
	(Thousands of Dollars)	
<b>Balance Sheet Information:</b>		
Current assets	\$ 254,005	\$ 333,851
Property, plant and equipment, net	3,672,889	3,683,571
Goodwill	696,637	696,637
Other non-current assets	366,887	411,466
Total assets	<u>\$ 4,990,418</u>	<u>\$ 5,125,525</u>
Current liabilities	\$ 211,130	\$ 332,213
Long-term debt	3,153,049	3,055,612
Other non-current liabilities	156,246	127,856
Total liabilities	3,520,425	3,515,681
NuStar Energy partners' equity	1,469,993	1,609,844
Total liabilities and partners' equity	<u>\$ 4,990,418</u>	<u>\$ 5,125,525</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Thousands of Dollars)			
<b>Statement of Comprehensive Income Information:</b>				
Revenues	\$ 441,418	\$ 493,566	\$ 1,284,925	\$ 1,619,121
Operating income	\$ 87,954	\$ 100,994	\$ 273,736	\$ 292,680
Income from continuing operations	\$ 51,141	\$ 65,016	\$ 161,059	\$ 246,466
Income from discontinued operations, net of tax	—	—	—	774
Net income	<u>\$ 51,141</u>	<u>\$ 65,016</u>	<u>\$ 161,059</u>	<u>\$ 247,240</u>

**Other**

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

	September 30, 2016	December 31, 2015
	(Thousands of Dollars)	
NuStar Energy's partners' equity	\$ 1,469,993	\$ 1,609,844
NuStar GP Holdings' ownership interest in NuStar Energy	14.8%	14.9%
NuStar GP Holdings' share of NuStar Energy's partners' equity	217,559	239,867
Step-up in basis related to NuStar Energy's assets and liabilities, including equity method goodwill, and other	62,973	66,827
Investment in NuStar Energy	<u>\$ 280,532</u>	<u>\$ 306,694</u>



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

**3. RELATED PARTY TRANSACTIONS**

*GP Services Agreement.* Prior to the Employee Transfer, NuStar GP, LLC managed the operations of NuStar Energy under a services agreement effective January 1, 2008 pursuant to which employees of NuStar GP, LLC performed services for NuStar Energy’s U.S. operations. Employees of NuStar GP, LLC provided services to both NuStar Energy and NuStar GP Holdings; therefore, NuStar Energy reimbursed NuStar GP, LLC for all employee costs incurred prior to the Employee Transfer, other than the expenses allocated specifically to NuStar GP Holdings (the Holdco Administrative Services Expense). The Holdco Administrative Services Expense totaled \$0.4 million for the three months ended September 30, 2015, and \$0.2 million and \$1.3 million for the nine months ended September 30, 2016 and 2015, respectively. The following table summarizes information pertaining to related party transactions reimbursed by NuStar Energy:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Thousands of Dollars)			
Expenses for payroll, employee benefit plans and unit-based compensation	\$ —	\$ 49,864	\$ 32,053	\$ 150,598
Other expenses	\$ —	\$ 184	\$ 121	\$ 402

In conjunction with the Employee Transfer, NuStar GP, LLC entered into an Amended and Restated Services Agreement with NuStar Services Co, effective March 1, 2016 (the Amended GP Services Agreement). The Amended GP Services Agreement provides that NuStar Services Co will furnish administrative services necessary to conduct our business. We will compensate NuStar Services Co for these services through an annual fee of \$1.0 million, subject to adjustment based on the annual merit increase percentage applicable to NuStar Services Co employees for the most recently completed fiscal year and for changes in level of service. The Amended GP Services Agreement will terminate on March 1, 2020 and will automatically renew for successive two-year terms, unless terminated by either party. We incurred administrative expenses related to the Amended GP Services Agreement of \$0.3 million and \$0.6 million for the three and nine months ended September 30, 2016, respectively, which are reported in related party general and administrative expenses on the consolidated statements of comprehensive income.

*Assignment and Assumption Agreement.* Also on March 1, 2016 and in connection with the Employee Transfer, NuStar Services Co and NuStar GP, LLC entered into an Assignment and Assumption Agreement (the Assignment Agreement). Under the Assignment Agreement, NuStar GP, LLC assigned all of its employee benefit plans, programs, contracts, policies, and various of its other agreements and contracts with certain employees, affiliates and third-party service providers (collectively, the Assigned Programs) to NuStar Services Co. In addition, NuStar Services Co agreed to assume the sponsorship of and all obligations relating to the ongoing maintenance and administration of each of the plans and agreements in the Assigned Programs.

The following table summarizes the related party transactions and changes to amounts reported on our consolidated balance sheet as a result of the Employee Transfer on March 1, 2016 (thousands of dollars):

Decrease in related party receivable:	
Current	\$ 16,014
Long-term	32,656
Decrease in related party receivable	\$ 48,670
Decreases to our consolidated balance sheet:	
Current and long-term assets	\$ (506)
Current liabilities	10,933
Other long-term liabilities	34,042
Accumulated other comprehensive loss	4,201
Decreases to our consolidated balance sheet	\$ 48,670

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

*Balance Sheet Items.* We had a payable to NuStar Energy of \$0.1 million as of September 30, 2016, mainly comprised of service fees and expenses paid on behalf of NuStar GP Holdings. As of December 31, 2015, we had a receivable from NuStar Energy of \$14.8 million, mainly comprised of payroll, employee benefit plan expenses and unit-based compensation prior to the Employee Transfer, and none as of September 30, 2016. We also had a long-term receivable from NuStar Energy as of December 31, 2015 of \$32.1 million, representing long-term employee benefits prior to the Employee Transfer, and none as of September 30, 2016.

#### 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Thousands of Dollars, Except Per Unit Data)			
General partner interest	\$ 1,976	\$ 1,961	\$ 5,898	\$ 5,883
General partner incentive distribution	10,890	10,805	32,500	32,415
Total general partner distribution	12,866	12,766	38,398	38,298
Limited partner distribution	11,185	11,318	33,514	33,846
Total distributions to NuStar GP Holdings	24,051	24,084	71,912	72,144
Public unitholders’ distributions	74,758	73,967	222,999	222,009
Total cash distributions	<u>\$ 98,809</u>	<u>\$ 98,051</u>	<u>\$ 294,911</u>	<u>\$ 294,153</u>
Cash distributions per unit applicable to limited partners	<u>\$ 1.095</u>	<u>\$ 1.095</u>	<u>\$ 3.285</u>	<u>\$ 3.285</u>

The following table summarizes information related to NuStar Energy’s quarterly cash distributions:

Quarter Ended	Cash Distributions Per Unit	Total Cash Distributions	Record Date	Payment Date
	(Thousands of Dollars)			
September 30, 2016 (a)	\$ 1.095	\$ 98,809	November 8, 2016	November 14, 2016
June 30, 2016	\$ 1.095	\$ 98,051	August 9, 2016	August 12, 2016
March 31, 2016	\$ 1.095	\$ 98,051	May 9, 2016	May 13, 2016
December 31, 2015	\$ 1.095	\$ 98,051	February 8, 2016	February 12, 2016

(a) The distribution was announced on October 28, 2016.

#### 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.

As of December 31, 2015, NuStar Energy restricted and performance unit liabilities of \$3.8 million were measured at fair value on a recurring basis and categorized as a Level 1 in the fair value hierarchy. As a result of the Employee Transfer, our consolidated balance sheet as of September 30, 2016 no longer reflects these liabilities, which were reported in “Accrued compensation expense” on our consolidated balance sheet as of December 31, 2015. Please refer to Note 3 and Note 11 for a discussion of the employee-related obligations transferred.

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

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

**6. STATEMENTS OF CASH FLOWS**

Changes in current assets and current liabilities were as follows:

	Nine Months Ended September 30,	
	2016	2015
(Thousands of Dollars)		
Decrease (increase) in current assets:		
Receivable from related party, net	\$ (1,227)	\$ (501)
Income tax receivable	909	—
Other receivables	(32)	91
Other current assets	(21)	147
Increase (decrease) in current liabilities:		
Accounts payable	(221)	(216)
Accrued compensation expense	(1,339)	3,949
Accrued liabilities	11	38
Taxes other than income tax	(1,612)	(378)
<b>Changes in current assets and current liabilities</b>	<b>\$ (3,532)</b>	<b>\$ 3,130</b>

The above changes in current assets and current liabilities differ from changes between amounts reflected in our consolidated balance sheets due to the non-cash related party transactions associated with the Employee Transfer. Please refer to Note 3 for further details.

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

	Nine Months Ended September 30,	
	2016	2015
(Thousands of Dollars)		
Cash paid for interest	\$ 655	\$ 548
Cash refunded for income tax	\$ (900)	\$ (50)

**7. CREDIT FACILITY**

Our revolving credit facility dated June 28, 2013 currently has a borrowing capacity of up to \$50.0 million, of which up to \$10.0 million may be available for letters of credit. We amended this facility on June 16, 2016 to, among other things, extend its maturity to June 27, 2017. Our obligations under our revolving credit facility are guaranteed by Riverwalk Holdings, LLC (Riverwalk), a wholly owned subsidiary of NuStar GP Holdings, LLC. Riverwalk has pledged a total of 2,107,918 NuStar Energy common units that it owns to secure its guarantee. Borrowings under our revolving credit facility are used to fund capital contributions to NuStar Energy to maintain our 2% general partner interest when NuStar Energy issues additional common units and to meet other liquidity and capital resource requirements.

As of September 30, 2016, we had outstanding borrowings of \$30.0 million and availability of \$20.0 million for borrowings under our revolving credit facility. Interest on our revolving credit facility is based upon, at our option, either an alternative base rate or a LIBOR-based rate. As of September 30, 2016, the weighted-average interest rate was 2.6%.

Our revolving credit facility requires that NuStar Energy's consolidated debt coverage ratio (as defined in our revolving credit agreement) not exceed 5.00-to-1.00. We are also required to receive cash distributions each fiscal quarter of at least \$16.0 million in respect of our ownership interests in NuStar Energy. Our management believes that we are in compliance with the covenants in the revolving credit facility as of September 30, 2016.

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

**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 of dollars):

Balance as of January 1, 2016	\$ 287,070
Net income	49,069
Distributions to unitholders	(70,192)
Other comprehensive loss	(10,428)
Unit-based compensation expense	439
Balance as of September 30, 2016	<u>\$ 255,958</u>

***Accumulated Other Comprehensive Loss***

The following table presents balances of and changes in accumulated other comprehensive loss by component:

	Share of NuStar Energy's Other Comprehensive Loss	Pension and Other Postretirement Benefit Plan Adjustments	Total
(Thousands of Dollars)			
Balance as of January 1, 2016	\$ (13,189)	\$ 4,525	\$ (8,664)
Other comprehensive loss before reclassification adjustments	(5,903)	—	(5,903)
Amounts reclassified to general and administrative expenses (a)	—	(324)	(324)
Employee Transfer (b)	—	(4,201)	(4,201)
Other comprehensive loss	<u>(5,903)</u>	<u>(4,525)</u>	<u>(10,428)</u>
Balance as of September 30, 2016	<u>\$ (19,092)</u>	<u>\$ —</u>	<u>\$ (19,092)</u>

- (a) These amounts are components of net periodic pension cost (income), and prior to the Employee Transfer on March 1, 2016, NuStar Energy reimbursed us for these employee costs.
- (b) Represents the balance of accumulated other comprehensive loss related to the unrecognized components of net periodic benefit cost (income), net of income tax expense of \$2.4 million, that was transferred to NuStar Services Co in connection with the Employee Transfer as described in Notes 3 and 11.

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

**Cash Distributions**

The following table summarizes our cash distributions applicable to the period in which the distributions were earned:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Thousands of Dollars, Except Per Unit Data)			
Cash distributions per unit	\$ 0.545	\$ 0.545	\$ 1.635	\$ 1.635
Total cash distributions	\$ 23,398	\$ 23,388	\$ 70,193	\$ 70,164

The following table summarizes information related to our quarterly cash distributions:

Quarter Ended	Cash Distributions Per Unit	Total Cash Distributions	Record Date	Payment Date
	(Thousands of Dollars)			
September 30, 2016 (a)	\$ 0.545	\$ 23,398	November 8, 2016	November 16, 2016
June 30, 2016	\$ 0.545	\$ 23,398	August 9, 2016	August 16, 2016
March 31, 2016	\$ 0.545	\$ 23,397	May 9, 2016	May 17, 2016
December 31, 2015	\$ 0.545	\$ 23,397	February 8, 2016	February 16, 2016

(a) The distribution was announced on October 28, 2016.

**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. Basic and diluted net income per unit are the same for the three and nine months ended September 30, 2016 and 2015 because we have no potentially dilutive securities outstanding.

**11. EMPLOYEE BENEFIT PLANS AND UNIT-BASED COMPENSATION**

Prior to the Employee Transfer, NuStar GP, LLC sponsored and maintained the following employee related benefit plans:

- The NuStar Thrift Plan (the Thrift Plan), a qualified employee profit-sharing plan;
- The NuStar Excess Thrift Plan, a benefit plan to those employees whose compensation and/or annual contributions under the Thrift Plan are subject to the limitations applicable to qualified retirement plans;
- The NuStar Pension Plan, a qualified non-contributory defined benefit pension plan;
- The NuStar Excess Pension Plan, a benefit plan to a select group of management or other highly compensated employees (the NuStar Pension Plan and the NuStar Excess Pension Plan are collectively referred to as the Pension Plans);
- The NuStar GP, LLC Retiree Welfare Benefits Plan, a medical benefits plan for certain retired employees; and
- The Fifth Amended and Restated 2000 Long-Term Incentive Plan (the Amended 2000 LTIP).

Prior to the Employee Transfer, NuStar Energy reimbursed NuStar GP, LLC for expenses incurred under these plans. Effective March 1, 2016, NuStar Services Co pays employee costs directly and assumed sponsorship and responsibility for the above employee related benefit plans.

**Employee Benefit Plans**

On March 1, 2016 and in conjunction with the Employee Transfer, we transferred to NuStar Services Co \$32.7 million in benefit obligations associated with the Pension Plans and other postretirement benefit plans. As a result of the Employee Transfer, our consolidated balance sheet as of September 30, 2016 no longer reflects these liabilities, which were primarily reported in “Long-term liabilities” on our consolidated balance sheet as of December 31, 2015. Additionally, we transferred an accumulated other comprehensive income balance related to the unrecognized components of net periodic benefit cost (income) of \$4.2 million.

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

***Unit-Based Compensation***

On March 1, 2016, we transferred to NuStar Services Co all outstanding awards under the Amended 2000 LTIP, which represented 688,647 units, and removed the obligation related to these unit-based awards from our consolidated balance sheet.

We continue to sponsor and maintain the 2006 Long-Term Incentive Plan (the 2006 LTIP). Under the 2006 LTIP, NSH units may be awarded to NuStar GP Holdings employees, consultants and directors who perform services for us or our affiliates. For further details on the 2006 LTIP, please see Note 15 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” contained in our Annual Report on Form 10-K for the year ended December 31, 2015.

## 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, 2015, Part I, Item 1A “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 we are 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 Management’s Discussion and Analysis of Financial Condition and Results of Operations is presented in seven sections:

- Overview
- Results of Operations
- Trends and Outlook
- Liquidity and Capital Resources
- Related Party Transactions
- Critical Accounting Policies
- New Accounting Pronouncements

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 September 30, 2016, our aggregate ownership interests of approximately 15% in NuStar Energy consisted of the following:

- the 2% general partner interest;
- 100% of the incentive distribution rights 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
- 10,214,626 common units of NuStar Energy representing limited partner interests.

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

NuStar Energy’s partnership agreement requires that it distribute all “Available Cash” to its partners each quarter, and this term is defined in its partnership agreement as cash on hand at the end of the quarter, plus certain permitted borrowings made subsequent to the end of the quarter, less cash reserves determined by NuStar Energy’s board of directors. 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.



**Recent Developments**

*Employee Transfer from NuStar GP, LLC.* On March 1, 2016, NuStar GP, LLC, our wholly owned subsidiary, transferred and assigned to NuStar Services Company LLC (NuStar Services Co), a wholly owned subsidiary of NuStar Energy, all of NuStar GP, LLC’s employees and related benefit plans, programs, contracts and policies (the Employee Transfer). The Employee Transfer did not materially change our results of operations since NuStar Energy previously reimbursed us for nearly all of NuStar GP, LLC’s employee costs. However, as a result of the Employee Transfer, NuStar Services Co pays employee costs directly and sponsors the long-term incentive plan and other employee benefit plans. Please refer to Note 3 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for further discussion on the Employee Transfer.

*Linden Acquisition.* On January 2, 2015, NuStar Energy acquired full ownership of ST Linden Terminal, LLC, which owns a refined products terminal in Linden, NJ (the Linden Acquisition). Prior to the Linden Acquisition, the terminal operated as a joint venture between NuStar Energy and Linden Holding Corp, with each party owning 50%.

**RESULTS OF OPERATIONS**

**Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015**

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

	Three Months Ended September 30,		Change
	2016	2015	
Equity in earnings of NuStar Energy	\$ 16,130	\$ 18,194	\$ (2,064)
General and administrative expenses	(704)	(825)	121
Other income (expense), net	2,142	(3)	2,145
Interest expense, net	(276)	(234)	(42)
Income before income tax benefit (expense)	17,292	17,132	160
Income tax benefit (expense)	28	(215)	243
Net income	\$ 17,320	\$ 16,917	\$ 403
Basic and diluted net income per unit	\$ 0.40	\$ 0.39	\$ 0.01

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

	Three Months Ended September 30,		Change
	2016	2015	
<b>(Unaudited, Thousands of Dollars, Except Per Unit Data)</b>			
Revenues	\$ 441,418	\$ 493,566	\$ (52,148)
Cost of product sales	155,129	193,958	(38,829)
Operating expenses	117,432	122,634	(5,202)
Depreciation and amortization expense	51,853	50,272	1,581
Segment operating income	117,004	126,702	(9,698)
General and administrative expenses	26,957	23,679	3,278
Other depreciation and amortization expense	2,093	2,029	64
Operating income	\$ 87,954	\$ 100,994	\$ (13,040)
Net income	\$ 51,141	\$ 65,016	\$ (13,875)
Net income per unit applicable to limited partners	\$ 0.49	\$ 0.68	\$ (0.19)
Cash distributions per unit applicable to limited partners	\$ 1.095	\$ 1.095	\$ —



NuStar Energy's net income decreased \$13.9 million for the three months ended September 30, 2016, compared to the three months ended September 30, 2015, mainly due to a reduction in operating income for its pipeline segment and an increase in its general and administrative expenses.

### **Equity in Earnings of NuStar Energy**

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

	<b>Three Months Ended September 30,</b>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
<b>(Thousands of Dollars)</b>			
<b>NuStar GP Holdings' Equity in Earnings of NuStar Energy:</b>			
General partner interest	\$ 805	\$ 1,084	\$ (279)
General partner incentive distribution rights (IDRs)	10,890	10,805	85
General partner's interest in earnings and incentive distributions of NuStar Energy	11,695	11,889	(194)
Limited partner interest in earnings of NuStar Energy	5,156	7,026	(1,870)
Amortization of step-up in basis related to NuStar Energy's assets and liabilities	(721)	(721)	—
Equity in earnings of NuStar Energy	<u>\$ 16,130</u>	<u>\$ 18,194</u>	<u>\$ (2,064)</u>

Our equity in earnings related to our general and limited partner interests in NuStar Energy decreased \$2.1 million for the three months ended September 30, 2016, compared to the three months ended September 30, 2015, due to a decrease in NuStar Energy's net income. However, our equity in earnings of NuStar Energy related to our IDRs increased slightly since our IDRs in NuStar Energy entitle us to an increasing amount of NuStar Energy's cash distributions. NuStar Energy's total cash distributions increased as a result of its issuance of units in the third quarter of 2016.

### **Other Income (Expense), Net**

Other income, net increased for the three months ended September 30, 2016, compared to the three months ended September 30, 2015, due to NuStar Energy's issuance of 595,050 common units in the third quarter of 2016. This issuance resulted in a gain of \$2.1 million representing the increase in the value of our proportionate share of NuStar Energy's capital.

### **Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015**

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

	<b>Nine Months Ended September 30,</b>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
Equity in earnings of NuStar Energy	\$ 49,425	\$ 62,284	\$ (12,859)
General and administrative expenses	(2,377)	(2,697)	320
Other income, net	2,755	536	2,219
Interest expense, net	(789)	(661)	(128)
Income before income tax benefit (expense)	49,014	59,462	(10,448)
Income tax benefit (expense)	55	(213)	268
Net income	<u>\$ 49,069</u>	<u>\$ 59,249</u>	<u>\$ (10,180)</u>
Basic and diluted net income per unit	<u>\$ 1.14</u>	<u>\$ 1.38</u>	<u>\$ (0.24)</u>

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

	Nine Months Ended September 30,		Change
	2016	2015	
	(Unaudited, Thousands of Dollars, Except Per Unit Data)		
Revenues	\$ 1,284,925	\$ 1,619,121	\$ (334,196)
Cost of product sales	441,736	738,074	(296,338)
Operating expenses	335,315	355,419	(20,104)
Depreciation and amortization expense	154,357	151,120	3,237
Segment operating income	353,517	374,508	(20,991)
General and administrative expenses	73,399	75,425	(2,026)
Other depreciation and amortization expense	6,382	6,403	(21)
Operating income	<u>\$ 273,736</u>	<u>\$ 292,680</u>	<u>\$ (18,944)</u>
Income from continuing operations	\$ 161,059	\$ 246,466	\$ (85,407)
Income from discontinued operations, net of tax	—	774	(774)
Net income	<u>\$ 161,059</u>	<u>\$ 247,240</u>	<u>\$ (86,181)</u>
Net income per unit applicable to limited partners	\$ 1.58	\$ 2.69	\$ (1.11)
Cash distributions per unit applicable to limited partners	\$ 3.285	\$ 3.285	\$ —

NuStar Energy's net income decreased \$86.2 million for the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, mainly due to a \$56.3 million gain in 2015 associated with the Linden Acquisition and a decrease of \$21.0 million in its segment operating income, resulting mainly from reductions in operating income for its pipeline and fuels marketing segments.

#### ***Equity in Earnings of NuStar Energy***

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

	Nine Months Ended September 30,		Change
	2016	2015	
	(Thousands of Dollars)		
<b>NuStar GP Holdings' Equity in Earnings of NuStar Energy:</b>			
General partner interest	\$ 2,571	\$ 4,297	\$ (1,726)
General partner incentive distribution rights (IDRs)	32,500	32,415	85
General partner's interest in earnings and incentive distributions of NuStar Energy	35,071	36,712	(1,641)
Limited partner interest in earnings of NuStar Energy	16,517	27,735	(11,218)
Amortization of step-up in basis related to NuStar Energy's assets and liabilities	(2,163)	(2,163)	—
Equity in earnings of NuStar Energy	<u>\$ 49,425</u>	<u>\$ 62,284</u>	<u>\$ (12,859)</u>

Our equity in earnings related to our general and limited partner interests in NuStar Energy decreased \$12.9 million for the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, due to a decrease in NuStar Energy's net income. However, our equity in earnings of NuStar Energy related to our IDRs increased slightly since our IDRs in NuStar Energy entitle us to an increasing amount of NuStar Energy's cash distributions. NuStar Energy's total cash distributions increased as a result of its issuance of units in the third quarter of 2016.

#### ***Other Income, Net***

Other income, net increased for the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, due to NuStar Energy's issuance of 595,050 common units in the third quarter of 2016. This issuance resulted in a gain of \$2.1 million representing the increase in the value of our proportionate share of NuStar Energy's capital.

## TRENDS AND OUTLOOK

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

NuStar Energy believes that the fact that it provides both storage and pipeline services, for crude and refined products, to customers in sectors across the energy industry, throughout the country and around the world, offers some insulation from the impact of market fluctuations on its results of operations. Since high crude oil prices have tended to benefit NuStar Energy's producer customers, high prices have also correlated with increased demand for its crude oil pipeline services. On the other hand, depressed crude oil prices, when coupled with an industry expectation of higher prices in the future, or a contango market, has historically correlated with increased demand from trading companies for NuStar Energy's storage services.

Because of the geographic diversity of NuStar Energy's assets, its results of operations are not dependent on the regions or markets that have been hardest hit by depressed crude oil prices, the domestic shale play regions, which was demonstrated by the fact that, in 2015, revenue from NuStar Energy's Eagle Ford pipeline and storage assets constituted less than 16% of its total pipeline and storage segment revenue. Although NuStar Energy's assets in the Eagle Ford region have experienced lower throughputs as production has slowed, the fact that NuStar Energy has minimum volume throughput contracts with large, creditworthy customers has minimized the negative impact of that slowdown on its results of operations.

In addition to the diversity of NuStar Energy's customers, its assets, the services it offers and the markets it serves, NuStar Energy believes its contracts, many of which are long-term, take-or-pay arrangements for committed storage or throughput capacity, also help to blunt the impact of volatility of crude oil prices on its results of operations. In the locations at which NuStar Energy's assets are integrated physically with the refineries the assets serve, NuStar Energy believes the results generated by those assets depend to a greater degree on the refinery's continuing need to receive, store and transport the crude and refined products than on crude or refined product prices.

### ***NuStar Energy's Pipeline Segment***

NuStar Energy expects earnings for its pipeline segment to benefit from higher forecasted volumes on its refined product pipelines. However, NuStar Energy expects these increases to be more than offset by reduced throughput volumes on its Eagle Ford crude pipelines due to lower shale production in the South Texas region. Due to this reduction in volumes, NuStar Energy expects fourth quarter and full-year 2016 results to be lower than the comparable periods of 2015.

### ***NuStar Energy's Storage Segment***

NuStar Energy expects earnings at many of its terminals to benefit from favorable storage contract renewals and higher forecasted throughput volumes, but it expects these increases to be more than offset by higher maintenance expenses and lower throughputs at its Corpus Christi North Beach terminal. NuStar Energy expects lower earnings in the fourth quarter 2016, as compared to the same period in 2015, and comparable or higher earnings for the full-year 2016, as compared to 2015.

### ***NuStar Energy's Fuels Marketing Segment***

Although NuStar Energy expects full-year 2016 results to be lower than 2015 for its fuels marketing segment, fourth quarter 2016 results are expected to be slightly higher than the fourth quarter 2015 due to its bunker fuel operations. However, earnings in this segment, as in any margin-based business, are subject to many factors that can increase or reduce margins, which may cause the segment's actual results to vary significantly from NuStar Energy's forecast.

NuStar Energy's outlook for the partnership, both overall and for any of its segments, may change, as NuStar Energy bases its expectations on its continuing evaluation of a number of factors, many of which are outside its control. These factors include, but are not limited to, the state of the economy and the capital markets, changes to its customers' refinery maintenance schedules and unplanned refinery downtime, supply of and demand for crude oil, refined products and anhydrous ammonia, demand for its transportation and storage services and changes in laws or regulations affecting its assets.

## LIQUIDITY AND CAPITAL RESOURCES

### *General*

Our cash flows consist of distributions from NuStar Energy on our partnership interests, including the incentive distribution rights that we own. Due to our ownership of NuStar Energy’s incentive distribution rights, 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, if any, 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, if necessary, borrowings under our revolving credit facility.

### *Cash Distributions from NuStar Energy*

NuStar Energy distributes all of its available cash 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. The following table reflects the cash distributions earned for the periods shown with respect to our ownership interests in NuStar Energy and our incentive distribution rights:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Thousands of Dollars, Except Per Unit Data)				
Cash distributions per unit applicable to limited partners	\$ 1.095	\$ 1.095	\$ 3.285	\$ 3.285
Total cash distributions by NuStar Energy to all partners	\$ 98,809	\$ 98,051	\$ 294,911	\$ 294,153
Cash distributions we received from NuStar Energy:				
General partner interest	\$ 1,976	\$ 1,961	\$ 5,898	\$ 5,883
General partner incentive distribution	10,890	10,805	32,500	32,415
Limited partner interest – common units	11,185	11,318	33,514	33,846
Total cash distributions to us	<u>\$ 24,051</u>	<u>\$ 24,084</u>	<u>\$ 71,912</u>	<u>\$ 72,144</u>
Distributions to us as a percentage of total cash distributions	24.3%	24.6%	24.4%	24.5%

### *Cash Flows for the Nine Months Ended September 30, 2016 and September 30, 2015*

Cash distributions received from NuStar Energy were \$71.9 million for each of the nine months ended September 30, 2016 and 2015, respectively. The cash distributions we received were used principally to fund distributions to our unitholders, totaling \$70.2 million for each of the nine months ended September 30, 2016 and 2015.

### *Credit Facility*

As of September 30, 2016, we had outstanding borrowings of \$30.0 million and availability of \$20.0 million for borrowings under our revolving credit facility. Interest on our revolving credit facility is based upon, at our option, either an alternative base rate or a LIBOR-based rate. As of September 30, 2016, the weighted-average interest rate was 2.6%. Our management believes that we are in compliance with the covenants of our revolving credit facility as of September 30, 2016. Please refer to Note 7 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for a more detailed discussion on our revolving credit facility.

### *Investment in NuStar Energy*

During the nine months ended September 30, 2016, NuStar Energy issued 595,050 common units representing limited partner interests at an average price of \$47.39 per unit. NuStar Energy received net proceeds of \$28.3 million, which includes our contribution of \$0.6 million in order to maintain our 2.0% general partner interest.

**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. 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 service debt we may incur, if any, and to fund general and administrative expenses, future distributions and other miscellaneous cash requirements. The following table reflects our cash distributions applicable to the period in which the distributions were earned:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Thousands of Dollars, Except Per Unit Data)			
Cash distributions per unit	\$ 0.545	\$ 0.545	\$ 1.635	\$ 1.635
Total cash distributions	\$ 23,398	\$ 23,388	\$ 70,193	\$ 70,164

**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.

**RELATED PARTY TRANSACTIONS**

Please refer to Note 3 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements" for a discussion of our related party transactions.

**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, 2015.

**NEW ACCOUNTING PRONOUNCEMENTS**

Please refer to Note 1 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements" for a detailed discussion of new accounting pronouncements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our only cash generating assets are our ownership interests in NuStar Energy, which we account for using the equity method. We have no material market risk other than those market risks affecting NuStar Energy, which could therefore affect the value of our investment. NuStar Energy is exposed to various market risks, including interest rate risk and commodity price risk. For a description of NuStar Energy's market risks and how it manages its exposure to those risks, please see Item 3. "Quantitative and Qualitative Disclosures About Market Risk" contained in NuStar Energy's Form 10-Q for the quarter ended September 30, 2016.

**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 September 30, 2016.

*(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 6. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
4.01	Third Amendment to First Amended and Restated Limited Liability Company Agreement of NuStar GP, LLC, dated as of July 29, 2016 and effective as of March 21, 2007 (incorporated by reference to Exhibit 3.01 to NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (File No. 001-16417))
10.01	Maturity Extension Letter (Amendment No. 3) to Letter of Credit Agreement and Subsidiary Guaranty Agreement dated as of July 15, 2016 among NuStar Logistics, L.P., NuStar Energy L.P., the Lenders party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Issuing Bank and Administrative Agent (incorporated by reference to Exhibit 10.02 to NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (File No. 001-16417))
10.02	Form of NuStar Energy L.P. Amended and Restated Change of Control Severance Agreement (incorporated by reference to Exhibit 10.1 to NuStar Energy L.P.'s Current Report on Form 8-K filed August 4, 2016 (File No. 001-16417))
*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.

\*\* Furnished 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/ Bradley C. Barron**  
\_\_\_\_\_  
**Bradley C. Barron**  
**President and Chief Executive Officer**  
**November 7, 2016**

**By: /s/ Thomas R. Shoaf**  
\_\_\_\_\_  
**Thomas R. Shoaf**  
**Executive Vice President and Chief Financial Officer**  
**November 7, 2016**

**By: /s/ Jorge A. del Alamo**  
\_\_\_\_\_  
**Jorge A. del Alamo**  
**Senior Vice President and Controller**  
**November 7, 2016**