
**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, 2014

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, 2014 was 42,656,973.

**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, 2014 | December 31, 2013 |
|----------------------------------------------------------|-------------------|----------------------|
| | (Unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,177 | \$ 1,603 |
| Receivable from related parties | 13,859 | 9,617 |
| Income tax receivable | 1,198 | 1,198 |
| Other receivables | 506 | 77 |
| Deferred income tax assets, net | 330 | 1,047 |
| Other current assets | 223 | 245 |
| Total current assets | 17,293 | 13,787 |
| Investment in NuStar Energy L.P. | 348,584 | 357,456 |
| Long-term receivable from related party | 39,441 | 41,139 |
| Total assets | \$ 405,318 | \$ 412,382 |
| Liabilities and Members' Equity | | |
| Current liabilities: | | |
| Short-term debt | \$ 26,000 | \$ 26,000 |
| Accounts payable | 397 | 324 |
| Accrued compensation expense | 15,960 | 12,318 |
| Accrued liabilities | 536 | 536 |
| Taxes other than income tax | 139 | 1,240 |
| Total current liabilities | 43,032 | 40,418 |
| Deferred income tax liabilities, net | 2,620 | 3,671 |
| Long-term liabilities | 20,145 | 18,307 |
| Commitments and contingencies (Note 8) | | |
| Members' equity | 331,528 | 341,045 |
| Accumulated other comprehensive income | 7,993 | 8,941 |
| Total members' equity | 339,521 | 349,986 |
| Total liabilities and members' equity | \$ 405,318 | \$ 412,382 |

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)

| | <u>Three Months Ended March 31,</u> | |
|------------------------------------------------------|-------------------------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| Equity in earnings of NuStar Energy L.P. | \$ 14,390 | \$ 12,144 |
| General and administrative expenses | (872) | (800) |
| Other income, net | 17 | 81 |
| Interest expense, net | (222) | (173) |
| Income before income tax benefit (expense) | <u>13,313</u> | <u>11,252</u> |
| Income tax benefit (expense) | 333 | (177) |
| Net income | <u>\$ 13,646</u> | <u>\$ 11,075</u> |
| Comprehensive income | <u>\$ 12,698</u> | <u>\$ 11,272</u> |
| Basic and diluted net income per unit | <u>\$ 0.32</u> | <u>\$ 0.26</u> |
| Weighted-average number of basic units outstanding | <u>42,656,281</u> | <u>42,605,668</u> |
| Weighted-average number of diluted units outstanding | <u>42,656,281</u> | <u>42,605,668</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, | |
|-----------------------------------------------------------------------------------------------------|------------------------------|-----------------|
| | 2014 | 2013 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 13,646 | \$ 11,075 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Equity in earnings of NuStar Energy L.P. | (14,390) | (12,144) |
| Distributions of equity in earnings from NuStar Energy L.P. | 14,390 | 12,144 |
| Gain on sale of NuStar Energy L.P. limited partner units in connection with unit-based compensation | (17) | (81) |
| (Benefit) provision for deferred income tax | (334) | 201 |
| Changes in current assets and liabilities (Note 6) | (2,335) | (3,783) |
| Decrease (increase) in long-term receivable from related party | 1,278 | (714) |
| Increase in long-term liabilities | 1,838 | 4,922 |
| Other, net | 77 | 45 |
| Net cash provided by operating activities | 14,153 | 11,665 |
| Cash Flows from Investing Activities: | | |
| Distributions in excess of equity in earnings from NuStar Energy L.P. | 9,570 | 11,917 |
| Investment in NuStar Energy L.P. | (1,363) | — |
| Proceeds from sale of NuStar Energy L.P. units in connection with unit-based compensation | 463 | 959 |
| Net cash provided by investing activities | 8,670 | 12,876 |
| Cash Flows from Financing Activities: | | |
| Repayment of short-term debt | — | (1,500) |
| Distributions to unitholders | (23,249) | (23,223) |
| Net cash used in financing activities | (23,249) | (24,723) |
| Net decrease in cash and cash equivalents | (426) | (182) |
| Cash and cash equivalents as of the beginning of the period | 1,603 | 2,597 |
| Cash and cash equivalents as of the end of the period | <u>\$ 1,177</u> | <u>\$ 2,415</u> |

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, 2014, we owned approximately 14.9% 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
- 10,244,845 common units of NuStar Energy representing a 12.9% limited partner interest.

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, 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, 2014 and 2013 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, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The consolidated balance sheet as of December 31, 2013 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, 2013.

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):

| | <u>March 31, 2014</u> | <u>December 31, 2013</u> |
|----------------------------------------|---------------------------|------------------------------|
| | (Unaudited) | |
| Balance Sheet Information: | | |
| Current assets | \$ 509,739 | \$ 633,549 |
| Property, plant and equipment, net | 3,320,118 | 3,310,653 |
| Goodwill | 617,429 | 617,429 |
| Other non-current assets | 467,348 | 470,555 |
| Total assets | <u>\$ 4,914,634</u> | <u>\$ 5,032,186</u> |
| Current liabilities | \$ 281,405 | \$ 392,572 |
| Long-term debt | 2,710,117 | 2,655,553 |
| Other non-current liabilities | 79,628 | 80,267 |
| Total liabilities | 3,071,150 | 3,128,392 |
| NuStar Energy partners' equity | 1,842,378 | 1,902,136 |
| Noncontrolling interest | 1,106 | 1,658 |
| Total liabilities and partners' equity | <u>\$ 4,914,634</u> | <u>\$ 5,032,186</u> |

| | <u>Three Months Ended March 31,</u> | |
|--------------------------------------------------------|-------------------------------------|------------------|
| | <u>2014</u> | <u>2013</u> |
| | (Thousands of Dollars) | |
| Statement of Comprehensive Income Information: | | |
| Revenues | \$ 849,213 | \$ 998,186 |
| Operating income | \$ 81,103 | \$ 63,358 |
| Income from continuing operations | \$ 42,996 | \$ 19,599 |
| (Loss) income from discontinued operations, net of tax | (3,359) | 4,805 |
| Net income | <u>\$ 39,637</u> | <u>\$ 24,404</u> |

Other

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

| | <u>March 31, 2014</u> | <u>December 31, 2013</u> |
|-----------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------|
| | (Thousands of Dollars) | |
| NuStar Energy's partners' equity | \$ 1,842,378 | \$ 1,902,136 |
| NuStar GP Holdings' ownership interest in NuStar Energy | 14.9% | 14.9% |
| NuStar GP Holdings' share of NuStar Energy's partners' equity | 274,514 | 283,418 |
| Step-up in basis related to NuStar Energy's assets and liabilities, including equity method goodwill, and other | 74,070 | 74,038 |
| Investment in NuStar Energy | <u>\$ 348,584</u> | <u>\$ 357,456</u> |

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

3. RELATED PARTY TRANSACTIONS

We had a receivable from related parties of \$13.9 million and \$9.6 million as of March 31, 2014 and December 31, 2013, respectively, mainly relating to payroll, employee benefit plans and unit-based compensation for our employees providing services to NuStar Energy and NuStar Energy’s joint ventures. We also had a long-term receivable from related party of \$39.4 million and \$41.1 million as of March 31, 2014 and December 31, 2013, respectively, related to amounts payable for retiree medical benefits and other post-employment benefits. The following table summarizes information pertaining to related party transactions:

| | Three Months Ended March 31, | |
|--------------------------------------------------------------------------|------------------------------|-----------|
| | 2014 | 2013 |
| | (Thousands of Dollars) | |
| Expenses for payroll, employee benefit plans and unit-based compensation | \$ 44,337 | \$ 52,905 |
| Other expenses | \$ 94 | \$ 93 |

NuStar Energy

GP Services Agreement. NuStar Energy and NuStar GP, LLC, our wholly owned subsidiary, 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 for each of the three months ended March 31, 2014 and 2013.

Asphalt JV

On February 26, 2014, NuStar Energy sold its remaining 50% ownership interest in NuStar Asphalt LLC (Asphalt JV) to Lindsay Goldberg LLC (Lindsay Goldberg), a private investment firm (the Asphalt JV Sale). Lindsay Goldberg now owns 100% of Asphalt JV. Effective February 27, 2014, NuStar Asphalt LLC changed its name to Axeon Specialty Products LLC. As a result of the Asphalt JV Sale, we ceased reporting transactions between us and Asphalt JV as related party transactions in consolidated financial statements on February 26, 2014.

Asphalt JV Services Agreement. In connection with the formation of Asphalt JV, 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 NuStar GP, LLC will furnish certain administrative and other operating services necessary to conduct the business of Asphalt JV. Asphalt JV will compensate 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. Effective upon the Asphalt JV Sale, the Asphalt JV Services Agreement was amended and will terminate on June 30, 2014, with the option to extend the term for an additional three months for certain services with 30 days prior written notice. Asphalt JV provided written notice to reduce the level of services that we provide to Asphalt JV to 63% of the original service level as of March 31, 2014. The aggregate amounts of the Asphalt JV Services Agreement charged were \$1.6 million and \$2.5 million for the three months ended March 31, 2014 and 2013, respectively.

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, | |
|------------------------------------------------------------|------------------------------|-----------|
| | 2014 | 2013 |
| (Thousands of Dollars, Except Per Unit Data) | | |
| General partner interest | \$ 1,961 | \$ 1,961 |
| General partner incentive distribution | 10,805 | 10,805 |
| Total general partner distribution | 12,766 | 12,766 |
| Limited partner distribution | 11,211 | 11,280 |
| Total distributions to NuStar GP Holdings | 23,977 | 24,046 |
| Public unitholders’ distributions | 74,074 | 74,005 |
| Total cash distributions | \$ 98,051 | \$ 98,051 |
| Cash distributions per unit applicable to limited partners | \$ 1.095 | \$ 1.095 |

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

| Quarter Ended | Cash Distributions Per Unit | Total Cash Distributions (Thousands of Dollars) | Record Date | Payment Date |
|--------------------|-----------------------------|-------------------------------------------------|-------------------|-------------------|
| March 31, 2014 (a) | \$ 1.095 | \$ 98,051 | May 7, 2014 | May 12, 2014 |
| December 31, 2013 | \$ 1.095 | \$ 98,051 | February 10, 2014 | February 14, 2014 |

(a) The distribution was announced on April 23, 2014.

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, 2014 | | | |
|-------------------------------------------------------|-------------------|---------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| (Thousands of Dollars) | | | | |
| Accrued compensation expense: | | | | |
| NuStar Energy restricted units and performance awards | \$ 9,007 | \$ — | \$ — | \$ 9,007 |
| Total | \$ 9,007 | \$ — | \$ — | \$ 9,007 |
| | December 31, 2013 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| (Thousands of Dollars) | | | | |
| Accrued compensation expense: | | | | |
| NuStar Energy restricted units and performance awards | \$ 6,224 | \$ — | \$ — | \$ 6,224 |
| Total | \$ 6,224 | \$ — | \$ — | \$ 6,224 |

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.

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

Fair Value of Financial Instruments

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.

6. STATEMENTS OF CASH FLOWS

Changes in current assets and current liabilities were as follows:

| | Three Months Ended March 31, | |
|----------------------------------------------------------|-------------------------------------|-------------------|
| | 2014 | 2013 |
| | (Thousands of Dollars) | |
| Decrease (increase) in current assets: | | |
| Receivable from related parties | \$ (4,497) | \$ (6,298) |
| Income tax receivable | — | (23) |
| Other receivables | (429) | (158) |
| Other current assets | (23) | 15 |
| Increase (decrease) in current liabilities: | | |
| Accounts payable | 73 | (601) |
| Accrued compensation expense | 3,642 | 4,315 |
| Accrued liabilities | — | (41) |
| Taxes other than income tax | (1,101) | (992) |
| Changes in current assets and current liabilities | \$ (2,335) | \$ (3,783) |

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

| | Three Months Ended March 31, | |
|--------------------------|-------------------------------------|-------------|
| | 2014 | 2013 |
| | (Thousands of Dollars) | |
| Cash paid for interest | \$ 172 | \$ 96 |
| Cash paid for income tax | \$ 1 | \$ — |

7. CREDIT FACILITY

Our 364-day revolving credit agreement dated June 28, 2013 matures on June 27, 2014 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 2013 Credit Facility). Our obligations under the 2013 Credit Facility are guaranteed by Riverwalk Holdings, LLC (Riverwalk), a wholly owned subsidiary. Riverwalk pledged 1,792,918 NuStar Energy units that it owns to secure its guarantee.

As of March 31, 2014, we had outstanding borrowings of \$26.0 million and availability of \$14.0 million for borrowings under the 2013 Credit Facility. Interest on the 2013 Credit Facility is based upon, at our option, either an alternative base rate or a LIBOR-based rate. As of March 31, 2014, the weighted-average interest rate was 2.2%.

The terms of the 2013 Credit Facility require NuStar Energy to maintain, as of the end of each rolling period, which consists of any period of four consecutive fiscal 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, 2014, NuStar Energy's consolidated debt coverage ratio was 4.4x. We are also required to receive cash distributions of at least \$12.5 million in respect of our ownership interests in NuStar Energy each fiscal quarter. Our management believes that we are in compliance with the covenants of the 2013 Credit Facility as of March 31, 2014.

NUSTAR GP HOLDINGS, LLC
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 December 31, 2013 | \$ 349,986 |
| Net income | 13,646 |
| Distributions to unitholders | (23,249) |
| Other comprehensive loss | (948) |
| Unit-based compensation | 86 |
| Balance as of March 31, 2014 | <u>\$ 339,521</u> |

Accumulated Other Comprehensive Income

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

| | Share of NuStar Energy's Other Comprehensive Loss | Pension and Other Postretirement Benefit Plan Adjustments | Accumulated Other Comprehensive Income (Loss) |
|--------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------------------------------|
| | (Thousands of Dollars) | | |
| Balance as of January 1, 2014 | \$ (9,417) | \$ 18,358 | \$ 8,941 |
| Other comprehensive loss before reclassification adjustments | (219) | — | (219) |
| Amounts reclassified from accumulated other comprehensive loss (a) | — | (729) | (729) |
| Other comprehensive loss | (219) | (729) | (948) |
| Balance as of March 31, 2014 | <u>\$ (9,636)</u> | <u>\$ 17,629</u> | <u>\$ 7,993</u> |

- (a) We recognized the net loss reclassified into income as general and administrative expenses. These amounts are components of net periodic pension cost and NuStar Energy reimburses us for these employee costs. See [Note 11](#) for details of our net periodic pension cost.

Cash Distributions

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

| | Three Months Ended March 31, | |
|-----------------------------|-------------------------------------------------|-----------|
| | 2014 | 2013 |
| | (Thousands of Dollars, Except Per Unit Data) | |
| Cash distributions per unit | \$ 0.545 | \$ 0.545 |
| Total cash distributions | \$ 23,248 | \$ 23,222 |

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

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

| Quarter Ended | Cash Distributions Per Unit | Total Cash Distributions (Thousands of Dollars) | Record Date | Payment Date |
|--------------------|-----------------------------|-------------------------------------------------|-------------------|-------------------|
| March 31, 2014 (a) | \$ 0.545 | \$ 23,248 | May 7, 2014 | May 15, 2014 |
| December 31, 2013 | \$ 0.545 | \$ 23,249 | February 10, 2014 | February 18, 2014 |

(a) The distribution was announced on April 23, 2014.

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. The computation of diluted net income per unit for the three months ended March 31, 2014 excludes outstanding options to purchase NuStar GP Holdings units, as the exercise price exceeded the average market price and their effect would have been anti-dilutive. The outstanding options to purchase NuStar GP Holdings units totaled 289,100 as of March 31, 2014.

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 | |
|------------------------------------------------|------------------------|-----------------|------------------------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | (Thousands of Dollars) | | | |
| For the three months ended March 31: | | | | |
| Components of net periodic benefit cost: | | | | |
| Service cost | \$ 2,012 | \$ 4,080 | \$ 94 | \$ 293 |
| Interest cost | 1,057 | 1,259 | 93 | 235 |
| Expected return on assets | (1,144) | (1,134) | — | — |
| Amortization of prior service credit | (516) | (10) | (286) | (50) |
| Amortization of net loss | 45 | 518 | 28 | 52 |
| Net periodic benefit cost before other charges | 1,454 | 4,713 | (71) | 530 |
| Other charges (b) | — | 180 | — | — |
| Net periodic benefit cost | <u>\$ 1,454</u> | <u>\$ 4,893</u> | <u>\$ (71)</u> | <u>\$ 530</u> |

- (a) Includes amounts related to the pension plan, the excess pension plan and the supplemental executive retirement plan.
- (b) Other charges in 2013 relate 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, 2013, 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 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 Management's Discussion and Analysis of Financial Condition and Results of Operations is presented in five sections:

- Overview
- Results of Operations
- Trends and Outlook
- Liquidity and Capital Resources
- Critical Accounting Policies

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, 2014, 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
- 10,244,845 common units of NuStar Energy representing a 12.9% 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 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, the United Kingdom and Turkey.

NuStar Energy's partnership agreement requires that it distributes 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.

On February 26, 2014, NuStar Energy sold its then remaining 50% ownership interest in NuStar Asphalt LLC (Asphalt JV), which constituted all of NuStar Energy's equity interest it retained after the first sale in 2012. The purchaser, Lindsay Goldberg LLC (Lindsay Goldberg), a private investment firm, now owns 100% of Asphalt JV. Effective February 27, 2014, NuStar Asphalt LLC changed its name to Axeon Specialty Products LLC.

On January 1, 2013, NuStar Energy sold its 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 all periods presented.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

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

| | Three Months Ended March 31, | | Change |
|--------------------------------------------|------------------------------|------------------|-----------------|
| | 2014 | 2013 | |
| Equity in earnings of NuStar Energy | \$ 14,390 | \$ 12,144 | \$ 2,246 |
| General and administrative expenses | (872) | (800) | (72) |
| Other income, net | 17 | 81 | (64) |
| Interest expense, net | (222) | (173) | (49) |
| Income before income tax benefit (expense) | 13,313 | 11,252 | 2,061 |
| Income tax benefit (expense) | 333 | (177) | 510 |
| Net income | <u>\$ 13,646</u> | <u>\$ 11,075</u> | <u>\$ 2,571</u> |
| Basic and diluted net income per unit | <u>\$ 0.32</u> | <u>\$ 0.26</u> | <u>\$ 0.06</u> |

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

| | Three Months Ended March 31, | | Change |
|------------------------------------------------------------|------------------------------|------------------|------------------|
| | 2014 | 2013 | |
| (Unaudited, Thousands of Dollars, Except Per Unit Data) | | | |
| Revenues | \$ 849,213 | \$ 998,186 | \$ (148,973) |
| Cost of product sales | 594,959 | 752,254 | (157,295) |
| Operating expenses | 106,065 | 113,517 | (7,452) |
| Depreciation and amortization expense | 43,651 | 39,065 | 4,586 |
| Segment operating income | 104,538 | 93,350 | 11,188 |
| General and administrative expenses | 20,856 | 27,494 | (6,638) |
| Other depreciation and amortization expense | 2,579 | 2,498 | 81 |
| Operating income | <u>\$ 81,103</u> | <u>\$ 63,358</u> | <u>\$ 17,745</u> |
| Income from continuing operations | \$ 42,996 | \$ 19,599 | \$ 23,397 |
| (Loss) income from discontinued operations, net of tax | (3,359) | 4,805 | (8,164) |
| Net income | <u>\$ 39,637</u> | <u>\$ 24,404</u> | <u>\$ 15,233</u> |
| Net income per unit applicable to limited partners | \$ 0.36 | \$ 0.17 | \$ 0.19 |
| Cash distributions per unit applicable to limited partners | \$ 1.095 | \$ 1.095 | \$ — |

NuStar Energy’s net income increased \$15.2 million for the three months ended March 31, 2014, compared to the three months ended March 31, 2013, mainly due to an increase in segment operating income and decreases in the equity in loss of joint ventures and general and administrative expenses. NuStar Energy’s segment operating income increased \$11.2 million for the three months ended March 31, 2014, compared to the three months ended March 31, 2013, primarily due to increased segment operating income from NuStar Energy’s pipeline and fuels marketing segments, partially offset by decreased operating income from its storage segment.

In addition, NuStar Energy recorded a loss from discontinued operations for the three months ended March 31, 2014, compared to income from discontinued operations for the three months ended March 31, 2013. NuStar Energy’s discontinued operations include the results of operations of the San Antonio Refinery and related assets, which it sold on January 1, 2013, and certain storage assets that were classified as “Assets held for sale” on NuStar Energy’s consolidated balance sheet as of December 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 |
|-------------------------------------------------------------------------------------|-------------------------------------|------------------|-----------------|
| | 2014 | 2013 | |
| (Thousands of Dollars) | | | |
| NuStar GP Holdings’ Equity in Earnings of NuStar Energy: | | | |
| General partner interest | \$ 579 | \$ 276 | \$ 303 |
| General partner incentive distribution rights (IDR) | 10,805 | 10,805 | — |
| General partner’s interest in earnings and incentive distributions of NuStar Energy | 11,384 | 11,081 | 303 |
| Limited partner interest in earnings of NuStar Energy | 3,727 | 1,784 | 1,943 |
| Amortization of step-up in basis related to NuStar Energy’s assets and liabilities | (721) | (721) | — |
| Equity in earnings of NuStar Energy | <u>\$ 14,390</u> | <u>\$ 12,144</u> | <u>\$ 2,246</u> |

Our equity in earnings related to our limited partner interest in NuStar Energy increased for the three months ended March 31, 2014, compared to the three months ended March 31, 2013, due to an increase in NuStar Energy’s net income per unit applicable to limited partners.

TRENDS AND OUTLOOK

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

Overall, NuStar Energy expects its earnings for the second quarter of 2014 to be higher than the second quarter of 2013.

NuStar Energy's Pipeline Segment

NuStar Energy expects that its pipeline segment earnings for the second quarter of 2014 will exceed the comparable period in 2013 and the first quarter of 2014, mainly due to higher throughputs in the Eagle Ford Shale region. This increase in throughputs is due to continued growth in the region, a completed pipeline expansion project in third quarter of 2013 and the completion of the expansion of NuStar Energy's private dock at its Corpus Christi North Beach terminal in the first quarter of 2014. Both of these expansion projects increased NuStar Energy's South Texas crude oil pipeline system's overall capacity to ship barrels into Corpus Christi.

In the second quarter of 2014, NuStar Energy also expects to benefit from increased throughputs following the completion of another pipeline expansion project in the Eagle Ford Shale region and reduced turnaround activity at its customers' refineries. NuStar Energy expects full-year earnings for 2014 to exceed 2013 mainly due to the benefit of increased throughputs described above and the July 1, 2014 tariff increase on pipelines regulated by the Federal Energy Regulatory Commission.

NuStar Energy's Storage Segment

NuStar Energy expects storage segment earnings for the second quarter of 2014 to be lower than the second quarter of 2013, mainly due to lower profit sharing benefits at its St. James, Louisiana terminal resulting from the narrowing of the LLS to WTI spread. NuStar Energy expects its storage segment to continue to benefit from the fourth quarter of 2013 completion of a second rail-car offloading facility at NuStar Energy's St. James, Louisiana terminal and from additional storage throughputs associated with the completion of Eagle Ford Shale projects. However, reduced demand and lower profit sharing mentioned above has negatively affected NuStar Energy's earnings in the storage segment. Therefore, NuStar Energy expects its second quarter earnings in the storage segment to be comparable to the first quarter of 2014. Also, NuStar Energy's full-year earnings for 2014 are expected to be comparable to 2013, excluding the non-cash charges in 2013.

NuStar Energy's Fuels Marketing Segment

NuStar Energy expects second quarter 2014 results for its fuels marketing segment to be higher than the second quarter of 2013, primarily due to higher projected earnings from NuStar Energy's bunker fuel operations. In the third quarter of 2013, NuStar Energy entered into a new bunker fuel supply agreement, which reduced its working capital requirements and allowed NuStar Energy to reduce operating costs. NuStar Energy expects these reduced operating costs to continue to benefit this segment in 2014 as compared to 2013. NuStar Energy expects earnings for the second quarter of 2014 to be lower than the first quarter of 2014 as the first quarter benefited from seasonal increased demand in the cruise line business. Although, NuStar Energy expects the full-year 2014 results in this segment to exceed 2013 results, earnings in this segment, as in any margin-based business, are subject to many factors that can raise or lower margins, which may cause the segment's actual results to vary significantly from NuStar Energy's forecast.

This quarter, NuStar Energy reduced its earnings volatility and working capital requirements through the completion of the sale of NuStar Energy's remaining 50% ownership interest in Asphalt JV. NuStar Energy expects its net income for the remainder of 2014 to benefit from positive equity in earnings of joint ventures.

NuStar Energy's outlook for the partnership may change as it is based on its continuing evaluation of a number of factors, including factors outside NuStar Energy's control, such as the price of crude oil, the state of the economy and changes to refinery maintenance schedules, that affect demand for crude oil, refined products and ammonia, as well as demand for its transportation and storage services.

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, if any, 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 its behalf, which are primarily employee-related costs.

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 the IDR:

| | Three Months Ended March 31, | |
|-----------------------------------------------------------------|----------------------------------------------|------------------|
| | 2014 | 2013 |
| | (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 | \$ 98,051 |
| Cash distributions we received from NuStar Energy: | | |
| General partner interest | \$ 1,961 | \$ 1,961 |
| General partner incentive distribution | 10,805 | 10,805 |
| Limited partner interest – common units | 11,211 | 11,280 |
| Total cash distributions to us | <u>\$ 23,977</u> | <u>\$ 24,046</u> |
| Distributions to us as a percentage of total cash distributions | 24.5% | 24.5% |

Cash Flows for the Three Months Ended March 31, 2014 and March 31, 2013

Cash distributions received from NuStar Energy for each of the three months ended March 31, 2014 and 2013 were \$24.0 million. The cash distributions we received were used principally to fund distributions to our unitholders, totaling \$23.2 million for each of the three months ended March 31, 2014 and 2013.

Credit Facility

Our 364-day revolving credit agreement dated June 28, 2013 matures on June 27, 2014 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 2013 Credit Facility). Our obligations under the 2013 Credit Facility are guaranteed by Riverwalk Holdings, LLC (Riverwalk), a wholly owned subsidiary. Riverwalk pledged 1,792,918 NuStar Energy units that it owns to secure its guarantee.

As of March 31, 2014, we had outstanding borrowings of \$26.0 million and availability of \$14.0 million for borrowings under the 2013 Credit Facility. Interest on the 2013 Credit Facility is based upon, at our option, either an alternative base rate or a LIBOR-based rate. As of March 31, 2014, the weighted-average interest rate was 2.2%.

The terms of the 2013 Credit Facility require NuStar Energy to maintain, as of the end of each rolling period, which consists of any period of four consecutive fiscal 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, 2014, NuStar Energy's consolidated debt coverage ratio was 4.4x. We are also required to receive cash distributions of at least \$12.5 million in respect of our ownership interests in NuStar Energy each fiscal quarter. Our management believes that we are in compliance with the covenants of the 2013 Credit Facility as of March 31, 2014.

We are in discussions with lenders to renew or replace the 2013 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. 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 uses of cash. The following table reflects our cash distributions applicable to the period in which the distributions were earned:

| | Three Months Ended March 31, | |
|-----------------------------|----------------------------------------------|-----------|
| | 2014 | 2013 |
| | (Thousands of Dollars, Except Per Unit Data) | |
| Cash distributions per unit | \$ 0.545 | \$ 0.545 |
| Total cash distributions | \$ 23,248 | \$ 23,222 |

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

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.

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, 2013.

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, 2014.

(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/ Bradley C. Barron

Bradley C. Barron
President and Chief Executive Officer
May 8, 2014

By: /s/ Thomas R. Shoaf

Thomas R. Shoaf
Executive Vice President and Chief Financial Officer
May 8, 2014

By: /s/ Jorge A. del Alamo

Jorge A. del Alamo
Vice President and Controller
May 8, 2014