
**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, 2012

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)

**2330 North Loop 1604 West
San Antonio, Texas**
(Address of principal executive offices)

85-0470977
(I.R.S. Employer Identification No.)

78248
(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 March 31, 2012 was 42,586,483.

**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)**

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
	<u>(Unaudited)</u>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 943	\$ 1,354
Receivable from NuStar Energy L.P.	15,312	6,735
Income tax receivable	2,594	2,619
Other receivables	1,338	302
Deferred income tax assets, net	3,144	4,378
Other current assets	184	204
Total current assets	<u>23,515</u>	<u>15,592</u>
Investment in NuStar Energy L.P.	527,988	547,230
Long-term receivable from NuStar Energy L.P.	13,672	14,502
Deferred income tax assets, net	13,070	11,703
Total assets	<u>\$ 578,245</u>	<u>\$ 589,027</u>
Liabilities and Members' Equity		
Current liabilities:		
Short-term debt	\$ 16,000	\$ 16,500
Accounts payable	361	257
Accrued compensation expense	21,579	19,476
Accrued liabilities	314	462
Taxes other than income tax	440	1,287
Total current liabilities	<u>38,694</u>	<u>37,982</u>
Long-term liabilities	48,716	44,162
Commitments and contingencies (Note 9)		
Members' equity	519,260	529,548
Accumulated other comprehensive loss	<u>(28,425)</u>	<u>(22,665)</u>
Total members' equity	<u>490,835</u>	<u>506,883</u>
Total liabilities and members' equity	<u>\$ 578,245</u>	<u>\$ 589,027</u>

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>2012</u>	<u>2011</u>
Equity in earnings of NuStar Energy L.P.	\$ 11,772	\$ 11,342
General and administrative expenses	(857)	(744)
Other income (expense), net	136	(619)
Interest expense, net	(133)	(178)
Income before income tax benefit	10,918	9,801
Income tax benefit	128	382
Net income	<u>\$ 11,046</u>	<u>\$ 10,183</u>
Comprehensive income	<u>\$ 5,286</u>	<u>\$ 12,317</u>
Basic and diluted net income per unit	<u>\$ 0.26</u>	<u>\$ 0.24</u>
Weighted-average number of basic units outstanding	<u>42,574,419</u>	<u>42,544,659</u>
Weighted-average number of diluted units outstanding	<u>42,597,641</u>	<u>42,584,313</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,	
	2012	2011
Cash Flows from Operating Activities:		
Net income	\$ 11,046	\$ 10,183
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of NuStar Energy L.P.	(11,772)	(11,342)
Distributions of equity in earnings from NuStar Energy L.P.	11,772	11,342
(Gain) loss on sale of NuStar Energy L.P. limited partner units in connection with unit-based compensation	(136)	619
Benefit for deferred income tax	(133)	(1,084)
Changes in current assets and liabilities (Note 7)	(7,996)	(2,550)
Decrease in other assets	—	1,174
Decrease (increase) in long-term receivable from NuStar Energy L.P.	830	(645)
Increase in long-term liabilities	4,554	2,190
Other, net	31	—
Net cash provided by operating activities	8,196	9,887
Cash Flows from Investing Activities:		
Distributions in excess of equity in earnings from NuStar Energy L.P.	11,088	9,854
Investment in NuStar Energy L.P.	—	(2,105)
Proceeds from sale of NuStar Energy L.P. units in connection with unit-based compensation	2,162	4,183
Other, net	(11)	—
Net cash provided by investing activities	13,239	11,932
Cash Flows from Financing Activities:		
Repayment of short-term debt	(500)	(4,500)
Distributions to unitholders	(21,708)	(20,422)
Other, net	362	—
Net cash used in financing activities	(21,846)	(24,922)
Net decrease in cash and cash equivalents	(411)	(3,103)
Cash and cash equivalents at the beginning of the period	1,354	5,304
Cash and cash equivalents at the end of the period	\$ 943	\$ 2,201

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, 2012, we owned approximately 16.2% 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
- 10,247,994 common units of NuStar Energy representing a 14.2% limited partner interest.

NuStar Energy is a publicly held Delaware limited partnership engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and petroleum refining and marketing. NuStar Energy has terminal 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 United States 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, 2012 and 2011 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, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The consolidated balance sheet as of December 31, 2011 has been derived from the audited consolidated financial statements as of that date. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011.

2. NEW ACCOUNTING PRONOUNCEMENTS

Fair Value Measurements

In May 2011, the Financial Accounting Standards Board issued amended guidance and disclosure requirements for fair value measurements. The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and International Financial Reporting Standards. These changes were effective for interim and annual periods beginning on or after December 15, 2011. Accordingly, we adopted these provisions January 1, 2012, and they did not have a material impact on our financial position, results of operations or disclosures.

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

3. INVESTMENT IN NUSTAR ENERGY

Summary Financial Information

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

	March 31, 2012	December 31, 2011
	(Unaudited)	
Balance Sheet Information:		
Current assets	\$ 1,368,396	\$ 1,200,923
Property, plant and equipment, net	3,499,629	3,430,468
Goodwill	849,040	846,717
Other long-term assets, net	366,363	403,082
Total assets	\$ 6,083,428	\$ 5,881,190
Current liabilities	\$ 1,492,690	\$ 943,800
Long-term debt, less current portion	1,690,038	1,928,071
Other long-term liabilities	136,482	144,984
Total liabilities	3,319,210	3,016,855
NuStar Energy partners' equity	2,751,062	2,852,201
Noncontrolling interest	13,156	12,134
Total liabilities and partners' equity	\$ 6,083,428	\$ 5,881,190

	Three Months Ended March 31,	
	2012	2011
	(Thousands of Dollars)	
Statement of Comprehensive Income Information:		
Revenues	\$ 1,735,692	\$ 1,234,616
Operating income	48,321	55,731
Net income	26,254	28,516

Other

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

	March 31, 2012	December 31, 2011
	(Thousands of Dollars)	
NuStar Energy's total partners' equity	\$ 2,751,062	\$ 2,852,201
NuStar GP Holdings' ownership interest in NuStar Energy	16.2%	16.3%
NuStar GP Holdings' share of NuStar Energy's partners' equity	445,672	464,909
Step-up in basis related to NuStar Energy's assets and liabilities, including equity method goodwill, and other	82,316	82,321
Investment in NuStar Energy	\$ 527,988	\$ 547,230

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

4. RELATED PARTY TRANSACTIONS

We had a receivable from NuStar Energy of \$15.3 million and \$6.7 million, as of March 31, 2012 and December 31, 2011, respectively, relating to payroll, employee benefit plans and unit-based compensation. We also had a long-term receivable of \$13.7 million and \$14.5 million from NuStar Energy as of March 31, 2012 and December 31, 2011, respectively, related to amounts payable for retiree medical benefits and other post-employment benefits. The following table represents total related party transactions charged to NuStar Energy:

	Three Months Ended March 31,	
	2012	2011
(Thousands of Dollars)		
Expenses for payroll, employee benefit plans and unit-based compensation	\$ 58,005	\$ 51,976
Other	96	81
Total related party transactions charged to NuStar Energy	\$ 58,101	\$ 52,057

GP Services Agreement

NuStar Energy and NuStar GP, LLC, a wholly owned subsidiary of NuStar GP Holdings, entered into a services agreement, effective as of 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, 2012, 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 \$0.5 million and \$0.4 million for the three months ended March 31, 2012 and 2011, respectively.

5. 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,	
	2012	2011
(Thousands of Dollars, Except Per Unit Data)		
General partner interest	\$ 1,782	\$ 1,592
General partner incentive distribution	9,816	8,568
Total general partner distribution	11,598	10,160
Limited partner distribution	11,211	11,022
Total distributions to NuStar GP Holdings	22,809	21,182
Public unitholders' distributions	66,267	58,434
Total cash distributions	\$ 89,076	\$ 79,616
Cash distributions per unit applicable to limited partners	\$ 1.095	\$ 1.075

On February 10, 2012, NuStar Energy paid a quarterly cash distribution totaling \$89.1 million, or \$1.095 per unit, related to the fourth quarter of 2011. On April 25, 2012, NuStar Energy announced a quarterly cash distribution of \$1.095 per unit related to the first quarter of 2012. This distribution will be paid on May 11, 2012 to unitholders of record on May 8, 2012 and will total \$89.1 million.

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

6. 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 in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; 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, 2012			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Accrued compensation expense:				
NuStar Energy restricted units and performance awards	\$ 16,053	\$ —	\$ —	\$ 16,053
NuStar Energy unit options	—	2,060	—	2,060
Total	\$ 16,053	\$ 2,060	\$ —	\$ 18,113

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Accrued compensation expense:				
NuStar Energy restricted units and performance awards	\$ 13,622	\$ —	\$ —	\$ 13,622
NuStar Energy unit options	—	1,953	—	1,953
Total	\$ 13,622	\$ 1,953	\$ —	\$ 15,575

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

	March 31, 2012	December 31, 2011
Expected life in years	6.0	6.3
Expected volatility	20.2%	20.3%
Expected distribution yield	7.4%	7.7%
Risk-free interest rate	0.2%	0.1%

Fair Value of Financial Instruments

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

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

7. STATEMENTS OF CASH FLOWS

Changes in current assets and liabilities were as follows:

	Three Months Ended March 31,	
	2012	2011
	(Thousands of Dollars)	
Decrease (increase) in current assets:		
Receivable from NuStar Energy	\$ (8,186)	\$ (931)
Income tax receivable	25	182
Other receivables	(1,036)	(146)
Other current assets	(11)	79
Increase (decrease) in current liabilities:		
Accounts payable	104	343
Accrued compensation expense	2,103	(979)
Accrued liabilities	(148)	(50)
Income tax payable	—	(302)
Taxes other than income tax	(847)	(746)
Changes in current assets and liabilities	\$ (7,996)	\$ (2,550)

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

	Three Months Ended March 31,	
	2012	2011
	(Thousands of Dollars)	
Cash paid for interest	\$ 105	\$ 135
Cash (refunded) paid for income tax	\$ (20)	\$ 823

8. CREDIT FACILITY

Our revolving credit facility matures on July 12, 2012 and has a borrowing capacity of up to \$30.0 million, of which, up to \$10.0 million may be available for letters of credit (2010 Credit Facility). As of March 31, 2012, we had outstanding borrowings of \$16.0 million and availability of \$14.0 million for borrowings under the 2010 Credit Facility. Interest on the 2010 Credit Facility is based upon, at our option, either an alternative base rate or a LIBOR-based rate, which was 2.0% as of March 31, 2012.

The terms of the 2010 Credit Facility require NuStar Energy to maintain, as of the end of any four consecutive quarters, a consolidated debt coverage ratio not to exceed 5.0-to-1.0. As of March 31, 2012, NuStar Energy's consolidated debt coverage ratio was 4.6x. We are also required to receive cash distributions of at least \$35.0 million in respect of our ownership interests in NuStar Energy for the preceding four fiscal quarters ending on the last day of each fiscal quarter. Our management believes that we are in compliance with the covenants of the 2010 Credit Facility as of March 31, 2012.

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

9. COMMITMENTS AND CONTINGENCIES

Litigation and Environmental Matters

We are not currently a party to any material legal proceedings. However, NuStar Energy is subject to certain loss contingencies, the outcome of which could have an 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. NuStar Energy's material contingent liabilities resulting from various litigation, claims and commitments are discussed below.

Grace Energy Corporation Matter. In 1997, Grace Energy Corporation (Grace Energy) sued subsidiaries of Kaneb Pipeline Partners, L.P. (KPP) and Kaneb Services LLC (KSL and collectively with KPP and their respective subsidiaries, Kaneb) in Texas state court. NuStar Energy acquired Kaneb on July 1, 2005. The complaint sought recovery of the cost of remediation of fuel leaks in the 1970s from a pipeline that had once connected a former Grace Energy terminal with Otis Air Force Base in Massachusetts (Otis AFB). Grace Energy alleges the Otis AFB pipeline and related environmental liabilities had been transferred in 1978 to an entity that was part of Kaneb's acquisition of Support Terminal Services, Inc. and its subsidiaries from Grace Energy in 1993. Kaneb contends that it did not acquire the Otis AFB pipeline and never assumed any responsibility for any associated environmental damage.

In 2000, the court entered final judgment that: (i) Grace Energy could not recover its own remediation costs of \$3.5 million, (ii) Kaneb owned the Otis AFB pipeline and its related environmental liabilities and (iii) Grace Energy was awarded \$1.8 million in attorney costs. Both Kaneb and Grace Energy appealed the final judgment of the trial court to the Texas Court of Appeals in Dallas. In 2001, Grace Energy filed a petition in bankruptcy, which created an automatic stay of actions against Grace Energy. In September 2008, Grace Energy filed its Joint Plan of Reorganization and Disclosure Statement.

The Otis AFB is a part of a Superfund Site pursuant to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA). The site contains a number of groundwater contamination plumes, two of which are allegedly associated with the Otis AFB pipeline. Relying on the final judgment of the Texas state court assigning ownership of the Otis AFB pipeline to Kaneb, the United States Department of Justice (the DOJ) advised Kaneb in 2001 that it intends to seek reimbursement from Kaneb for the remediation costs associated with the two plumes. In November 2008, the DOJ forwarded information to NuStar Energy indicating that the past and estimated future remediation expenses associated with one plume are \$71.9 million. The DOJ has indicated that they will not seek recovery of remediation costs for the second plume. NuStar Energy reached an agreement to settle the claims of the United States government with respect to the Otis AFB pipeline and to resolve the underlying dispute between Kaneb and Grace. Pursuant to the settlement, NuStar Energy agreed to pay \$11.7 million plus interest to the United States. The settlement was approved by the United States Bankruptcy Court for the District of Delaware and a proposed consent decree has been filed with the United States District Court for the District of Massachusetts. NuStar Energy is hopeful that the consent decree will be entered and that the settlement will be finalized in the near term.

Other

NuStar Energy is also a party to additional claims and legal proceedings arising in the ordinary course of its business. 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, financial position or liquidity. It is possible that if one or more of the matters described above were decided against NuStar Energy, the effects could be material to its results of operations in the period in which it would be required to record or adjust the related liability and could also be material to its cash flows in the periods it would be required to pay such liability.

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

10. MEMBERS' EQUITY

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

Balance as of December 31, 2011	\$ 506,883
Net income	11,046
Distributions to unitholders	(21,708)
Other comprehensive loss	(5,760)
Unit-based compensation and other	374
Balance as of March 31, 2012	<u>\$ 490,835</u>

Cash Distributions

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

	Three Months Ended March 31,	
	2012	2011
	(Thousands of Dollars, Except Per Unit Data)	
Cash distributions per unit	\$ 0.51	\$ 0.48
Total cash distributions	\$ 21,720	\$ 20,422

On February 14, 2012, we paid a quarterly cash distribution totaling \$21.7 million, or \$0.51 per unit, related to the fourth quarter of 2011. On April 25, 2012, we announced a quarterly cash distribution of \$0.51 per unit related to the first quarter of 2012. This distribution will be paid on May 15, 2012 to unitholders of record on May 8, 2012, and totals \$21.7 million.

11. NET INCOME PER UNIT

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

	Three Months Ended March 31,	
	2012	2011
Basic units outstanding:		
Weighted-average number of basic units outstanding	42,574,419	42,544,659
Diluted units outstanding:		
Weighted-average number of basic units outstanding	42,574,419	42,544,659
Effect of dilutive securities	23,222	39,654
Weighted-average number of diluted units outstanding	<u>42,597,641</u>	<u>42,584,313</u>

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

12. 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	
	2012	2011	2012	2011
	(Thousands of Dollars)			
For the three months ended March 31:				
Components of net periodic benefit cost:				
Service cost	\$ 3,904	\$ 3,091	\$ 315	\$ 253
Interest cost	1,003	720	244	222
Expected return on assets	(979)	(904)	—	—
Amortization of prior service credit	(4)	(4)	—	—
Amortization of net loss	348	121	35	18
Net periodic benefit cost	\$ 4,272	\$ 3,024	\$ 594	\$ 493

(a) Includes amounts related to the pension plan, the excess pension plan and the supplemental executive retirement plan.

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, 2011, Part I "Risk Factors," as well as our subsequent current and quarterly reports, for a discussion of certain of those risks, uncertainties and assumptions.

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

OVERVIEW

NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH) is a publicly 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.

Our only cash generating assets are our ownership interests in NuStar Energy L.P. (NuStar Energy), a publicly held Delaware limited partnership (NYSE: NS). As of March 31, 2012, 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
- 10,247,994 common units of NuStar Energy representing a 14.2% limited partner interest.

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

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

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

RESULTS OF OPERATIONS
Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

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

	Three Months Ended March 31,		Change
	2012	2011	
Equity in earnings of NuStar Energy	\$ 11,772	\$ 11,342	\$ 430
General and administrative expenses	(857)	(744)	(113)
Other income (expense), net	136	(619)	755
Interest expense, net	(133)	(178)	45
Income before income tax benefit	10,918	9,801	1,117
Income tax benefit	128	382	(254)
Net income	<u>\$ 11,046</u>	<u>\$ 10,183</u>	<u>\$ 863</u>
Basic and diluted net income per unit	<u>\$ 0.26</u>	<u>\$ 0.24</u>	<u>\$ 0.02</u>

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

	Three Months Ended March 31,		Change
	2012	2011	
(Unaudited, Thousands of Dollars, Except Per Unit Data)			
Revenues	\$ 1,735,692	\$ 1,234,616	\$ 501,076
Cost of product sales	1,489,837	992,367	497,470
Operating expenses	125,666	120,239	5,427
Depreciation and amortization expense	42,867	38,734	4,133
Segment operating income	77,322	83,276	(5,954)
General and administrative expenses	27,187	25,983	1,204
Other depreciation and amortization expense	1,814	1,562	252
Operating income	<u>\$ 48,321</u>	<u>\$ 55,731</u>	<u>\$ (7,410)</u>
Net income	\$ 26,254	\$ 28,516	\$ (2,262)
Net income per unit applicable to limited partners	\$ 0.23	\$ 0.30	\$ (0.07)
Cash distributions per unit applicable to limited partners	\$ 1.095	\$ 1.075	\$ 0.020

NuStar Energy's net income decreased \$2.3 million for the three months ended March 31, 2012, compared to the three months ended March 31, 2011, primarily due to decreased segment operating income. NuStar Energy's segment operating income decreased \$6.0 million for the three months ended March 31, 2012, compared to the three months ended March 31, 2011, due to decreased operating income from the asphalt and fuels marketing segment, partially offset by increased operating income from the storage and transportation segments.

Equity in earnings of NuStar Energy

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

	Three Months Ended March 31,		Change
	2012	2011	
(Thousands of Dollars)			
NuStar GP Holdings' Equity in Earnings of NuStar Energy:			
General partner interest	\$ 331	\$ 398	\$ (67)
General partner incentive distribution	9,816	8,568	1,248
General partner's interest in earnings and incentive distributions of NuStar Energy	10,147	8,966	1,181
Limited partner interest in earnings of NuStar Energy	2,346	3,097	(751)
Amortization of step-up in basis related to NuStar Energy's assets and liabilities	(721)	(721)	—
Equity in earnings of NuStar Energy	<u>\$ 11,772</u>	<u>\$ 11,342</u>	<u>\$ 430</u>

NuStar Energy's per unit distributions for the three months ended March 31, 2012 increased, compared to the three months ended March 31, 2011, from \$1.075 to \$1.095. That increase, coupled with an increase in the number of NuStar Energy units outstanding resulting from the issuance of units in the fourth quarter 2011, resulted in NuStar Energy increasing its total cash distributions. Since our IDR in NuStar Energy entitle us to an increasing amount of NuStar Energy's cash distributions, our equity in earnings of NuStar Energy related to our IDR increased for the period.

Our equity in earnings related to our limited partner interest in NuStar Energy decreased for the three months ended March 31, 2012, compared to the three months ended March 31, 2011, due to a decrease in NuStar Energy's net income per unit applicable to limited partners.

TRENDS AND OUTLOOK

NuStar Energy expects its results for 2012 to improve compared to 2011 due to higher segmental operating income in all of its reportable business segments. NuStar Energy's net income should benefit from higher operating income, but it expects higher interest expense to partially offset the operating income benefit.

NuStar Energy's Storage Segment

For 2012, NuStar Energy expects the storage segment earnings to increase compared to 2011. Internal growth projects completed in 2011 as well as those expected to be completed in 2012, mainly at NuStar Energy's St. Eustatius terminal in the Caribbean and its St. James, Louisiana terminal, should contribute to the higher earnings in 2012.

NuStar Energy's Transportation Segment

NuStar Energy expects full year results for the transportation segment to improve in 2012 compared to 2011. NuStar Energy's transportation segment earnings should benefit from higher throughputs related to the pipeline expansion projects completed in 2011 that serve Eagle Ford shale production as well as additional expansion projects it expects to complete in 2012. Additionally, the tariffs on NuStar Energy's pipelines regulated by the Federal Energy Regulatory Commission, which adjust annually based upon changes in the producer price index, are expected to increase effective July 1, 2012, when the annual adjustment takes effect. However, lower expected throughputs in the second quarter of 2012, mainly due to planned refinery maintenance, may cause earnings for the segment to fall below earnings for the second quarter of 2011.

NuStar Energy's Asphalt and Fuels Marketing Segment

NuStar Energy expects the asphalt and fuels marketing segment earnings for 2012 to increase compared to 2011 mainly due to higher earnings from its asphalt operations. Investments made in 2011 to upgrade NuStar Energy's crude oil processing capability have allowed it to diversify its sources of crude oil. The alternative sources of crude oil that NuStar Energy is now able to process currently trade at a discount to Venezuelan crude oil, the historical source of crude oil for its asphalt operations. During 2012, NuStar Energy expects to increase the amount of lower-cost crude oil processed at its asphalt operations, which should benefit the earnings of its asphalt operations.

NuStar Energy expects lower results from the San Antonio refinery to partially offset the expected benefit from improved asphalt earnings. NuStar Energy's first quarter results were negatively affected by the substantial rise in the cost of crude oil processed at the San Antonio refinery over benchmark WTI. NuStar Energy expects this may continue during 2012 resulting in a premium price for the crude oil processed at the San Antonio refinery. Generally, NuStar Energy expects to be able to increase the price of products it produces at the San Antonio refinery to offset the higher cost of crude oil. However, much of NuStar Energy's crude oil supply for the San Antonio refinery is currently hedged with swap contracts based on WTI. If the crude oil processed at the San Antonio refinery continues to trade at a premium to WTI, NuStar Energy expects the losses on the swap contracts to more than offset the earnings from operations of the San Antonio refinery, and may result in the San Antonio refinery reporting an operating loss for 2012. As a result, NuStar Energy is currently evaluating its hedging strategy with respect to the San Antonio refinery and its other fuels marketing operations.

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

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

LIQUIDITY AND CAPITAL RESOURCES

General

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

Cash Distributions from NuStar Energy

NuStar Energy pays quarterly distributions within 45 days following the end of each quarter based on the partnership interests outstanding as of a record date that is set after the end of each quarter. The table set forth below shows the cash distributions earned for the periods shown with respect to our ownership interests in NuStar Energy and IDR:

	Three Months Ended March 31,	
	2012	2011
	(Thousands of Dollars, Except Per Unit Data)	
Cash distributions per unit	\$ 1.095	\$ 1.075
Total cash distributions by NuStar Energy to all partners	\$ 89,076	\$ 79,616
Cash distributions we received from NuStar Energy:		
General partner interest	\$ 1,782	\$ 1,592
General partner incentive distribution	9,816	8,568
Limited partner interest – common units	11,211	11,022
Total cash distributions to us	<u>\$ 22,809</u>	<u>\$ 21,182</u>
Distributions to us as a percentage of total cash distributions	25.6%	26.6%

Cash Flows for the Three Months Ended March 31, 2012 and March 31, 2011

Cash distributions received from NuStar Energy for the three months ended March 31, 2012 were \$22.9 million compared to \$21.2 million for the three months ended March 31, 2011. The cash distributions we received were used principally to fund distributions to our unitholders totaling \$21.7 million for the three months ended March 31, 2012, compared to \$20.4 million for the three months ended March 31, 2011. We also used excess cash to repay \$0.5 million on our revolving credit facility for the three months ended March 31, 2012.

Credit Facility

Our revolving credit facility matures on July 12, 2012 and has a borrowing capacity of up to \$30.0 million, of which, up to \$10.0 million may be available for letters of credit (2010 Credit Facility). As of March 31, 2012, we had outstanding borrowings of \$16.0 million and availability of \$14.0 million for borrowings under the 2010 Credit Facility. Interest on the 2010 Credit Facility is based upon, at our option, either an alternative base rate or a LIBOR-based rate, which was 2.0% as of March 31, 2012.

The terms of the 2010 Credit Facility require NuStar Energy to maintain, as of the end of any four consecutive quarters, a consolidated debt coverage ratio not to exceed 5.0-to-1.0. As of March 31, 2012, NuStar Energy's consolidated debt coverage ratio was 4.6x. We are also required to receive cash distributions of at least \$35.0 million in respect of our ownership interests in NuStar Energy for the preceding four fiscal quarters ending on the last day of each fiscal quarter. Our management believes that we are in compliance with the covenants of the 2010 Credit Facility as of March 31, 2012.

We are in discussions with the lenders to renew or replace our 2010 Credit Facility.

Cash Distributions to Unitholders

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

	Three Months Ended March 31,	
	2012	2011
	(Thousands of Dollars, Except Per Unit Data)	
Cash distributions per unit	\$ 0.51	\$ 0.48
Total cash distributions	\$ 21,720	\$ 20,422

Related Party Transactions

Please refer to [Note 4 of the Condensed Notes to Consolidated Financial Statements](#) in Item 1. "Financial Statements" for total related party transactions charged to and amounts due from NuStar Energy, and a description of the agreement.

Contingencies

As previously discussed, our only cash-generating assets are our indirect ownership interests in NuStar Energy. NuStar Energy is subject to certain loss contingencies, the outcomes of which could have a material effect on NuStar Energy's results of operations and cash flows. Please refer to [Note 9 of the Condensed Notes to Consolidated Financial Statements](#) in Item 1. "Financial Statements" for a more detailed discussion of contingencies.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

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, 2012.

(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

The information below describes new proceedings or material developments in proceedings that we previously reported in our annual report on Form 10-K for the year ended December 31, 2011.

Grace Energy Corporation Matter. In 1997, Grace Energy Corporation (Grace Energy) sued subsidiaries of Kaneb Pipeline Partners, L.P. (KPP) and Kaneb Services LLC (KSL and collectively with KPP and their respective subsidiaries, Kaneb) in Texas state court. NuStar Energy acquired Kaneb on July 1, 2005. The complaint sought recovery of the cost of remediation of fuel leaks in the 1970s from a pipeline that had once connected a former Grace Energy terminal with Otis Air Force Base in Massachusetts (Otis AFB). Grace Energy alleges the Otis AFB pipeline and related environmental liabilities had been transferred in 1978 to an entity that was part of Kaneb's acquisition of Support Terminal Services, Inc. and its subsidiaries from Grace Energy in 1993. Kaneb contends that it did not acquire the Otis AFB pipeline and never assumed any responsibility for any associated environmental damage.

In 2000, the court entered final judgment that: (i) Grace Energy could not recover its own remediation costs of \$3.5 million, (ii) Kaneb owned the Otis AFB pipeline and its related environmental liabilities and (iii) Grace Energy was awarded \$1.8 million in attorney costs. Both Kaneb and Grace Energy appealed the final judgment of the trial court to the Texas Court of Appeals in Dallas. In 2001, Grace Energy filed a petition in bankruptcy, which created an automatic stay of actions against Grace Energy. In September 2008, Grace Energy filed its Joint Plan of Reorganization and Disclosure Statement.

The Otis AFB is a part of a Superfund Site pursuant to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA). The site contains a number of groundwater contamination plumes, two of which are allegedly associated with the Otis AFB pipeline. Relying on the final judgment of the Texas state court assigning ownership of the Otis AFB pipeline to Kaneb, the United States Department of Justice (the DOJ) advised Kaneb in 2001 that it intends to seek reimbursement from Kaneb for the remediation costs associated with the two plumes. In November 2008, the DOJ forwarded information to NuStar Energy indicating that the past and estimated future remediation expenses associated with one plume are \$71.9 million. The DOJ has indicated that they will not seek recovery of remediation costs for the second plume. NuStar Energy reached an agreement to settle the claims of the United States government with respect to the Otis AFB pipeline and to resolve the underlying dispute between Kaneb and Grace. Pursuant to the settlement, NuStar Energy agreed to pay \$11.7 million plus interest to the United States. The settlement was approved by the United States Bankruptcy Court for the District of Delaware and a proposed consent decree has been filed with the United States District Court for the District of Massachusetts. NuStar Energy is hopeful that the consent decree will be entered and that the settlement will be finalized in the near term.

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	The following interactive data files pursuant to Rule 405 of Regulation S-T from NuStar GP Holdings, LLC's Form 10-Q for the quarter ended March 31 2012, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Cash Flows, and (iv) Condensed Notes to Consolidated Financial Statements

* Filed herewith.

** Submitted electronically herewith.

In accordance with Rule 406T of Regulation S-T, the XBRL information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act. The financial information contained in the XBRL-related documents is "unaudited" or "unreviewed."

SIGNATURES

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

NUSTAR GP HOLDINGS, LLC
(Registrant)

By: /s/ Curtis V. Anastasio

Curtis V. Anastasio

President and Chief Executive Officer

April 25, 2012

By: /s/ Steven A. Blank

Steven A. Blank

Executive Vice President, Chief Financial Officer and Treasurer

April 25, 2012

By: /s/ Thomas R. Shoaf

Thomas R. Shoaf

Senior Vice President and Controller

April 25, 2012