

NuStar GP Holdings, LLC  
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**Subject Company: NuStar GP Holdings, LLC**

**Commission File No.: 001-32940**

**NuStar Energy L.P. and NuStar GP Holdings, LLC Announce Merger Agreement,**

**Anticipated Distribution Reset**

**and**

**Earnings Results for Fourth Quarter 2017**

**SAN ANTONIO, February 8, 2018** NuStar Energy L.P. (NYSE: NS) (the Partnership or NS ) and NuStar GP Holdings, LLC (NYSE: NSH) ( NSH ) today announced a definitive agreement that would result in the merger of NSH with a wholly owned subsidiary of the Partnership through a unit-for-unit exchange. The merger would result in NSH becoming a wholly owned subsidiary of the Partnership and the cancellation of the 2% economic general partner interest in the Partnership, the incentive distribution rights in the Partnership and approximately 10.2 million Partnership common units currently owned by NSH and its subsidiaries.

Under the terms of the definitive agreement, NSH unitholders would receive 0.55 of a Partnership common unit in exchange for each NSH unit they own at closing, representing a premium of approximately 1.7% based on the closing prices of the Partnership's common units and of NSH's units on February 7, 2018. The transaction would result in approximately 23.6 million additional common units being issued by the Partnership. In connection with this transaction, William E. Greehey, the Chairman of the Board of both NSH and the Partnership, who controls approximately 21% of the outstanding NSH units, has executed a support agreement pursuant to which he has agreed to vote the NSH units controlled by him in favor of the merger.

After much discussion and deliberation, the NS and NSH Boards reached an agreement to simplify in a way that we believe will allow us to capitalize on attractive growth opportunities and to best manage our business over the long term, said Brad Barron, president and chief executive officer of the Partnership and NSH. Simplifying our corporate structure and eliminating incentive distribution rights will lower our cost of capital and create a more efficient and transparent structure.

Board Chairman Bill Greehey agreed. While my decision to support the simplification and reset was difficult, I firmly believe it was the right decision, said Greehey. As the largest unitholder of NSH, I did not come to this decision lightly. I have always been a buyer of NSH and have never sold a unit. And I will continue to buy NuStar units. I would not recommend a simplification and reset if I did not truly believe that it will significantly improve the company's long-term health and growth, as well as long-term unitholder value.

NuStar has a bright future. We have great assets, great management and great employees. We just completed a major acquisition in the Permian, which I feel will transform the company. It is meeting, and in some cases, exceeding our expectations and will continue to be a great platform for growth. The simplification and reset will enhance our ability to fund that growth with cash generated by our operations as well as through our enhanced access to lower cost capital. The economy is strong and oil prices are strengthening, so we should see our earnings increase and our unit

value go up, which should set the stage for strong distribution growth going forward, said Greehey.

Barron noted that the merger is expected to provide many benefits to current Partnership unitholders and, upon exchange of their NSH units for Partnership common units at closing of the merger, current NSH unitholders, including:

lowering the Partnership's long-term cost of capital through the permanent elimination of the incentive distribution rights, allowing the Partnership to enhance its cash accretion from investments in organic growth projects and acquisitions;

attracting a broader investor base to a single, larger entity;

allowing the Partnership to maintain its competitive position when pursuing growth opportunities by increasing access to the equity markets, while simultaneously decreasing the need to access the equity markets;

simplifying the Partnership's structure, which reduces complexity and enhances transparency for investors;

reducing general and administrative costs by approximately \$1 million per year primarily from eliminating public company expenses associated with NSH;

maintaining the Partnership's financial flexibility as the unit-for-unit exchange finances 100% of the purchase with the Partnership's equity; and

providing the Partnership's unitholders the right to elect all of its directors.

The merger also provides NSH unitholders with:

liquidity and less volatility by exchanging NSH units for Partnership common units;

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an opportunity to benefit from potential price appreciation and increased distributions through ownership of Partnership common units, which should benefit from the lower cost of capital associated with the permanent cancellation of the incentive distribution rights; and

a premium of 1.7% through the exchange of 0.55 of a Partnership common unit for each NSH unit based on closing prices for both equity securities on February 7, 2018.

The completion of the merger is subject to the approval of holders of at least a majority of the outstanding NSH units and other closing conditions, and is expected to occur during the second quarter of 2018. The merger agreement may be terminated by either NSH or the Partnership if the merger has not closed on or prior to August 8, 2018 and for other limited circumstances set forth in the merger agreement.

The terms of the merger agreement were unanimously approved by NSH's Conflicts Committee and by the Partnership's Nominating/Governance & Conflicts Committee, each comprised solely of independent directors, and were approved by both NSH's board of directors and the Partnership's board of directors (in each case with Mr. Greehey and Mr. Barron recusing themselves).

Financial advisors for this transaction were Baird for NSH's Conflicts Committee and Evercore for the Partnership's Nominating/Governance & Conflicts Committee. Legal advisors for this transaction were Wachtell, Lipton, Rosen & Katz for NSH's Conflicts Committee; Richards, Layton & Finger, P.A. for the Partnership's Nominating/Governance & Conflicts Committee; and Sidley Austin LLP for the Partnership.

### **Distribution Reset**

Additionally, on February 8, 2018, and in anticipation of the merger, the Partnership announced that management of the Partnership anticipated recommending to the Partnership's board of directors, and the board of directors expects to adopt, a reset of its quarterly distribution per common unit to \$0.60 (\$2.40 on an annualized basis), starting with the first-quarter distribution payable in May 2018. After giving effect to the issuance of Partnership common units in connection with the merger, this distribution reset is anticipated to reduce annual distribution outflow by approximately \$200 million per year.

A fundamental shift has occurred in the makeup of the investor base for MLPs, which has tightened MLP equity markets and access to equity to finance important capital projects needed to grow and increase long-term unitholder value, said Barron. In addition to the difficulty in the MLP sector, NuStar's base business was significantly impacted last year from the combination of a series of destructive hurricanes, unexpected turnarounds at our customers refineries and a large, unanticipated reliability project on our ammonia line. And recently, with the widely reported economic strife in Venezuela and the mounting financial and operational challenges facing our St. Eustatius terminal anchor tenant, PDVSA, in an abundance of caution, we have adjusted our forecast on their utilization of the terminal this year, which significantly lowered our earnings projections.

Simultaneously, we have witnessed a paradigm shift in market sentiment away from strong growth fueled by continuous equity issuances to a market sentiment that favors strong distribution coverage and rewards MLPs for low leverage, less dependency on the equity markets, and increased self-funding of capital projects. So given the headwinds in our base business, and the changed market sentiment, we buckled down and put together an actionable plan, just as we did in 2014 when the dramatic plunge in crude prices reverberated throughout the energy industry, said Barron. We undertook a thorough, systematic analysis of our best path forward, taking into account the new MLP market priorities and limitations and our current strengths and challenges.

As we carefully considered all the alternatives, in every scenario, a distribution reset was a necessary part of the overall prescription to position us for the future, said Barron. Resetting NuStar Energy's distribution will improve our

coverage ratio immediately, and in the longer term, the reset will also serve to reduce both our leverage and our future needs to access the capital markets.

**Earnings Results for Fourth Quarter 2017 for the Partnership In Line with Guidance**

For the fourth quarter of 2017, the Partnership reported a net loss applicable to common limited partners of \$0.3 million, or \$0.00 per unit, compared to a \$24 million net loss applicable to common limited partners, or \$0.31 per unit for the fourth quarter 2016. For the year ended December 31, 2017, the Partnership reported net income applicable to common limited partners of \$57 million, or \$0.64 per unit, compared to \$99 million, or \$1.27 per unit for the year ended December 31, 2016.

Distributable cash flow (DCF) available to common limited partners was \$42 million for the fourth quarter of 2017, compared to \$88 million for the fourth quarter of 2016. For the year ended December 31, 2017, DCF available to common limited partners was \$258 million, compared to \$365 million for the year ended December 31, 2016.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were \$144 million, up from \$83 million for fourth quarter 2016. EBITDA for the year ended December 31, 2017 were \$595 million, up from \$517 million for the year ended December 31, 2016, which is within our guidance of \$575 million to \$625 million.

Absent certain fourth quarter 2016 adjustments pertaining to a non-cash write-down on the carrying value of a term loan held by Axeon Specialty Products in conjunction with its sale of the asphalt marketing business that Axeon purchased from the Partnership in 2014, fourth quarter 2016 and year ended December 31, 2016 adjusted EBITDA would have been \$141 million and \$576 million, respectively. Additionally, fourth quarter 2016 and year ended December 31, 2016 adjusted net income per unit applicable to common limited partners would have been \$0.42 and \$2.00, respectively.

Our 4th quarter 2017 and full-year 2017 EBITDA results in our pipeline and storage segments were higher quarter-over-quarter and year-over-year when compared to 2016, said Barron. These higher results were largely the result of contributions from our Permian crude system and our December 2016 Martin terminal acquisition.

In the 4th quarter of 2017 and in January 2018, we received a total of \$100 million in insurance proceeds related to Hurricane Irma that we expect will cover the cost of repairing the property damage to our facilities as well as most of our lost revenue, over our \$5 million insurance deductible, Barron added.

As previously announced on January 29, 2018, the fourth quarter 2017 Series A preferred unit distribution of \$0.53125 per unit, Series B preferred unit distribution of \$0.47657 per unit and an initial Series C preferred unit distribution of \$0.65625 per unit will be paid on March 15, 2018 to holders of record as of March 1, 2018. In addition, the fourth quarter 2017 common unit distribution of \$1.095 per unit will be paid on February 13, 2018 to holders of record as of February 8, 2018.

#### **Earnings Results for Fourth Quarter 2017 for NSH**

NSH today announced fourth quarter 2017 net income of \$7 million, or \$0.17 per unit, and net income for the year ended December 31, 2017 of \$87 million, or \$2.01 per unit. Distributable cash flow (DCF) available to unitholders for the fourth quarter of 2017 and for the year ended December 31, 2017 was \$21 million and \$93 million, respectively.

As previously announced on January 29, 2018, the fourth quarter 2017 distribution of \$0.545 per unit will be paid on February 15, 2018 to holders of record as of February 8, 2018.

#### **Final Comments**

As evidenced by these earnings results, the simplification and reset are needed to allow NuStar to compete with the growing number of our peers who have already made such structural adjustments, said Barron.

We are confident that the combination of the simplification and the reset will provide us with the financial strength and flexibility to compete for good projects and position us to increase unitholder value, as we have in the past, and for many years to come, he concluded.

#### **Conference Call Details**

## Edgar Filing: NuStar GP Holdings, LLC - Form 425

A conference call with management is scheduled for 9:00 a.m. CT today, February 8, 2018, to discuss the merger, the anticipated distribution reset and the financial and operational results for the fourth quarter of 2017. The conference call may be accessed by dialing toll-free 844/889-7787, reservation passcode 2577134. International callers may access the conference call by dialing 661/378-9931, reservation passcode 2577134. NSH and the Partnership intend to have a playback available following the conference call, which may be accessed by dialing toll-free 855/859-2056, reservation passcode 2577134. International callers may access the playback by dialing 404/537-3406, reservation passcode 2577134. The playback will be available until 12:00 p.m. CT on March 10, 2018.

Investors interested in listening to the live presentation or a replay via the internet may access the presentation directly at <https://edge.media-server.com/m6/p/yrns5949> or by logging on to either NuStar Energy L.P.'s website at [www.nustarenergy.com](http://www.nustarenergy.com) or NuStar GP Holdings, LLC's website at [www.nustargpholdings.com](http://www.nustargpholdings.com).

The discussion will disclose certain non-GAAP financial measures. Reconciliations of certain of these non-GAAP financial measures to U.S. GAAP may be found in this press release, with additional reconciliations located on the Financials page of the Investors section of NuStar Energy L.P.'s website at [www.nustarenergy.com](http://www.nustarenergy.com) and NuStar GP Holdings, LLC's website at [www.nustargpholdings.com](http://www.nustargpholdings.com).

**About NuStar Energy L.P. and NuStar GP Holdings, LLC**

NuStar Energy L.P., a publicly traded master limited partnership based in San Antonio, is one of the largest independent liquids terminal and pipeline operators in the nation. NuStar currently has more than 9,400 miles of pipeline and 81 terminal and storage facilities that store and distribute crude oil, refined products and specialty liquids. The partnership's combined system has more than 96 million barrels of storage capacity, and NuStar has operations in the United States, Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, and the United Kingdom. For more information, visit NuStar Energy L.P.'s website at [www.nustarenergy.com](http://www.nustarenergy.com).

NuStar GP Holdings, LLC is a publicly traded limited liability company that owns the general partner interest, an approximate 11 percent common limited partner interest and the incentive distribution rights in NuStar Energy L.P. For more information, visit NuStar GP Holdings, LLC's website at [www.nustargpholdings.com](http://www.nustargpholdings.com).

This release serves as qualified notice to nominees under Treasury Regulation Sections 1.1446-4(b)(4) and (d). Please note that 100% of NuStar Energy L.P.'s distributions to foreign investors are attributable to income that is effectively connected with a United States trade or business. Accordingly, all of NuStar Energy L.P.'s distributions to foreign investors are subject to federal income tax withholding at the highest effective tax rate for individuals and corporations, as applicable. Nominees, and not NuStar Energy L.P., are treated as the withholding agents responsible for withholding on the distributions received by them on behalf of foreign investors.

**Important Information For Investors And Unitholders**

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. The proposed merger and related transactions between the Partnership and NSH will be submitted to the unitholders of NSH for their consideration. The Partnership will file with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-4 that will include a proxy statement of NSH that also constitutes a prospectus of the Partnership. The Partnership and NSH also plan to file other documents with the SEC regarding the proposed transaction. INVESTORS AND SECURITY HOLDERS OF NUSTAR GP HOLDINGS, LLC ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and unitholders will be able to obtain free copies of the proxy statement/prospectus and other documents containing important information about the Partnership and NSH once such documents are filed with the SEC, through the website maintained by the SEC at <http://www.sec.gov>. Copies of the documents filed with the SEC by the Partnership will be available free of charge on the Partnership's website at [www.nustarenergy.com](http://www.nustarenergy.com) under the tab "Investors" or by contacting the Partnership's investor relations at [investorrelations@nustarenergy.com](mailto:investorrelations@nustarenergy.com). Copies of the documents filed with the SEC by NSH will be available free of charge on NSH's website at [www.nustargpholdings.com](http://www.nustargpholdings.com) under the tab "Investors" or by contacting NSH's investor relations at [investorrelations@nustarenergy.com](mailto:investorrelations@nustarenergy.com).

The Partnership and its general partner, the directors and certain of the executive officers of NuStar GP, LLC and NSH and its directors and certain of its executive officers, may be deemed to be participants in the solicitation of proxies from the unitholders of NSH in connection with the proposed merger. Information about the directors and executive officers of NuStar GP, LLC is set forth in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on February 23, 2017, and subsequent statements of changes in

beneficial ownership on file with the SEC. Information about the directors and executive officers of NSH is set forth in NSH's Proxy Statement for the 2017 annual meeting of unitholders, which was filed with the SEC on March 9, 2017, and subsequent statements of changes in beneficial ownership on file with the SEC. These documents can be obtained free of charge from the source listed above. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.



**Cautionary Statement Regarding Forward-Looking Statements**

*This press release includes, and the related conference call will include, forward-looking statements regarding future events, such as the Partnership's future performance. All statements, other than statements of historical fact, included herein that address activities, events or developments that NuStar Energy L.P. and NuStar GP Holdings, LLC expects, believes or anticipates will or may occur in the future, including anticipated benefits and other aspects of the proposed merger, are forward-looking statements. All forward-looking statements reflect the Partnership's and NSH's current views with regard to future events and are subject to various risks, uncertainties and assumptions that may cause actual results to differ materially, including the possibility that the merger will not be completed prior to the August 8, 2018 outside termination date, required approvals by NSH unitholders, the possibility that the anticipated benefits from the proposed merger cannot be fully realized, the possibility that costs or difficulties related to the merger will be greater than expected and other risk factors included in the reports filed with the SEC by the Partnership and NSH. Many of the factors that will determine NuStar Energy L.P.'s and NuStar GP Holdings, LLC's future results are beyond t*