NuStar Energy L.P.
Form 424B3
April 25, 2017
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The information in this preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933 but is not complete and may be changed. This preliminary prospectus supplement and the accompanying base prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(3)
Registration No. 333-212338

SUBJECT TO COMPLETION, DATED APRIL 25, 2017

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated June 30, 2016)

Units

NuStar Energy L.P.

% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units

(Liquidation Preference $25.00 per Series B Preferred Unit)

We are offering of our % Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference $25.00 per unit (the ***Series B Preferred Units***). Members of the Board of Directors of NuStar GP, LLC may purchase Series B Preferred Units directly from the underwriters.

Distributions on the Series B Preferred Units are cumulative from the date of original issue and will be payable quarterly in arrears on the 15th day of March, June, September and December of each year, when, as and if declared by our general partner. The initial distribution on the Series B Preferred Units offered hereby will be payable on September 15, 2017 in an amount equal to $ per Series B Preferred Unit. Distributions on the Series B Preferred Units will be payable out of amounts legally available therefor from and including the date of original issue to, but not including, June 15, 2022 at a rate equal to % per annum of the stated liquidation preference. On and after June 15, 2022, distributions on the Series B Preferred Units will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of %.

At any time on or after June 15, 2022, we may redeem the Series B Preferred Units, in whole or in part, out of amounts legally available therefor, at a redemption price of $25.00 per Series B Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but not including, the date of redemption, whether or not declared. In addition, upon the occurrence of certain ratings agency events as described under Description of Series B Preferred Units Redemption Optional Redemption upon a Rating Event, we may redeem the Series B Preferred Units, in whole but not in part, at a price of $25.50 per Series B Preferred Unit plus an amount equal to all accumulated and unpaid distributions therefore to, but not including, the date of redemption, whether or not declared. We may also redeem the Series B Preferred Units in the event of a Change of Control. See Description of Series B Preferred Units Change of Control Optional Redemption upon a Change of Control.

We intend to apply to have the Series B Preferred Units listed on the New York Stock Exchange, or NYSE, under the symbol NSprB. If the application is approved, we expect trading of the Series B Preferred Units on the NYSE to begin within 30 days after their original issue date. Currently, there is no public market for the Series B Preferred Units.

Investing in our Series B Preferred Units involves risks. See Risk Factors beginning on page S-13 of this prospectus supplement and page 4 of the accompanying base prospectus for information regarding risks you should consider before investing in our Series B Preferred Units.

	Per Series B Preferred Unit	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Us (before expenses)	$	$

We have granted the underwriters an option for a period of 30 days from the date of this prospectus supplement to purchase up to an additional Series B Preferred Units from us on the same terms and conditions as set forth above.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Series B Preferred Units on or about , 2017.

Joint Book-Running Managers

Wells Fargo Securities **BofA Merrill Lynch**
Morgan Stanley **UBS Investment Bank**

, 2017

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We have not, and the underwriters have not, authorized anyone to provide any information or to make any representations other than those contained in this prospectus supplement, the accompanying base prospectus or in any free writing prospectuses we have prepared. Neither we nor the underwriters take responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer to sell our Series B Preferred Units in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying base prospectus is accurate as of any date other than the date of such document or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since these dates.

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We provide information to you about this offering of our Series B Preferred Units in two separate documents that are bound together: (1) this prospectus supplement, which describes the specific details regarding this offering, and (2) the accompanying base prospectus, which provides general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both documents combined. If information in this prospectus supplement is inconsistent with the accompanying base prospectus, you should rely on this prospectus supplement.

You should carefully read this prospectus, including the information incorporated by reference herein and therein, before you invest. These documents contain information you should consider when making your investment decision. None of NuStar Energy L.P., the underwriters or any of their respective representatives is making any representation to you regarding the legality of an investment in the Series B Preferred Units by you under applicable laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of an investment in the Series B Preferred Units.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference herein or in any prospectus supplement were made solely for the benefit of the parties to such agreement for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

Except where we or the context otherwise indicate, the information in this prospectus assumes no exercise of the underwriters option to purchase additional Series B Preferred Units described on the cover page of this prospectus.

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SUMMARY

*This summary highlights information included or incorporated by reference into this prospectus. It does not contain all the information that you should consider before investing in the Series B Preferred Units. We urge you to read carefully the entire prospectus, the documents we have incorporated by reference and our financial statements and the notes to those statements, before making an investment decision. See Risk Factors in this prospectus supplement, the accompanying base prospectus, our Annual Report on Form 10-K for the year ended December 31, 2016 and our subsequent filings with the Securities and Exchange Commission (**SEC**) that are incorporated by reference herein.*

In this prospectus, references to NuStar Energy, we, us, our and the Partnership mean NuStar Energy L.P., one or more of our consolidated subsidiaries or all of them taken as a whole, unless otherwise noted.

NuStar Energy L.P.

NuStar Energy is a publicly traded 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. We conduct substantially all of our business through our wholly owned operating subsidiaries, NuStar Logistics, L.P. (***NuStar Logistics***) and NuStar Pipeline Operating Partnership L.P., and their respective subsidiaries.

Our operations are managed by NuStar GP, LLC, the general partner of Riverwalk Logistics, L.P., our general partner. NuStar GP, LLC is a wholly owned subsidiary of NuStar GP Holdings, LLC, a publicly traded limited liability company (NYSE: NSH). We divide our operations into the following three reportable business segments: pipeline, storage and fuels marketing. As of December 31, 2016, our assets included approximately 8,700 miles of pipelines and 79 terminal and storage facilities that provide approximately 95 million barrels of storage capacity.

Pipeline Segment

Our pipeline operations consist of the transportation of refined petroleum products, crude oil and anhydrous ammonia. As of December 31, 2016, we owned and operated:

- refined product pipelines with an aggregate length of 3,140 miles and crude oil pipelines with an aggregate length of 1,230 miles in Texas, Oklahoma, Kansas, Colorado and New Mexico;
- a 1,920-mile refined product pipeline originating in southern Kansas and terminating at Jamestown, North Dakota, with a western extension to North Platte, Nebraska and an eastern extension into Iowa;
- a 450-mile refined product pipeline originating at Tesoro Corporation s Mandan, North Dakota refinery and terminating in Minneapolis, Minnesota; and
- a 2,000-mile anhydrous ammonia pipeline originating at the Louisiana delta area that travels north through the Midwestern United States forking east and west to terminate in Nebraska and Indiana (the ***Ammonia Pipeline***).

We charge tariffs on a per barrel basis for transporting refined products, crude oil and other feedstocks in our refined product and crude oil pipelines and on a per ton basis for transporting anhydrous ammonia in the Ammonia Pipeline.

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Storage Segment

Our storage segment consists of facilities that provide storage, handling and other services for petroleum products, crude oil, specialty chemicals and other liquids. As of December 31, 2016, we owned and operated:

- 40 terminal and storage facilities in the United States and one terminal in Nuevo Laredo, Mexico, with total storage capacity of 53.2 million barrels;
- A terminal on the island of St. Eustatius with tank capacity of 14.4 million barrels and a transshipment facility;
- A terminal located in Point Tupper, Canada with tank capacity of 7.8 million barrels and a transshipment facility; and
- Six terminals located in the United Kingdom and one terminal located in Amsterdam, the Netherlands, with total storage capacity of approximately 9.5 million barrels.

Revenues for the storage segment include fees for tank storage agreements, where a customer agrees to pay for a certain amount of storage in a tank over a period of time (storage terminal revenues), and throughput agreements, where a customer pays a fee per barrel for volumes moving through our terminals (throughput terminal revenues). Our terminals also provide blending, additive injections, handling and filtering services for which we charge additional fees. We previously charged a fee for each barrel of crude oil and certain other feedstocks that we deliver to Valero Energy Corporation s Benicia, Corpus Christi West and Texas City refineries from our crude oil refinery storage tanks. Effective January 1, 2017, we lease these refinery storage tanks in exchange for a fixed fee. Certain of our facilities charge fees to provide marine services such as pilotage, tug assistance, line handling, launch service, emergency response services and other ship services.

Fuels Marketing Segment

Our fuels marketing operations involve the purchase of crude oil, fuel oil, bunker fuel, fuel oil blending components and other refined products for resale. These operations provide us the opportunity to generate additional gross margin while complementing the activities of our storage segment. We utilize storage assets, including our own terminals and rail unloading facilities, at our St. James, Texas City and St. Eustatius terminals. Rates charged by our storage segment to the fuels marketing segment are consistent with rates charged to third parties.

Recent Developments

First Quarter Earnings

On April 24, 2017, we reported our financial results for the quarter ended March 31, 2017. We reported net income applicable to common limited partners of $38.5 million, or $0.49 per unit, for the first quarter of 2017 and distributable cash flow (***DCF***) available to common limited partners of $88.9 million for the first quarter of 2017. First quarter 2017 earnings before interest, taxes, depreciation and amortization (***EBITDA***) were $154.1 million.

Non-GAAP Financial Measures

We utilize financial measures, such as EBITDA, DCF and distribution coverage ratio, which are not defined in U.S. generally accepted accounting principles (***GAAP***). Management believes these financial measures provide useful information to investors and other external users of our financial information because (i) they provide additional information about the operating performance of the Partnership s assets

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and the cash the business is generating, (ii) investors and other external users of our financial statements benefit from having access to the same financial measures being utilized by management and our board of directors when making financial, operational, compensation and planning decisions and (iii) they highlight the impact of significant transactions.

Our board of directors and management use EBITDA and/or DCF when assessing the following: (i) the performance of our assets, (ii) the viability of potential projects, (iii) our ability to fund distributions, (iv) our ability to fund capital expenditures and (v) our ability to service debt. In addition, our board of directors uses a distribution coverage ratio, which is calculated based on DCF, as the metric for determining the company-wide bonus and the vesting of performance units awarded to management as our board of directors believes DCF appropriately aligns management s interest with our unitholders interest in increasing distributions in a prudent manner. DCF is a widely accepted financial indicator used by the master limited partnership (***MLP***) investment community to compare partnership performance. DCF is used by the MLP investment community, in part, because the value of a partnership unit is partially based on its yield, and its yield is based on the cash distributions that a partnership can pay its unitholders.

None of these financial measures are presented as an alternative to net income. They should not be considered in isolation or as substitutes for a measure of performance prepared in accordance with GAAP. The following is a reconciliation of our non-GAAP financial measures to net income:

		Three Months Ended March 31, (Thousands of Dollars) 2017
Net income	$	57,940
Interest expense, net		36,414
Income tax expense		2,925
Depreciation and amortization expense		56,864
EBITDA		154,143
Interest expense, net		(36,414)
Reliability capital expenditures		(5,022)
Income tax expense		(2,925)
Mark-to-market impact of hedge transactions(a)		(2,586)
Unit-based compensation(b)		2,088
Preferred unit distributions		(4,813)
Other items(c)		(274)
DCF	$	104,197
Less DCF available to general partner		15,255
DCF available to common limited partners	$	88,942
Distributions applicable to common limited partners	$	101,913

(a) DCF excludes the impact of unrealized mark-to-market gains and losses that arise from valuing certain derivative contracts, as well as the associated hedged inventory. The gain or loss associated with these contracts is realized in DCF when the contracts are settled.

(b) In connection with the employee transfer from NuStar GP, LLC on March 1, 2016, we assumed obligations related to awards issued under a long-term incentive plan, and we intend to satisfy the vestings of equity-based awards with the issuance of our common units. As such, the expenses related to these awards are considered non-cash and added back to DCF. Certain awards include distribution equivalent rights (DERs). Payments made in connection with DERs are deducted from DCF.

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(c) Other items primarily consist of adjustments for throughput deficiency payments and construction reimbursements for all periods presented.

Navigator Energy Acquisition

Acquisition Overview

On April 11, 2017, we and NuStar Logistics entered into a Membership Interest Purchase and Sale Agreement (the ***Acquisition Agreement***) with FR Navigator Holdings LLC (the ***Seller***), pursuant to which we agreed to acquire (the ***Acquisition***) all of the issued and outstanding limited liability company interests in Navigator Energy Services, LLC (***Navigator***). Under the Acquisition Agreement, we will acquire Navigator for consideration of approximately $1.475 billion, subject to customary adjustments at and following closing. The Acquisition is expected to close in the second quarter of 2017, subject to customary closing conditions, including the receipt of regulatory approvals. Navigator owns and operates crude oil transportation, pipeline gathering and storage assets located in the Midland Basin of West Texas consisting of:

- more than 500 miles of crude oil gathering and transportation pipelines with approximately 92,000 barrels per day ship-or-pay volume commitments and deliverability of approximately 412,000 barrels per day;
- a pipeline gathering system with more than 200 connected producer tank batteries capable of more than 400,000 barrels per day of pumping capacity covering over 500,000 dedicated acres with fixed fee contracts; and
- approximately 1,000,000 barrels of crude oil storage capacity with 440,000 barrels contracted to third parties.

This offering of Series B Preferred Units is not conditioned upon the consummation of the Acquisition, and the consummation of the Acquisition is not conditioned upon the successful completion of this offering of Series B Preferred Units. In addition, there can be no assurance that we will consummate the Acquisition on the terms described herein or at all. See Risk Factors.

Commitment Letter for Bridge Facility

In conjunction with the Acquisition, we entered into a commitment letter (the ***Commitment Letter***) with Mizuho Bank, Ltd., regarding financing for the Acquisition. The Commitment Letter contemplates, among other things, a senior unsecured bridge loan to us in an aggregate principal amount not to exceed $1.475 billion, to be drawn, if at all, at the closing of the Acquisition (the ***Bridge Facility***). As described below under Recent Common Unit Offering, we recently completed a public offering of our common units resulting in net proceeds to us in the amount of $644.2 million, which automatically reduced the aggregate principal amount available under the Commitment Letter to $830.8 million. We intend to fund the cash consideration payable in connection with the Acquisition with cash on hand, the net proceeds of this offering, the net proceeds of our recent common unit offering, the net proceeds of the recent senior notes offering described below under Recent Senior Notes Offering or borrowings under our revolving credit agreement and therefore do not currently expect to fully draw on the Bridge Facility, if at all. Borrowings under the Bridge Facility, if any, would bear interest at our option, based on an alternative base rate or a LIBOR-based rate, in each case plus a margin, and mature 364 days following entry into the Bridge Facility.

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Incentive Distribution Rights Waiver

In conjunction with the Acquisition, our general partner intends to amend our Fourth Amended and Restated Agreement of Limited Partnership to provide for a waiver of quarterly distributions made to the general partner, as holder of the Partnership s incentive distribution rights (***IDRs***), by the amount equal to the excess in available cash attributable to any common units of the Partnership issued from the date of the Acquisition Agreement (including the common units offered and sold in our recent common unit offering, but excluding any equity issued under any long-term incentive plan or equity compensation plan implemented by the Partnership or its affiliates) through the end of the ten consecutive quarter period anticipated to begin with the distribution in respect of the second quarter of 2017, subject to an aggregate cap of $22.0 million. For a definition of available cash and a description of our cash distribution policy, see Cash Distributions in the accompanying base prospectus and the description of our 8.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (***Series A Preferred Units***), which is incorporated by reference in this prospectus supplement. If for any reason the Acquisition is not consummated, the waiver of distributions on the IDRs will not become effective.

Recent Common Unit Offering

On April 18, 2017, we completed a public offering of 14,375,000 of our common units (the ***common units***) pursuant to a separate prospectus supplement (including 1,875,000 common units pursuant to the underwriters exercise in full of their option to purchase additional common units), which we refer to as the recent common unit offering. The recent common unit offering was not conditioned upon the completion of this offering or the Acquisition. Accordingly, the common units issued in the recent common unit offering will remain outstanding regardless of whether the Acquisition or this offering is completed.

Recent Senior Notes Offering

On April 20, 2017, we priced a public offering of $550 million aggregate principal amount of 5.625% senior notes due 2027 pursuant to a separate prospectus supplement, which we refer to as the recent senior notes offering. The recent senior notes offering is expected to close on or about April 28, 2017, subject to customary closing conditions. The recent senior notes offering is not conditioned upon the completion of this offering. Accordingly, the senior notes that will be issued in the recent senior notes offering will remain outstanding regardless of whether this offering is completed. However, if the Acquisition is not closed on or before August 31, 2017, or the Acquisition Agreement is terminated on or before such date, we will redeem all and not less than all of the senior notes at a redemption price equal to 101% of the aggregate principal amount of the senior notes, plus accrued and unpaid interest. The supplemental indenture governing the senior notes that will be issued in the recent senior notes offering will have substantially similar covenants as the supplemental indentures governing our currently outstanding senior notes.

Principal Executive Offices and Internet Address

Our principal executive offices are located at 19003 IH-10 West, San Antonio, Texas 78257, and our telephone number is (210) 918-2000. Our website is located at *http://www.nustarenergy.com*. We make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

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The Offering

Issuer	NuStar Energy L.P.
Securities Offered	of our % Series B Fixed-to Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference $25.00 per Series B Preferred Unit. For a detailed description of the Series B Preferred Units, see Description of Series B Preferred Units. We have granted the underwriters a 30-day option to purchase up to an additional Series B Preferred Units.
Price per Series B Preferred Unit	$25.00
Maturity	Perpetual (unless redeemed by us on or after June 15, 2022, in connection with a Rating Event (as defined herein) or in connection with a Change of Control (as defined herein). See Optional Redemption upon a Rating Event, Optional Redemption upon a Change of Control and Conversion Right upon a Change of Control.)
Distributions	Distributions on the Series B Preferred Units will accrue and be cumulative from the date that the Series B Preferred Units are originally issued and will be payable on each Distribution Payment Date (as defined below) when, as and if declared by our general partner out of legally available funds for such purpose.
Distribution Payment Dates and Record Dates	Quarterly in arrears on the 15th day of March, June, September and December of each year (each, a ***Distribution Payment Date***) to holders of record as of the close of business on the first Business Day of the month of the applicable Distribution Payment Date. The initial distribution on the Series B Preferred Units offered hereby will be payable on September 15, 2017 in an amount equal to $ per Series B Preferred Unit. If any Distribution Payment Date otherwise would fall on a day that is not a Business Day (as defined below), declared distributions will be paid on the immediately succeeding Business Day without the accumulation of additional distributions.
Distribution Rate	The initial distribution rate for the Series B Preferred Units from and including the date of original issue to, but not including, June 15, 2022 will be % per annum of the $25.00 liquidation preference per unit (equal to $ per unit per annum). On and after June 15, 2022, distributions on the Series B Preferred Units will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of %.
Ranking	The Series B Preferred Units will represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date.

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	The Series B Preferred Units will rank: senior to our common units and to each other class or series of limited partner interests or other equity securities established after the original issue date of the Series B Preferred Units that is not expressly made senior to or on parity with the Series B Preferred Units as to the payment of distributions and amounts payable on a liquidation event (the ***Junior Securities***); on parity with Series A Preferred Units and any class or series of limited partner interests or other equity securities established after the original issue date of the Series B Preferred Units with terms expressly providing that such class or series ranks on parity with the Series B Preferred Units as to the payment of distributions and amounts payable upon a liquidation event (the ***Parity Securities***); junior to each other class or series of limited partner interests or equity securities established after the original issue date of the Series B Preferred Units with terms expressly made senior to the Series B Preferred Units as to the payment of distributions and amounts payable upon a liquidation event (the ***Senior Securities***); and junior to all of our existing and future indebtedness and other liabilities with respect to assets available to satisfy claims against us.
Restrictions on Distributions	No distribution may be declared or paid or set apart for payment on any Junior Securities (other than a distribution payable solely in Junior Securities) unless full cumulative distributions have been or contemporaneously are being paid or provided for on all outstanding Series B Preferred Units and any Parity Securities through the most recent respective distribution payment dates.
Optional Redemption Upon a Rating Event	At any time within 120 days after the conclusion of any review or appeal process instituted by us following the occurrence of a Rating Event (as defined below), we may, at our option, redeem the Series B Preferred Units in whole, but not in part, at a redemption price in cash per Series B Preferred Unit equal to $25.50 (102% of the liquidation preference of $25.00) plus an amount equal to all accumulated and unpaid distributions thereon to, but not including, the date fixed for redemption, whether or not declared. ***Rating Event*** means a change by any nationally recognized statistical rating organization (within the meaning of Section 3(a)(62) of the Securities Exchange Act of 1934, as amended (the ***Exchange Act***)) that publishes a rating for us (a ***rating agency***) to its equity credit criteria for securities such as the Series B Preferred Units, as such criteria are in effect as of the original issue date of the Series B Preferred Units (the ***current***

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criteria), which change results in (i) any shortening of the length of time for which the current criteria are scheduled to be in effect with respect to the Series B Preferred Units, or (ii) a lower equity credit being given to the Series B Preferred Units than the equity credit that would have been assigned to the Series B Preferred Units by such rating agency pursuant to its current criteria.

Optional Redemption on or After June 15, 2022

At any time on or after June 15, 2022, we may redeem, in whole or in part, the Series B Preferred Units at a redemption price of $25.00 per Series B Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but not including, the date of redemption, whether or not declared. Any such redemption would be effected only out of funds legally available for such purpose. We must provide not less than 30 days and not more than 60 days written notice of any such redemption. Any such redemption is subject to compliance with the provisions of our outstanding indebtedness, including our revolving credit agreement.

Optional Redemption upon a Change of Control

Upon the occurrence of a Change of Control (as defined below), we may, at our option, redeem the Series B Preferred Units, in whole or in part, within 120 days after the first date on which such Change of Control occurred, by paying $25.00 per Series B Preferred Unit, plus all accumulated and unpaid distributions to, but not including, the date of redemption, whether or not declared. If, prior to the Change of Control Conversion Date, we exercise our redemption rights relating to Series B Preferred Units, holders of the Series B Preferred Units that we have elected to redeem will not have the conversion right described under Description of Series B Preferred Units Change of Control. Any cash payment to holders of Series B Preferred Units will be subject to the limitations contained in our revolving credit agreement and in any other agreements governing our indebtedness.

Change of Control means the occurrence of either of the following after the original issue date of the Series B Preferred Units:

direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or business combination), in one or a series of related transactions, of all or substantially all of the properties or assets of us and our subsidiaries taken as a whole to any person (as that term is used in Section 13(d)(3) of the Exchange Act) and following such occurrence neither we nor such person has a class of common equity securities listed or admitted to trading on any National Securities Exchange (as defined under Description of Series B Preferred Units Change of Control Optional Redemption upon a Change of Control); or

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	the consummation of any transaction (including, without limitation, any merger, consolidation or business combination), the result of which is that any person (as defined above), other than NuStar GP Holdings, LLC and its subsidiaries, becomes the beneficial owner, directly or indirectly, of more than 50% of the voting interests of our general partner, measured by voting power rather than percentage of interests, and following such occurrence neither we nor such person has a class of common equity securities listed or admitted to trading on any National Securities Exchange.
Conversion; Exchange and Preemptive Rights	Except as described under Conversion Right Upon a Change of Control, the Series B Preferred Units will not be subject to preemptive rights or be convertible into or exchangeable for any other securities or property at the option of the holder.
Conversion Right upon a Change of Control	Upon the occurrence of a Change of Control, each holder of Series B Preferred Units will have the right (unless, prior to the Change of Control Conversion Date, we provide notice of our election to redeem the Series B Preferred Units) to convert some or all of the Series B Preferred Units held by such holder on the Change of Control Conversion Date into a number of our common units per Series B Preferred Unit to be converted equal to the lesser of:
	the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference plus the amount of any accumulated and unpaid distributions to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series B Preferred Unit distribution payment and prior to the corresponding Series B Preferred Unit distribution payment, in which case no additional amount for such accumulated and unpaid distribution will be included in this sum) by (ii) the Common Unit Price, and
	,
	subject, in each case, to certain adjustments and provisions for (i) the receipt of Alternative Conversion Consideration and (ii) splits, combinations and distributions in the form of equity issuances.
	For definitions of Alternative Conversion Consideration, Change of Control Conversion Date and Common Unit Price, and the restrictions on cash payments under a Change of Control hereunder, see Description of Series B Preferred Units Change of Control.

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Voting Rights	Holders of the Series B Preferred Units generally will have no voting rights. In connection with the closing of this offering, we expect to amend and restate our Fourth Amended and Restated Agreement of Limited Partnership (as amended and restated, the ***Partnership Agreement***). Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series B Preferred Units, voting as a single class, we may not adopt any amendment to our Partnership Agreement that would have a material adverse effect on the terms of the Series B Preferred Units. In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series B Preferred Units, voting as a class together with holders of any other Parity Securities (including the Series A Preferred Units) upon which like voting rights have been conferred and are exercisable, we may not (i) create or issue any Parity Securities (including any Series A Preferred Units) if the cumulative distributions on Series B Preferred Units are in arrears or (ii) create or issue any Senior Securities.
Fixed Liquidation Preference	In the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, holders of the Series B Preferred Units will generally, subject to the discussion under Description of Series B Preferred Units Liquidation Rights, have the right to receive the liquidation preference of $25.00 per Series B Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to the date of payment, whether or not declared. A consolidation or merger of us with or into any other entity, individually or in a series of transactions, will not be deemed a liquidation, dissolution or winding up of our affairs.
Sinking Fund	The Series B Preferred Units will not be subject to any sinking fund requirements.
No Fiduciary Duties	We, our general partner, and its general partner s officers and directors will not owe any fiduciary duties to the holders of Series B Preferred Units other than an implied contractual duty of good faith and fair dealing pursuant to our Partnership Agreement.
Use of Proceeds	We intend to use the net proceeds from the sale of Series B Preferred Units hereby, which are expected to total approximately $ million (or approximately $ million if the underwriters exercise in full their option to purchase additional Series B Preferred Units) after deducting the underwriters discount and our offering expenses, together with the proceeds from the recent common unit offering and the proceeds from the recent senior notes offering, to fund the purchase price and related fees and expenses for the Acquisition. This offering is not conditioned on the consummation of the Acquisition. Pending the potential use of the net proceeds from

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	this offering to fund a portion of the purchase price for the Acquisition, we intend to hold the net proceeds of this offering as cash. See Use of Proceeds.
Listing	We intend to file an application to list the Series B Preferred Units on the NYSE. If the application is approved, trading of the Series B Preferred Units on the NYSE is expected to begin within 30 days after the original issue date of the Series B Preferred Units. The underwriters have advised us that they intend to make a market in the Series B Preferred Units prior to commencement of any trading on the NYSE. However, the underwriters will have no obligation to do so, and no assurance can be given that a market for the Series B Preferred Units will develop prior to commencement of trading on the NYSE or, if developed, will be maintained.
Material Tax Considerations	For a discussion of material federal income tax considerations that may be relevant to prospective holders of Series B Preferred Units who are individual citizens or residents of the United States, see Material Tax Considerations in this prospectus supplement and Material Tax Consequences in the accompanying base prospectus.
Form	The Series B Preferred Units will be issued and maintained in book-entry form registered in the name of The Depository Trust Company or its nominee, except under limited circumstances. See Description of Series B Preferred Units Book-Entry System.
Risk Factors	See Risk Factors beginning on page S-13 of this prospectus supplement and page 4 of the accompanying base prospectus and in the documents incorporated by reference herein, as well as other cautionary statements in this prospectus and the documents incorporated by reference herein regarding risks you should consider before investing in our Series B Preferred Units.

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RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED UNIT DISTRIBUTIONS

The following table sets forth our ratios of earnings to fixed charges for the periods indicated.

	Fiscal Years				
	2012	**2013**	**2014**	**2015**	**2016**
Ratio of earnings to fixed charges (a)	*	**	2.5x	3.1x	2.0x
Ratio of earnings to combined fixed charges and preferred unit distributions (b)					

* For the year ended December 31, 2012, earnings were insufficient to cover fixed charges by $132.5 million. The deficiency included the effect of $271.8 million of impairment losses mainly resulting from the write-down of the carrying value of our long-lived assets related to our asphalt operations, including fixed assets, goodwill, intangible assets and other long-term assets.

** For the year ended December 31, 2013, earnings were insufficient to cover fixed charges by $128.1 million. The deficiency included a goodwill impairment loss of $304.5 million related to the Statia terminals reporting unit.

(a) For purposes of calculating the ratio of earnings to fixed charges:

fixed charges represent interest expense (including amounts capitalized) and amortization of debt costs and the portion of rental expense representing the interest factor; and

earnings represent the aggregate of pre-tax income from continuing operations (before adjustment for non-controlling interests and income from equity investees), fixed charges, amortization of capitalized interest and distributions from equity investees, less capitalized interest.

(b) Because no preferred units were outstanding for any of the years ended December 31, 2015, 2014, 2013 and 2012, and no distributions had been paid on our outstanding Series A Preferred Units during the year ended December 31, 2016, no historical ratio of earnings to combined fixed charges and preferred unit distributions are presented for these years.

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RISK FACTORS

An investment in our Series B Preferred Units involves a high degree of risk. Before you invest in our securities, you should carefully consider those risk factors set forth below and those included in our Annual Report on Form 10-K for the year ended December 31, 2016, which are incorporated herein by reference, together with all of the other information included in this prospectus supplement, in evaluating an investment in our Series B Preferred Units.

If any of the risks discussed below or in the foregoing documents were actually to occur, our business, financial condition, results of operations or cash flow could be materially adversely affected. In that case, the trading price of the Series B Preferred Units could decline, and you could lose all or part of your investment.

Risks Related to the Acquisition

We may not consummate the Acquisition, and this offering is not conditioned on the consummation of the Acquisition.

If the Acquisition is consummated, we intend to use the net proceeds from this offering, the recent common unit offering and the recent senior notes offering to fund the purchase price and related fees and expenses for the Acquisition. See Summary Recent Developments and Use of Proceeds. However, this offering is not conditioned upon the recent common unit offering, the recent senior notes offering or the consummation of the Acquisition, which is subject to the satisfaction or waiver of customary closing conditions, and there can be no assurance that the Acquisition will be consummated in the anticipated time frame or at all.

Because this offering is not conditioned upon the consummation of the Acquisition, upon the closing of this offering, you will become a holder of our Series B Preferred Units regardless of whether the Acquisition is consummated, delayed or terminated. If the Acquisition is delayed, terminated or consummated on terms different than those described herein, the market price of our Series B Preferred Units may decline. Further, a failed transaction may result in negative publicity or a negative impression of us in the investment community and may affect our relationships with our business partners. In addition, if the Acquisition is not consummated, our management will have broad discretion as to how to use the net proceeds of this offering and may use these funds in ways that you or other unitholders may not support, which could adversely affect the market price of our common units or Series B Preferred Units. See Summary Recent Developments Navigator Energy Acquisition for more information regarding the Acquisition.

Future acquisitions and expansions, including the Acquisition, may increase substantially the level of our contingent liabilities, and we may be unable to integrate them effectively into our existing operations.

We evaluate and acquire assets and businesses that we believe complement or diversify our existing assets and businesses. Acquisitions and business expansions, including the Acquisition, may require substantial capital. If we consummate the Acquisition or any future material acquisitions, our capitalization and results of operations may change significantly. Acquisitions and business expansions, including the Acquisition, involve numerous risks, including difficulties in the assimilation of the assets and operations of the acquired businesses, inefficiencies and difficulties that arise because of unfamiliarity with new assets, new geographic areas and the businesses associated with them. Further, unexpected costs and challenges may arise whenever businesses with different operations or employees are combined, and we may experience unanticipated delays in realizing the benefits of an acquisition, including the Acquisition.

Following the Acquisition, we may discover previously unknown liabilities associated with the acquired business for which we have no recourse under applicable indemnification provisions, if any. In addition, the terms of an acquisition, including the Acquisition, may require us to assume certain prior known or unknown liabilities for which we may not be indemnified or have adequate insurance.

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Any acquisitions we complete, including the Acquisition, are subject to substantial risks that could reduce our ability to make distributions to unitholders, including holders of the Series B Preferred Units.

Even if we do make acquisitions that we believe will increase distributable cash flow, these acquisitions, including the Acquisition, may nevertheless result in a decrease in distributable cash flow. Any acquisition, including the Acquisition, involves potential risks, including, among other things:

- we may not be able to obtain the cost savings and financial improvements we anticipate or acquired assets may not perform as we expect;
- we may not be able to successfully integrate the assets, management teams or employees of the businesses we acquire with our assets and management team;
- we may fail or be unable to discover some of the liabilities of businesses that we acquire, including liabilities resulting from a prior owner s noncompliance with applicable federal, state or local laws;
- acquisitions may divert the attention of our senior management from focusing on our core business;
- we may experience a decrease in our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions; and
- we may face the risk that our existing financial controls, information systems, management resources and human resources will need to grow to support future growth.

Financing the Acquisition will substantially increase our indebtedness.

In addition to the net proceeds from the recent common unit offering and this offering, we intend to finance the Acquisition with the net proceeds of the recent senior notes offering, and, to the extent necessary or desirable, by borrowing under our revolving credit agreement and by entering into and borrowing under the Bridge Facility. Our total debt as of December 31, 2016 was approximately $3.1 billion. An increase in our indebtedness may reduce our flexibility to respond to changing business and economic conditions or to fund capital expenditures or working capital needs.

A ratings agency downgrade could lead to increased borrowing costs and credit stress.

If one or more rating agencies that rate or will rate our debt or preferred equity securities, either assigns our notes or our Series B Preferred Units a rating lower than the rating expected by the investors, or reduces its rating in the future, the market price of our debt, or Series B Preferred Units, as applicable, or our common units, may be adversely affected. In addition, if any of our debt, or Series B Preferred Units that are or will be rated, is downgraded, raising capital will become more difficult for us, borrowing costs under our revolving credit agreement and other future borrowings may increase and the trading price of the Series B Preferred Units may decrease.

Following the announcement of the Acquisition, Moody s announced that it was reviewing NuStar Energy and NuStar Logistics for a downgrade, including with respect to our Series B Preferred Units. There can be no assurance that we will be able to maintain our credit ratings, and if Moody s or any other ratings agency downgrades our Series B Preferred Units, the trading price of our Series B Preferred Units could be adversely affected.

Risks Related to the Series B Preferred Units

The Series B Preferred Units represent perpetual equity interests in us, and investors should not expect us to redeem the Series B Preferred Units on the date the Series B Preferred Units become redeemable by us or on any particular date afterwards.

The Series B Preferred Units represent perpetual equity interests in us, and they have no maturity or mandatory redemption date and are not redeemable at the option of investors under any circumstances. As

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a result, unlike our indebtedness, the Series B Preferred Units will not give rise to a claim for payment of a principal amount at a particular date. Instead, the Series B Preferred Units may be redeemed by us at our option (i) following the occurrence of a Rating Event in whole but not in part, out of funds legally available for such redemption, at a redemption price of $25.50 per Series B Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but not including, the date of redemption, whether or not declared or (ii) in the event of a Change of Control, or at any time on or after June 15, 2022, in whole or in part, out of funds legally available for such redemption, at a redemption price of $25.00 per Series B Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but not including, the date of redemption, whether or not declared. Any decision we may make at any time to redeem the Series B Preferred Units will depend upon, among other things, our evaluation of our capital position, the terms of the Change of Control and general market conditions at that time.

As a result, holders of the Series B Preferred Units may be required to bear the financial risks of an investment in the Series B Preferred Units for an indefinite period of time. Moreover, the conversion rights of holders of the Series B Preferred Units are limited and will not apply in the case of every transaction that may adversely affect the holders of the Series B Preferred Units. The Series B Preferred Units will rank junior to all our current and future indebtedness. The Series B Preferred Units will also rank junior to any other Senior Securities we may issue in the future with respect to assets available to satisfy claims against us.

We distribute all of our available cash to our common unitholders and are not required to accumulate cash for the purpose of meeting our future obligations to holders of the Series B Preferred Units, which may limit the cash available to make distributions on the Series B Preferred Units.

Upon the closing of this offering, our Partnership Agreement will require us to distribute all of our available cash each quarter to our common unitholders. Upon the closing of this offering, Available Cash will be generally defined in our Partnership Agreement to mean, for each fiscal quarter, all cash and cash equivalents on the date of determination of available cash for that quarter, less the amount of any cash reserves established by our general partner to:

provide for the proper conduct of our business, including reserves for future capital expenditures and anticipated credit needs;

comply with applicable law or any debt instrument or other agreement or obligation;

provide funds to make payments on the Series A Preferred Units and Series B Preferred Units; or

provide funds for distributions to our common unitholders and to our general partner for any one or more of the next four quarters.

As a result, we do not expect to accumulate significant amounts of cash. Depending on the timing and amount of our cash distributions, these distributions could significantly reduce the cash available to us in subsequent periods to make payments on the Series B Preferred Units.

The Series B Preferred Units are subordinated to our existing and future debt obligations, and your interests could be diluted by the issuance of additional units, including additional Series B Preferred Units, and by other transactions.

The Series B Preferred Units are subordinated to all of our existing and future indebtedness. As of December 31, 2016, our total debt was approximately $3.1 billion, and we had the ability to borrow an additional $645.2 million under our revolving credit agreement, subject to certain limitations. We may incur additional debt under our revolving credit agreement, or other existing or future debt arrangements. The payment of principal and interest on our debt reduces cash available for distribution to our limited partners, including the holders of Series B Preferred Units.

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The issuance of additional units on parity with or senior to the Series B Preferred Units (including additional Series B Preferred Units) would dilute the interests of the holders of the Series B Preferred Units, and any issuance of Parity Securities (including additional Series B Preferred Units) or Senior Securities or additional indebtedness could affect our ability to pay distributions on, redeem or pay the liquidation preference on the Series B Preferred Units. Only the Change of Control Conversion Right relating to the Series B Preferred Units protects the holders of the Series B Preferred Units in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all of our assets or business, which might adversely affect the holders of the Series B Preferred Units.

Our ability to issue Parity Securities in the future could adversely affect the rights of holders of our Series B Preferred Units.

We are allowed to issue additional Series B Preferred Units and Parity Securities without any vote of the holders of the Series B Preferred Units, except where the cumulative distributions on the Series B Preferred Units or any Parity Securities are in arrears. The issuance of additional Series B Preferred Units or any Parity Securities would have the effect of reducing the amounts available to the holders of the Series B Preferred Units issued in this offering upon our liquidation, dissolution or winding up if we do not have sufficient funds to pay all liquidation preferences of the Series B Preferred Units and Parity Securities in full. It also would reduce amounts available to make distributions on the Series B Preferred Units issued in this offering if we do not have sufficient funds to pay distributions on all outstanding Series B Preferred Units and Parity Securities.

In addition, although holders of Series B Preferred Units are entitled to limited voting rights, as described in Description of the Series B Preferred Units Voting Rights, with respect to certain matters the Series B Preferred Units will generally vote separately as a class along with all other series of our Parity Securities that we may issue upon which like voting rights have been conferred and are exercisable. As a result, the voting rights of holders of Series B Preferred Units may be significantly diluted, and the holders of such other series of Parity Securities that we may issue may be able to control or significantly influence the outcome of any vote. Future issuances and sales of Parity Securities, or the perception that such issuances and sales could occur, may cause prevailing market prices for the Series B Preferred Units and our common units to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

The Series B Preferred Units will have extremely limited voting rights.

The voting rights of holders of the Series B Preferred Units will be extremely limited. Holders of the Series B Preferred Units generally will have no voting rights. Certain limited protective voting rights of the holders of the Series B Preferred Units are described in this prospectus supplement under Description of Series B Preferred Units Voting Rights.

The Series B Preferred Units are a new security and do not have an established trading market, which may negatively affect their market value and your ability to transfer or sell your Series B Preferred Units. In addition, the lack of a fixed redemption date for the Series B Preferred Units will increase your reliance on the secondary market for liquidity purposes.

The Series B Preferred Units are a new issue of securities with no established trading market. In addition, since the Series B Preferred Units have no stated maturity date, investors seeking liquidity will be limited to selling their Series B Preferred Units in the secondary market absent redemption by us. We intend to apply to list the Series B Preferred Units on the NYSE, but there can be no assurance that the NYSE will accept the Series B Preferred Units for listing. Even if the Series B Preferred Units are approved for listing by the NYSE, an active trading market on the NYSE for the Series B Preferred Units may not develop or, even if it develops, may not last, in which case the trading price of the Series B Preferred Units could be adversely affected and your ability to transfer your Series B Preferred Units will be limited. If an

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active trading market does develop on the NYSE, the Series B Preferred Units may trade at prices lower than the offering price. The trading price of the Series B Preferred Units would depend on many factors, including:

- prevailing interest rates, increases in which may have an adverse effect on the market price of the Series B Preferred Units;
- the market for and yields of similar securities;
- general economic and financial market conditions;
- our issuance of debt or other preferred equity securities;
- the limited trading volume of the Series B Preferred Units; and
- our financial condition, results of operations, cash flows and prospects.

We have been advised by the underwriters that they intend to make a market in the Series B Preferred Units pending any listing of the Series B Preferred Units on the NYSE, but they are not obligated to do so and may discontinue market-making at any time without notice.

Market interest rates may adversely affect the value of the Series B Preferred Units, and the distribution payable on the Series B Preferred Units will vary on and after June 15, 2022 based on market interest rates.

One of the factors that will influence the price of the Series B Preferred Units will be the distribution yield on the Series B Preferred Units (as a percentage of the price of the Series B Preferred Units) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of the Series B Preferred Units to expect a higher distribution yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Accordingly, higher market interest rates could cause the market price of the Series B Preferred Units to decrease.

In addition, on and after June 15, 2022, the Series B Preferred Units will have a floating distribution rate set each quarterly distribution period at a percentage of the $25.00 liquidation preference equal to a floating rate of the then-current three-month LIBOR plus a spread of %. The per annum distribution rate that is determined on the relevant determination date will apply to the entire quarterly distribution period following such determination date even if LIBOR increases during that period. As a result, holders of Series B Preferred Units will be subject to risks associated with fluctuation in interest rates and the possibility that holders will receive distributions that are lower than expected. We have no control over a number of factors, including economic, financial and political events, that impact market fluctuations in interest rates, which have in the past and may in the future experience volatility.

Change of control conversion rights may make it more difficult for a party to acquire us or discourage a party from acquiring us.

The change of control conversion feature of the Series B Preferred Units may have the effect of discouraging a third party from making an acquisition proposal for us or of delaying, deferring or preventing certain change of control transactions under circumstances that otherwise could provide the holders of our common units and Series B Preferred Units with the opportunity to realize a premium over the then-current market price of such equity securities or that limited partners may otherwise believe is in their best interests.

Holders of Series B Preferred Units may have liability to repay distributions.

Under certain circumstances, holders of the Series B Preferred Units may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited

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Partnership Act, we may not make a distribution if the distribution would cause our liabilities to exceed the fair value of our assets. Liabilities to partners on account of their partnership interests and liabilities that are non-recourse to us are not counted for purposes of determining whether a distribution is permitted.

Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. A purchaser of Series B Preferred Units who becomes a limited partner is liable for the obligations of the transferring limited partner to make contributions to NuStar Energy that are known to such purchaser of Series B Preferred Units at the time it became a limited partner and for unknown obligations if the liabilities could be determined from our Partnership Agreement.

Tax Risks

Treatment of distributions on our Series B Preferred Units as guaranteed payments for the use of capital creates a different tax treatment for the holders of Series B Preferred Units than the holders of our common units.

The tax treatment of distributions on our Series B Preferred Units is uncertain. We will treat the holders of Series B Preferred Units as partners for tax purposes and will treat distributions on the Series B Preferred Units as guaranteed payments for the use of capital that will generally be taxable to the holders of Series B Preferred Units as ordinary income. Although a holder of Series B Preferred Units could recognize taxable income from the accrual of such a guaranteed payment even in the absence of a contemporaneous distribution, we anticipate accruing and making the guaranteed payment distributions quarterly. Otherwise, the holders of Series B Preferred Units are generally not anticipated to share in our items of income, gain, loss or deduction, nor will we allocate any share of our nonrecourse liabilities to the holders of Series B Preferred Units. If the Series B Preferred Units were treated as indebtedness for tax purposes, rather than as guaranteed payments for the use of capital, distributions likely would be treated as payments of interest by us to the holders of Series B Preferred Units.

A holder of Series B Preferred Units will be required to recognize gain or loss on a sale of Series B Preferred Units equal to the difference between the amount realized by such holder and tax basis in the Series B Preferred Units sold. The amount realized generally will equal the sum of the cash and the fair market value of other property such holder receives in exchange for such Series B Preferred Units. Subject to general rules requiring a blended basis among multiple partnership interests, the tax basis of a Series B Preferred Unit will generally be equal to the sum of the cash and the fair market value of other property paid by the holder of Series B Preferred Units to acquire such Series B Preferred Unit. Gain or loss recognized by a holder of Series B Preferred Units on the sale or exchange of a Series B Preferred Unit held for more than one year generally will be taxable as long-term capital gain or loss. Because holders of Series B Preferred Units will generally not be allocated a share of our items of depreciation, depletion or amortization, it is not anticipated that such holders would be required to recharacterize any portion of their gain as ordinary income as a result of the recapture rules.

Investment in the Series B Preferred Units by tax-exempt investors, such as employee benefit plans and individual retirement accounts (***IRAs***), and non-U.S. persons raises issues unique to them. Distributions to non-U.S. holders of Series B Preferred Units will be subject to withholding taxes. If the amount of withholding exceeds the amount of U.S. federal income tax actually due, non-U.S. holders of Series B Preferred Units may be required to file U.S. federal income tax returns in order to seek a refund of such excess. The treatment of guaranteed payments for the use of capital to tax exempt investors is not certain and such payments may be treated as unrelated business taxable income for federal income tax purposes. If you are a tax-exempt entity or a non-U.S. person, you should consult your tax advisor with respect to the consequences of owning our Series B Preferred Units.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering (after deducting underwriting discounts and commissions and estimated offering expenses, will be approximately $ million ($ million if the underwriters exercise in full their option to purchase additional Series B Preferred Units).

We intend to use the net proceeds from this offering, along with the net proceeds we received from our recent common unit offering and the net proceeds we will receive from our recent senior notes offering, to fund the purchase price and related fees and expenses for the Acquisition. See Summary Recent Developments Navigator Energy Acquisition. Pending the potential use of the net proceeds from this offering to fund the purchase price for the Acquisition, we intend to hold the net proceeds of this offering as cash. If the aggregate proceeds of this offering, the recent common unit offering and the recent senior notes offering exceed the amount necessary to fund the purchase price of the Acquisition or if the Acquisition is not consummated, we intend to use such excess proceeds for general partnership purposes.

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CAPITALIZATION

The following table sets forth our capitalization and cash and cash equivalents position as of December 31, 2016 on:

- an actual basis;
- an as adjusted basis to give effect to (1) this offering of Series B Preferred Units and the net proceeds therefrom being held as cash on our balance sheet, after deducting the underwriting discounts and commissions and estimated offering expenses (assuming no exercise of the underwriters option to purchase additional Series B Preferred Units), (2) our recent common unit offering and the application of the net proceeds therefrom to repay outstanding borrowings under our revolving credit agreement and (3) our recent senior notes offering and the application of the net proceeds therefrom to repay the remaining outstanding borrowings under our revolving credit agreement, receivables financing agreement and short-term lines of credit and as cash on our balance sheet; and
- an as further adjusted basis to give further effect to the consummation of the Acquisition, assuming the purchase price is financed with the net proceeds of this offering, the recent common unit offering and the recent senior notes offering.

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This table should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements and the accompanying notes incorporated by reference into this prospectus supplement and the accompanying base prospectus and Use of Proceeds in this prospectus supplement. In addition, investors should not place undue reliance on the as adjusted or as further adjusted information included below because this offering is not contingent upon completion of any of the transactions reflected in the adjustments below.

	As of December 31, 2016 (Dollars in Thousands)		
	Actual	As Adjusted	As Further Adjusted
		(Unaudited)	
Cash and cash equivalents	$ 35,942	$	$
Short term debt	$ 54,000	$	$
Long term debt:			
NuStar Logistics $1.5 billion revolving credit agreement(1)	838,992		
NuStar Logistics 7.65% senior notes due 2018	350,000	350,000	350,000
NuStar Logistics 4.80% senior notes due 2020	450,000	450,000	450,000
NuStar Logistics 6.75% senior notes due 2021	300,000	300,000	300,000
NuStar Logistics 4.75% senior notes due 2022	250,000	250,000	250,000
NuStar Logistics 5.625% senior notes due 2027		550,000	550,000
NuStar Logistics 7.625% fixed-to-floating rate subordinated notes due 2043	402,500	402,500	402,500
NuStar Logistics Gulf Opportunity Zone Revenue bonds due 2038(2)	55,440	55,440	55,440
NuStar Logistics Gulf Opportunity Zone Revenue bonds due 2040(2)	100,000	100,000	100,000
NuStar Logistics Gulf Opportunity Zone Revenue bonds due 2040(2)	50,000	50,000	50,000
NuStar Logistics Gulf Opportunity Zone Revenue bonds due 2040(2)	85,000	85,000	85,000
NuStar Logistics Gulf Opportunity Zone Revenue bonds due 2041(2)	75,000	75,000	75,000
NuStar Energy $125.0 million receivables financing agreement	58,400		
Bridge Facility			
Net unamortized discounts, fair value adjustments and issuance costs	(968)	(7,168)	(7,168)
Total long-term debt	3,014,364	2,660,772	
Partners equity:			
Limited partners:			
Series A Preferred Units (9,060,000 outstanding as of December 31, 2016)	218,400	218,400	218,400
Series B Preferred Units (0 outstanding as of December 31, 2016, actual and outstanding as of December 31, 2016, as adjusted and as further adjusted)			
Common units (78,616,228 outstanding as of December 31, 2016, actual and 92,991,228 outstanding as of December 31, 2016 as adjusted and as further adjusted)	1,455,642	2,099,571	2,099,571
General partner	31,752	45,350	45,350
Accumulated other comprehensive loss	(94,177)	(94,177)	(94,177)
Total partners equity	1,611,617		
Total capitalization	$ 4,679,981	$	$

(1) As of March 31, 2017, the outstanding balance of borrowings under our revolving credit agreement was $774.6 million.

(2) The Parish of St. James, Louisiana issued, pursuant to the Gulf Opportunity Zone Act of 2005, one series of tax-exempt revenue bonds in 2008, three separate series of tax-exempt revenue bonds in 2010 and one series of tax-exempt revenue bonds in 2011 associated with our St. James terminal expansion.

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DESCRIPTION OF SERIES B PREFERRED UNITS

The following description of the Series B Preferred Units does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of our Fifth Amended and Restated Agreement of Limited Partnership, which will be entered into in connection with the closing of this offering and will be filed as an exhibit to a Current Report on Form 8-K.

General

The Series B Preferred Units offered hereby are a new series of preferred units. Upon completion of this offering, there will be Series B Preferred Units issued and outstanding (assuming no exercise of the underwriters option to purchase additional Series B Preferred Units). We may, without notice to or consent of the holders of the then-outstanding Series B Preferred Units, authorize and issue additional Series B Preferred Units and Junior Securities (as defined under Summary The Offering Ranking) and, subject to the limitations described under Voting Rights, Senior Securities and Parity Securities (each, as defined under Summary The Offering Ranking).

The holders of our common units, Series A Preferred Units, Series B Preferred Units and IDRs are entitled to receive, to the extent permitted by law, such distributions as may from time to time be declared by our general partner. Upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of our common units, Series A Preferred Units, Series B Preferred Units and IDRs are entitled to receive distributions of our assets, after we have satisfied or made provision for our debts and other obligations and after payment to the holders of any class or series of limited partner interests (including the Series B Preferred Units) having preferential rights to receive distributions of our assets.

When issued and paid for in the manner described in this prospectus supplement and accompanying base prospectus, the Series B Preferred Units offered hereby will be fully paid and nonassessable (except as such nonassessability may be affected by Section 17-303(a), 17-607 and 17-804 of the Delaware Revised Uniform Limited Partnership Act). Subject to the matters described under Liquidation Rights, each Series B Preferred Unit will generally have a fixed liquidation preference of $25.00 per Series B Preferred Unit plus an amount equal to accumulated and unpaid distributions thereon to, but not including, the date fixed for payment, whether or not declared.

The Series B Preferred Units will represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As such, the Series B Preferred Units will rank junior to all of our current and future indebtedness and other liabilities with respect to assets available to satisfy claims against us. The rights of the holders of Series B Preferred Units to receive the liquidation preference will be subject to the proportional rights of holders of Parity Securities.

All of the Series B Preferred Units offered hereby will be represented by a single certificate issued to The Depository Trust Company (and its successors or assigns or any other securities depositary selected by us) (the ***Securities Depositary***) and registered in the name of its nominee. So long as a Securities Depositary has been appointed and is serving, no person acquiring Series B Preferred Units will be entitled to receive a certificate representing such Series B Preferred Units unless applicable law otherwise requires or the Securities Depositary resigns or is no longer eligible to act as such and a successor is not appointed. See Book-Entry System.

Except as described below in Change of Control Conversion Right upon a Change of Control, the Series B Preferred Units will not be convertible into common units or any other securities and will not have exchange rights or be entitled or subject to any preemptive or similar rights. The Series B Preferred Units will not be subject to mandatory redemption or to any sinking fund requirements. The Series B Preferred Units will be subject to redemption, in whole or in part, at our option commencing on June 15, 2022. See Redemption.

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We have appointed Computershare Trust Company, N.A. as the paying agent (the ***Paying Agent***), and the registrar and transfer agent (the ***Registrar and Transfer Agent***) for the Series B Preferred Units. The address of the Paying Agent is 250 Royall Street, Canton, Massachusetts 02021.

Ranking

The Series B Preferred Units will, with respect to anticipated quarterly distributions and distributions upon the liquidation, winding-up and dissolution of our affairs, rank:

senior to the Junior Securities (including our common units);

on parity with the Parity Securities (including the Series A Preferred Units);

junior to the Senior Securities; and

junior to all of our existing and future indebtedness and other liabilities with respect to assets available to satisfy claims against us.

Under our Partnership Agreement, we may issue Junior Securities from time to time in one or more series without the consent of the holders of the Series B Preferred Units. The board of directors of our general partner s general partner (the ***Board of Directors***) has the authority to determine the preferences, powers, qualifications, limitations, restrictions and special or relative rights or privileges, if any, of any such series before the issuance of any units of that series. The Board of Directors will also determine the number of units constituting each series of securities. Our ability to issue additional Parity Securities in certain circumstances or Senior Securities is limited as described under Voting Rights.

Liquidation Rights

Any liquidation will be made in accordance with capital accounts. The holders of outstanding Series B Preferred Units will be specially allocated items of our gross income and gain in a manner designed to achieve, in the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, a liquidation preference of $25.00 per Series B Preferred Unit. If the amount of our gross income and gain available to be specially allocated to the Series B Preferred Units is not sufficient to cause the capital account of a Series B Preferred Unit to equal the liquidation preference of a Series B Preferred Unit, then the amount that a holder of Series B Preferred Units would receive upon liquidation may be less than the Series B Preferred Unit liquidation preference. Any accumulated and unpaid distributions on the Series B Preferred Units will be paid prior to any distributions in liquidation made in accordance with capital accounts. The rights of the holders of Series B Preferred Units to receive the liquidation preference will be subject to the proportional rights of holders of Parity Securities.

Voting Rights

The Series B Preferred Units will have no voting rights except as set forth below or as otherwise provided by Delaware law.

Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series B Preferred Units, voting as a single class, we may not adopt any amendment to our Partnership Agreement that has a material adverse effect on the terms of the Series B Preferred Units.

In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series B Preferred Units, voting as a class together with holders of any other Parity Securities (including the Series A Preferred Units) upon which like voting rights have been conferred and are exercisable, we may not:

create or issue any Parity Securities (including any additional Series B Preferred Units) if the cumulative distributions payable on then outstanding Series B Preferred Units or Parity Securities are in arrears; or

create or issue any Senior Securities.

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On any matter described above in which the holders of the Series B Preferred Units are entitled to vote as a class, such holders will be entitled to one vote per Series B Preferred Unit. The Series B Preferred Units held by us or any of our subsidiaries or controlled affiliates will not be entitled to vote.

Series B Preferred Units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise.

Distributions

General

Holders of Series B Preferred Units will be entitled to receive, when, as and if declared by our general partner out of legally available funds for such purpose, cumulative cash distributions.

Distribution Rate

Distributions on Series B Preferred Units will be cumulative from the date of original issue and will be payable quarterly on each Distribution Payment Date, commencing September 15, 2017, when, as and if declared by our general partner out of legally available funds for such purpose. The initial distribution on the Series B Preferred Units will be paid on September 15, 2017 in an amount equal to $ per unit.

The initial distribution rate for the Series B Preferred Units from and including the date of original issue to, but not including, June 15, 2022 (the ***Fixed Rate Period***) will be % per annum of the $25.00 liquidation preference per unit (equal to $ per unit per annum). On and after June 15, 2022 (the ***Floating Rate Period***), distributions on the Series B Preferred Units will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of %.

LIBOR for each distribution period during the Floating Rate Period (***Three-Month LIBOR Rate***) will be determined by the Calculation Agent (see Calculation Agent below), as of the applicable Determination Date (as defined below), in accordance with the following provisions:

the rate (expressed as a percentage per year) for deposits in U.S. dollars for a three-month period commencing on the first day of such distribution period that appears on Reuters Page LIBOR01 as of 11:00 a.m., London time, on such Determination Date; or

if no such rate is so published, we will select four major banks in the London interbank market and request that the principal London offices of those four selected banks provide their offered quotations for deposits in U.S. dollars for a period of three months, commencing on the first day of the applicable distribution period, to prime banks in the London interbank market at approximately 11:00 a.m. (London time) on the Determination Date for such distribution period. Offered quotations must be based on a principal amount equal to an amount that, in our judgment, is representative of a single transaction in U.S. dollars in the London interbank market at the time. If two or more quotations are provided, the Three-Month LIBOR Rate for such distribution period will be the arithmetic mean of the quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate for such distribution period will be the arithmetic mean of the rates quoted on the Determination Date for such distribution period by three major banks in New York City selected by us, for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of such distribution period. The rates quoted must be based on an amount that, in our judgment, is representative of a single transaction in U.S. dollars in that market at the time. If fewer than three New York City banks selected by us are quoting rates in the manner described above, the Three-Month LIBOR Rate for the applicable distribution period will be the same as for the immediately preceding distribution period or, if the immediately preceding interest distribution period was within the Fixed Rate Period, the same as for the most recent quarter for which the Three-Month LIBOR Rate can be determined;

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All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)) and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

Determination Date means the London Business Day (as defined below) immediately preceding the first date of the applicable distribution period.

London Business Day means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Reuters Page LIBOR01 means the display so designated on the Reuters 3000 Xtra (or such other page as may replace the LIBOR01 page on that service, or such other service as may be nominated by the British Bankers Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

Distribution Payment Dates

The ***Distribution Payment Dates*** for the Series B Preferred Units will be the 15th day of March, June, September and December of each year, commencing on September 15, 2017. Distributions will accumulate in each quarterly distribution period from and including the preceding Distribution Payment Date or the initial issue date, as the case may be, to but excluding the applicable Distribution Payment Date for such quarterly distribution period, and distributions will accrue on accumulated distributions at the applicable distribution rate. If any Distribution Payment Date otherwise would fall on a day that is not a Business Day, declared distributions will be paid on the immediately succeeding Business Day without the accumulation of additional distributions. Distributions on the Series B Preferred Units will be payable based on a 360-day year consisting of four 90-day periods. ***Business Day*** means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the States of Texas or New York shall not be regarded as a Business Day.

Payment of Distributions

Not later than 5:00 p.m., New York City time, on each Distribution Payment Date, we will pay those quarterly distributions, if any, on the Series B Preferred Units that have been declared by our general partner to the holders of such Series B Preferred Units as such holders names appear on our unit transfer books maintained by the Registrar and Transfer Agent on the applicable record date. The record date will be the first Business Day of the month of the applicable Distribution Payment Date, except that in the case of payments of distributions in arrears, the record date with respect to a Distribution Payment Date will be such date as may be designated by the Board of Directors in accordance with our Partnership Agreement.

So long as the Series B Preferred Units are held of record by the nominee of the Securities Depositary, declared distributions will be paid to the Securities Depositary in same-day funds on each Distribution Payment Date. The Securities Depositary will credit accounts of its participants in accordance with the Securities Depositary s normal procedures. The participants will be responsible for holding or disbursing such payments to beneficial owners of the Series B Preferred Units in accordance with the instructions of such beneficial owners.

No distribution may be declared or paid or set apart for payment on any Junior Securities (other than a distribution payable solely in Junior Securities) unless full cumulative distributions have been or contemporaneously are being paid or provided for on all outstanding Series B Preferred Units and any Parity Securities through the most recent respective distribution payment dates. Accumulated distributions in arrears for any past distribution period may be declared by the general partner and paid on any date fixed by the general partner, whether or not a Distribution Payment Date, to holders of the Series B Preferred Units on the record date for such payment, which may not be less than 10 days before such payment date.

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Subject to the next succeeding sentence, if all accumulated distributions in arrears on all outstanding Series B Preferred Units and any Parity Securities have not been declared and paid, or sufficient funds for the payment thereof have not been set apart, payment of accumulated distributions in arrears will be made in order of their respective distribution payment dates, commencing with the earliest. If less than all distributions payable with respect to all Series B Preferred Units and any Parity Securities are paid, any partial payment will be made pro rata with respect to the Series B Preferred Units and any Parity Securities entitled to a distribution payment at such time in proportion to the aggregate amounts remaining due in respect of such Series B Preferred Units and Parity Securities at such time. Holders of the Series B Preferred Units will not be entitled to any distribution, whether payable in cash, property or units, in excess of full cumulative distributions. Except insofar as distributions accrue on the amount of any accumulated and unpaid distributions no interest or sum of money in lieu of interest will be payable in respect of any distribution payment which may be in arrears on the Series B Preferred Units.

Change of Control

Optional Redemption upon a Change of Control

Upon the occurrence of a Change of Control (as defined below), we may, at our option, redeem the Series B Preferred Units in whole or in part within 120 days after the first date on which such Change of Control occurred (the ***Change of Control Redemption Period***), by paying the liquidation preference of $25.00 per Series B Preferred Unit, plus all accumulated and unpaid distributions to, but not including, the redemption date, whether or not declared. If, prior to the Change of Control Conversion Date (as defined below), we exercise our right to redeem Series B Preferred Units as described in the immediately preceding sentence or as described below under Redemption, holders of the Series B Preferred Units we have elected to redeem will not have the conversion right described below under Conversion Right upon a Change of Control. Any cash payment to holders of Series B Preferred Units will be subject to the limitations contained in our revolving credit agreement and in any other agreements governing our indebtedness.

Change of Control means the occurrence of either of the following after the original issue date of the Series B Preferred Units:

the direct or indirect lease, sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or business combination), in one or a series of related transactions, of all or substantially all of the properties or assets of us and our subsidiaries taken as a whole to any person (as that term is used in Section 13(d)(3) of the Exchange Act) and following such occurrence neither we nor such person has a class of common equity securities listed or admitted to trading on any National Securities Exchange (as defined below); or

the consummation of any transaction (including, without limitation, any merger, consolidation or business combination), the result of which is that any person (as defined above), other than NuStar GP Holdings, LLC and its subsidiaries, becomes the beneficial owner, directly or indirectly, of more than 50% of the voting interests of our general partner, measured by voting power rather than percentage of interests, and following such occurrence neither we nor such person has a class of common equity securities listed or admitted to trading on any National Securities Exchange.

National Securities Exchange means an exchange registered with the Securities and Exchange Commission under Section 6(a) of the Exchange Act.

Conversion Right upon a Change of Control

Upon the occurrence of a Change of Control, each holder of Series B Preferred Units will have the right (unless, during the Change of Control Redemption Period, we provide notice of our election to redeem Series B Preferred Units as described above under Optional Redemption upon a Change of Control or below under Redemption) to convert (the ***Series B Change of Control Conversion***) some or all of the

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Series B Preferred Units held by such holder on the Change of Control Conversion Date into a number of our common units per Series B Preferred Unit to be converted equal (the ***Common Unit Conversion Consideration***) to the lesser of:

the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference plus the amount of any accumulated and unpaid distributions to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series B Preferred Unit distribution payment and prior to the corresponding Series B Preferred Unit distribution payment date, in which case no additional amount for such accumulated and unpaid distribution will be included in this sum) by (ii) the Common Unit Price, and

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subject, in each case, to certain adjustments and to provisions for (i) the payment of any Alternative Conversion Consideration and (ii) splits, combinations and distributions in the form of equity issuances, each as described in greater detail in our Partnership Agreement.

In the case of a Change of Control pursuant to which our common units will be converted into cash, securities or other property or assets (including any combination thereof) (the ***Alternative Conversion Consideration***), a holder of Series B Preferred Units electing to exercise their Change of Control Conversion Right (as defined below) will receive upon conversion of such Series B Preferred Units elected by such holder the kind and amount of such consideration that such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of our common units equal to the Common Unit Conversion Consideration immediately prior to the effective time of the Change of Control, which we refer to as the Alternative Conversion Consideration; *provided*, *however*, that if the holders of our common units have the opportunity to elect the form of consideration to be received in the Change of Control, the consideration that the holders of Series B Preferred Units electing to exercise their Change of Control Conversion Right will receive will be the form and proportion of the aggregate consideration elected by the holders of our common units who participate in the determination (based on the weighted average of elections) and will be subject to any limitations to which all holders of our common units are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Change of Control. We will not issue fractional common units upon the conversion of the Series B Preferred Units. Instead, we will pay the cash value of such fractional units.

If we provide a redemption notice, whether pursuant to our special optional redemption right in connection with a Change of Control as described under Optional Redemption upon a Change of Control or our optional redemption rights as described below under Redemption, holders of Series B Preferred Units will not have any right to convert the Series B Preferred Units that we have elected to redeem and any Series B Preferred Units subsequently selected for redemption that have been tendered for conversion pursuant to the Change of Control Conversion Right will be redeemed on the related redemption date instead of converted on the Change of Control Conversion Date.

Within five days following the expiration of the Change of Control Redemption Period (or, if we waive our right to redeem the Series B Preferred Units prior to the expiration of the Change of Control Redemption Period, within five days following the date of such waiver), we will provide to the holders of Series B Preferred Units written notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. This notice will state the following:

the events constituting the Change of Control;

the date of the Change of Control;

the date on which the Change of Control Redemption Period expired or was waived;

the last date on which the holders of Series B Preferred Units may exercise their Change of Control Conversion Right;

the method and period for calculating the Common Unit Price;

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the Change of Control Conversion Date;

if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per Series B Preferred Unit; and

the procedure that the holders of Series B Preferred Units must follow to exercise the Change of Control Conversion Right.

We will issue a press release for publication through a news or press organization as is reasonably expected to broadly disseminate the relevant information to the public, or post notice on our website, in any event prior to the opening of business on the first Business Day (as defined below) following any date on which we provide the notice described above to the holders of Series B Preferred Units.

Holders of Series B Preferred Units that choose to exercise their Change of Control Conversion Right will be required prior to the close of business on the third Business Day preceding the Change of Control Conversion Date, to notify the Partnership of the number of Series B Preferred Units to be converted and otherwise to comply with any applicable procedures contained in the notice described above or otherwise required by the Securities Depositary for effecting the conversion.

Change of Control Conversion Right means the right of a holder of Series B Preferred Units to convert some or all of the Series B Preferred Units held by such holder on the Change of Control Conversion Date into a number of our common units per Series B Preferred Unit pursuant to the conversion provisions in our Partnership Agreement.

Change of Control Conversion Date means the date fixed by the Board of Directors, in its sole discretion, as the date the Series B Preferred Units are to be converted, which will be a Business Day that is no fewer than 20 days nor more than 35 days after the date on which we provide the notice described above to holders of the Series B Preferred Units.

Common Unit Price means (i) the amount of cash consideration per common unit, if the consideration to be received in the Change of Control by the holders of our common units is solely cash; and (ii) the average of the closing prices for our common units on the NYSE for the ten consecutive trading days immediately preceding, but not including, the Change of Control Conversion Date, if the consideration to be received in the Change of Control by the holders of our common units is other than solely cash.

Redemption

Optional Redemption upon a Rating Event

At any time within 120 days after the conclusion of any review or appeal process instituted by us following the occurrence of a Rating Event (as defined below), we may, at our option, redeem the Series B Preferred Units in whole, but not in part, at a redemption price in cash per Series B Preferred Unit equal to $25.50 (102% of the liquidation preference of $25.00) plus an amount equal to all accumulated and unpaid distributions thereon to, but not including, the date fixed for redemption, whether or not declared.

Rating Event means a change by any nationally recognized statistical rating organization (within the meaning of Section 3(a)(62) of the Exchange Act) that publishes a rating for us (a ***rating agency***) to its equity credit criteria for securities such as the Series B Preferred Units, as such criteria are in effect as of the original issue date of the Series B Preferred Units (the ***current criteria***), which change results in (i) any shortening of the length of time for which the current criteria are scheduled to be in effect with respect to the Series B Preferred Units, or (ii) a lower equity credit being given to the Series B Preferred Units than the equity credit that would have been assigned to the Series B Preferred Units by such rating agency pursuant to its current criteria.

Optional Redemption on or after June 15, 2022

Any time on or after June 15, 2022, we may redeem, at our option, in whole or in part, the Series B Preferred Units at a redemption price in cash equal to $25.00 per Series B Preferred Unit plus an amount

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equal to all accumulated and unpaid distributions thereon to, but not including, the date of redemption, whether or not declared. We may undertake multiple partial redemptions. Any such redemption is subject to compliance with the provisions of our revolving credit agreement and any other agreements governing our outstanding indebtedness.

We may also redeem the Series B Preferred Units under the terms set forth under Change of Control Optional Redemption upon a Change of Control.

Redemption Procedures

Any optional redemption shall be effected only out of funds legally available for such purpose. We will give notice of any redemption not less than 30 days and not more than 60 days before the scheduled date of redemption, to the holders of any Series B Preferred Units to be redeemed as such holders names appear on our unit transfer books maintained by the Registrar and Transfer Agent at the address of such holders shown therein. Such notice shall state: (i) the redemption date, (ii) the number of Series B Preferred Units to be redeemed and, if less than all outstanding Series B Preferred Units are to be redeemed, the number (and, in the case of Series B Preferred Units in certificated form, the identification) of Series B Preferred Units to be redeemed from such holder, (iii) the redemption price, (iv) the place where any Series B Preferred Units in certificated form are to be redeemed and shall be presented and surrendered for payment of the redemption price therefor and (v) that distributions on the Series B Preferred Units to be redeemed will cease to accumulate from and after such redemption date.

If fewer than all of the outstanding Series B Preferred Units are to be redeemed, the number of Series B Preferred Units to be redeemed will be determined by us, and such Series B Preferred Units will be redeemed by such method of selection as the Securities Depositary shall determine, pro rata or by lot, with adjustments to avoid redemption of fractional units. So long as all Series B Preferred Units are held of record by the nominee of the Securities Depositary, we will give notice, or cause notice to be given, to the Securities Depositary of the number of Series B Preferred Units to be redeemed, and the Securities Depositary will determine the number of Series B Preferred Units to be redeemed from the account of each of its participants holding such Series B Preferred Units in its participant account. Thereafter, each participant will select the number of Series B Preferred Units to be redeemed from each beneficial owner for whom it acts (including the participant, to the extent it holds Series B Preferred Units for its own account). A participant may determine to redeem Series B Preferred Units from some beneficial owners (including the participant itself) without redeeming Series B Preferred Units from the accounts of other beneficial owners.

So long as the Series B Preferred Units are held of record by the nominee of the Securities Depositary, the redemption price will be paid by the Paying Agent to the Securities Depositary on the redemption date. The Securities Depositary s normal procedures provide for it to distribute the amount of the redemption price in same-day funds to its participants who, in turn, are expected to distribute such funds to the persons for whom they are acting as agent.

If we give or cause to be given a notice of redemption, then we will deposit with the Paying Agent funds sufficient to redeem the Series B Preferred Units as to which notice has been given by 10:00 a.m., New York City time, on the date fixed for redemption, and will give the Paying Agent irrevocable instructions and authority to pay the redemption price to the holder or holders thereof upon surrender or deemed surrender (which will occur automatically if the certificate representing such Series B Preferred Units is issued in the name of the Securities Depositary or its nominee) of the certificates therefor. If notice of redemption shall have been given, then from and after the date fixed for redemption, unless we default in providing funds sufficient for such redemption at the time and place specified for payment pursuant to the notice, all distributions on such Series B Preferred Units will cease to accumulate and all rights of holders of such Series B Preferred Units as limited partners will cease, except the right to receive the redemption price, including an amount equal to accumulated and unpaid distributions to the date fixed for redemption, whether or not declared. Any funds deposited with the Paying Agent hereunder by us for any reason, including, but not limited to, redemption of Series B Preferred Units, that remain unclaimed or unpaid after

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two years after the applicable redemption date or other payment date, shall be, to the extent permitted by law, repaid to us upon our written request, after which repayment the holders of the Series B Preferred Units entitled to such redemption or other payment shall have recourse only to us.

If only a portion of the Series B Preferred Units represented by a certificate has been called for redemption, upon surrender of the certificate to the Paying Agent (which will occur automatically if the certificate representing such Series B Preferred Units is registered in the name of the Securities Depositary or its nominee), we will issue and the Paying Agent will deliver to the holder of such Series B Preferred Units a new certificate (or adjust the applicable book-entry account) representing the number of Series B Preferred Units represented by the surrendered certificate that have not been called for redemption.

Notwithstanding any notice of redemption, there will be no redemption of any Series B Preferred Units called for redemption until funds sufficient to pay the full redemption price of such Series B Preferred Units, including all accumulated and unpaid distributions to, but not including, the date of redemption, whether or not declared, have been deposited by us with the Paying Agent.

We may from time to time purchase Series B Preferred Units, subject to compliance with all applicable securities and other laws. We have no obligation, or any present plan or intention, to purchase any Series B Preferred Units. Any Series B Preferred Units that we redeem or otherwise acquire will be cancelled.

Notwithstanding the foregoing, in the event that full cumulative distributions on the Series B Preferred Units and any Parity Securities have not been paid or declared and set apart for payment, we may not repurchase, redeem or otherwise acquire, in whole or in part, any Series B Preferred Units or Parity Securities except pursuant to a purchase or exchange offer made on the same relative terms to all holders of Series B Preferred Units and any Parity Securities. Common units and any other Junior Securities may not be redeemed, repurchased or otherwise acquired by us unless full cumulative distributions on the Series B Preferred Units and any Parity Securities for all prior and the then-ending distribution periods have been paid or declared and set apart for payment.

No Sinking Fund

The Series B Preferred Units will not have the benefit of any sinking fund.

No Fiduciary Duty

We, and the officers and directors of our general partner s general partner, will not owe any fiduciary duties to holders of the Series B Preferred Units other than a contractual duty of good faith and fair dealing pursuant to our Partnership Agreement.

Book-Entry System

All Series B Preferred Units offered hereby will be represented by a single certificate issued to the Securities Depositary, and registered in the name of its nominee (initially, Cede & Co.). The Series B Preferred Units offered hereby will continue to be represented by a single certificate registered in the name of the Securities Depositary or its nominee, and no holder of the Series B Preferred Units offered hereby will be entitled to receive a certificate evidencing such Series B Preferred Units unless otherwise required by law or the Securities Depositary gives notice of its intention to resign or is no longer eligible to act as such and we have not selected a substitute Securities Depositary within 60 calendar days thereafter. Payments and communications made by us to holders of the Series B Preferred Units will be duly made by making payments to, and communicating with, the Securities Depositary. Accordingly, unless certificates are available to holders of the Series B Preferred Units, each purchaser of Series B Preferred Units must rely on (i) the procedures of the Securities Depositary and its participants to receive distributions, any redemption price, liquidation preference and notices, and to direct the exercise of any voting or nominating rights, with respect to such Series B Preferred Units and (ii) the records of the Securities Depositary and its participants to evidence its ownership of such Series B Preferred Units.

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So long as the Securities Depositary (or its nominee) is the sole holder of the Series B Preferred Units, no beneficial holder of the Series B Preferred Units will be deemed to be a holder of Series B Preferred Units. The Depository Trust Company, the initial Securities Depositary, is a New York-chartered limited purpose trust company that performs services for its participants, some of whom (and/or their representatives) own The Depository Trust Company. The Securities Depositary maintains lists of its participants and will maintain the positions (i.e., ownership interests) held by its participants in the Series B Preferred Units, whether as a holder of the Series B Preferred Units for its own account or as a nominee for another holder of the Series B Preferred Units.

Calculation Agent

Wells Fargo Bank, National Association, or any other firm appointed by us, will be the Calculation Agent for the Series B Preferred Units.

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MATERIAL TAX CONSIDERATIONS

The tax consequences to you of an investment in Series B Preferred Units will depend in part on your own tax circumstances. This section adds information related to certain tax considerations with respect to the Series B Preferred Units, and should be read in conjunction with the risk factors included under the caption Tax Risks in this prospectus supplement. For a discussion of the principal U.S. federal income tax considerations associated with our operations and the purchase, ownership and disposition of our common units (including the ownership and disposition of our common units following a conversion of Series B Preferred Units into common units), see Material Tax Consequences in the accompanying base prospectus, as updated and supplemented in this section and in Tax Risks to Our Unitholders in our Annual Report on Form 10-K for the year ended December 31, 2016, deemed to be incorporated herein by reference. The following discussion is limited as described herein and under the caption Material Tax Consequences in the accompanying base prospectus. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances.

This section is a summary of the material tax considerations that may be relevant to individual citizens or residents of the United States owning Series B Preferred Units and, unless otherwise noted in the following discussion, is the opinion of Andrews Kurth Kenyon LLP (***Andrews Kurth***) insofar as it relates to legal conclusions with respect to matters of U.S. federal income tax law. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended (the ***Internal Revenue Code***), existing and proposed Treasury regulations promulgated under the Internal Revenue Code (the ***Treasury Regulations***) and current administrative rulings and court decisions, all of which are subject to change. Later changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to us, our or we are references to NuStar Energy L.P.

The following discussion does not comment on all federal income tax matters affecting us or the holders of Series B Preferred Units and does not describe the application of the alternative minimum tax that may be applicable to certain holders of Series B Preferred Units. Moreover, the discussion focuses on holders of Series B Preferred Units who are individual citizens or residents of the United States and has only limited application to corporations, estates, entities treated as partnerships for U.S. federal income tax purposes, trusts, nonresident aliens, U.S. expatriates and former citizens or long-term residents of the United States or other holders of Series B Preferred Units subject to specialized tax treatment, such as banks, insurance companies and other financial institutions, tax-exempt institutions, foreign persons (including, without limitation, controlled foreign corporations, passive foreign investment companies and non-U.S. persons eligible for the benefits of an applicable income tax treaty with the United States), IRAs, real estate investment trusts (REITs) or mutual funds, dealers in securities or currencies, traders in securities, U.S. persons whose functional currency is not the U.S. dollar, persons holding their Series B Preferred Units as part of a straddle, hedge, conversion transaction or other risk reduction transaction, and persons deemed to sell their Series B Preferred Units under the constructive sale provisions of the Internal Revenue Code. In addition, the discussion only comments to a limited extent on state, local and foreign tax consequences. Accordingly, we encourage each prospective holder of Series B Preferred Units to consult his own tax advisor in analyzing the state, local and foreign tax consequences particular to him of the ownership or disposition of Series B Preferred Units and potential changes in applicable tax laws.

No ruling has been requested from the Internal Revenue Service (the ***IRS***) regarding our characterization as a partnership for tax purposes or the consequences of owning our Series B Preferred Units. Instead, we will rely on opinions of Andrews Kurth. Unlike a ruling, an opinion of counsel represents only that counsel s best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made herein may not be sustained by a court if contested by the IRS. Any contest of this sort with the IRS may materially and adversely impact the market for our Series B Preferred Units and the prices at which our Series B Preferred Units trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees, will result in a reduction in cash available for distribution and thus may be borne indirectly by our holders of Series B Preferred Units. Furthermore, the tax treatment of

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us, or of an investment in us, may be significantly modified by future legislative or administrative changes or court decisions. Any modifications may or may not be retroactively applied.

All statements as to matters of U.S. federal income tax law and legal conclusions with respect thereto, but not as to factual matters, contained in this section, unless otherwise noted, are the opinion of Andrews Kurth and are based on the accuracy of the representations made by us.

Notwithstanding the above, and for the reasons described below, Andrews Kurth has not rendered an opinion with respect to the following specific federal income tax issues: (i) the treatment of a holder of Series B Preferred Units whose Series B Preferred Units are loaned to a short seller to cover a short sale of Series B Preferred Units (see Tax Consequences of Unit Ownership Treatment of Short Sales); (ii) whether holders of Series B Preferred Units will be treated as partners that receive guaranteed payments for the use of capital on their Series B Preferred Units (see Tax Consequences of Unit Ownership Limited Partner Status); and (iii) whether distributions with respect to the Series B Preferred Units will be treated as unrelated business taxable income (see Tax-Exempt Organizations and Other Investors).

Partnership Tax Treatment

A partnership is not a taxable entity and incurs no federal income tax liability. Instead, each partner of a partnership is required to take into account his share of items of income, gain, loss and deduction of the partnership in computing his federal income tax liability, regardless of whether cash distributions are made to him by the partnership. Section 7704 of the Internal Revenue Code provides that publicly traded partnerships will, as a general rule, be taxed as corporations. However, an exception, referred to as the Qualifying Income Exception, exists with respect to publicly traded partnerships of which 90% or more of the gross income for every taxable year consists of qualifying income. Qualifying income includes income and gains derived from the mining, exploration, production, refining, processing, transportation, storage and marketing of crude oil, natural gas and products thereof. Other types of qualifying income include interest (other than from a financial business), dividends, gains from the sale or other disposition of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income. We estimate that less than 3% of our current gross income is not qualifying income; however, this estimate could change from time to time. Based upon and subject to this estimate, the factual representations made by us and our general partner and a review of the applicable legal authorities, Andrews Kurth is of the opinion that at least 90% of our current-year gross income constitutes qualifying income. The portion of our income that is qualifying income may change from time to time.

No ruling has been or will be sought from the IRS and the IRS has made no determination as to our status as a partnership for federal income tax purposes. Instead, we will rely on the opinion of Andrews Kurth on such matters. It is the opinion of Andrews Kurth that, based upon the Internal Revenue Code, its regulations, published revenue rulings and court decisions and the representations described below, we will be classified as a partnership and our operating partnerships will be disregarded as entities separate from us or classified as partnerships for federal income tax purposes.

In rendering its opinion, Andrews Kurth has relied on factual representations made by us and our general partner. The representations made by us and our general partner upon which Andrews Kurth has relied include:

- neither we nor any of our operating partnerships has elected or will elect to be treated as a corporation;
- for each taxable year, more than 90% of our gross income has been and will be income of the type that Andrews Kurth has opined or will opine is qualifying income within the meaning of Section 7704(d) of the Internal Revenue Code;

We believe that these representations have been true in the past and expect that these representations will continue to be true in the future.

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If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery (in which case the IRS may also require us to make adjustments with respect to our partners or pay other amounts), we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed that stock to our partners in liquidation of their interests in us. This deemed contribution and liquidation should be tax-free to partners and us so long as we, at that time, do not have liabilities in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for federal income tax purposes.

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our limited partner interests may be modified by administrative, legislative or judicial changes or differing interpretations at any time. For example, from time to time, the President and members of the U.S. Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships. In addition, final Treasury Regulations under Section 7704(d)(1)(E) of the Code recently published in the Federal Register interpret the scope of the qualifying income requirement for publicly traded partnerships by providing industry-specific guidance. We do not believe the final Treasury Regulations affect our ability to be treated as a partnership for federal income tax purposes.

Any modification to the federal income tax laws may be applied retroactively and could make it more difficult or impossible to meet the exception for certain publicly traded partnerships to be treated as partnerships for federal income tax purposes. We are unable to predict whether any of these changes or other proposals will ultimately be enacted, including as a result of fundamental tax reform. Any such changes could negatively impact the value of an investment in our limited partner interests.

If we were taxable for U.S. federal income tax purposes as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to our partners, and our net income would be taxed to us at corporate rates. In addition, any distribution made to a partner would be treated as taxable dividend income, to the extent of our current and accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of the partner s tax basis in his limited partner interest, or taxable capital gain, after the partner s tax basis in his limited partner interest is reduced to zero. Accordingly, taxation as a corporation could result in a material reduction in a partner s cash flow and after-tax return and thus could result in a substantial reduction of the value of our limited partner interests.

The discussion below is based on Andrews Kurth s opinion that we will be classified as a partnership for federal income tax purposes.

Tax Consequences of Unit Ownership

Limited Partner Status

The tax treatment of our Series B Preferred Units is uncertain. As such, Andrews Kurth is unable to opine as to the tax treatment of the Series B Preferred Units. Although the IRS may disagree with this treatment, we will treat holders of Series B Preferred Units as partners entitled to a guaranteed payment for the use of capital on their Series B Preferred Units. If the Series B Preferred Units are not partnership interests, they would likely constitute indebtedness for federal income tax purposes and distributions on the Series B Preferred Units would constitute ordinary interest income to holders of Series B Preferred Units. The remainder of this discussion assumes that our Series B Preferred Units are partnership interests for federal income tax purposes.

A beneficial owner of Series B Preferred Units whose Series B Preferred Units have been transferred to a short seller to complete a short sale would appear to lose his status as a partner with respect to those Series B Preferred Units for federal income tax purposes. See Treatment of Short Sales.

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Treatment of Distributions on Series B Preferred Units

We will treat distributions on the Series B Preferred Units as guaranteed payments for the use of capital that will generally be taxable to the holders of Series B Preferred Units as ordinary income and will be deductible by us. Although a holder of Series B Preferred Units could recognize taxable income from the accrual of such a guaranteed payment even in the absence of a contemporaneous distribution, the partnership anticipates accruing and making the guaranteed payment distributions quarterly. The holders of Series B Preferred Units are generally not anticipated to share in the partnership s items of income, gain, loss or deduction, nor will we allocate any share of the partnership s nonrecourse liabilities to such holders.

Basis of Series B Preferred Units

The tax basis of a holder of Series B Preferred Units in his Series B Preferred Units initially will be the amount paid for such Series B Preferred Units. The tax basis of such a holder in his Series B Preferred Units will, generally, not be affected by distributions made with respect to such Series B Preferred Units. The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all of those interests. If you own common units and Series B Preferred Units, please consult your tax advisor with respect to determining the consequences of a guaranteed payment on your basis in your units.

Limitations on Deductibility of Losses

Holders of Series B Preferred Units will only be allocated loss once the capital accounts of the common unitholders have been reduced to zero. Although it is not anticipated that a holder of Series B Preferred Units would be allocated loss, the deductibility of any such allocation may be limited for various reasons. In the event that you are allocated loss as a holder of Series B Preferred Units, please consult your tax advisor as to the application of any limitation to the deductibility of that loss.

Entity-Level Collections

If we are required or elect under applicable law to pay any federal, state, local or foreign income tax on behalf of any current or former partner (including holders of Series B Preferred Units), we are authorized to pay those taxes from our funds. That payment, if made, will be treated as a distribution of cash to a common unitholder or, in the case of the Series B Preferred Units, as an advance on a guaranteed payment to the holder of Series B Preferred Units on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, we are authorized to treat the payment as a distribution to all current partners. We are authorized to amend our Partnership Agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of common units and Series B Preferred Units and to adjust later distributions, so that after giving effect to these distributions, the priority and characterization of distributions otherwise applicable under our Partnership Agreement is maintained as nearly as is practicable. Payments by us as described above could give rise to an overpayment of tax on behalf of an individual partner in which event the partner would be required to file a claim in order to obtain a credit or refund.

Allocation of Income, Gain, Loss and Deduction

In general, if we have a net profit, our items of income, gain, loss and deduction will be allocated among our partners (other than holders of Series A Preferred Units and Series B Preferred Units in respect of their preferred units) in accordance with their percentage interests in us. If we have a net loss, that loss will be allocated to the partners (other than holders of Series A Preferred Units and Series B Preferred Units in respect of their preferred units) in accordance with their percentage interests in us to the extent of their positive capital accounts, as adjusted to take into account the partners share of nonrecourse debt, holders of Series B Preferred Units will only be allocated net loss in the event that the capital accounts of the common unitholders have been reduced to zero (taking into account certain adjustments).

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Generally, holders of Series B Preferred Units will have a capital account equal to the liquidation preference of each Series B Preferred Unit, or $25.00, without regard to the price paid for such Series B Preferred Units, but will have an initial tax basis with respect to the Series B Preferred Units equal to the price paid for such Series B Preferred Units. To the extent the purchase price paid for a Series B Preferred Unit in this offering exceeds the liquidation preference of such Series B Preferred Unit, we will allocate an amount of income equal to the cumulative amount paid in excess of the liquidation preference of all Series B Preferred Units sold in this offering to our partners (other than holders of Series A Preferred Units and Series B Preferred Units in respect of their preferred units) in accordance with their percentage interest in us.

Treatment of Short Sales

A holder of Series B Preferred Units whose Series B Preferred Units are loaned to a short seller to cover a short sale of Series B Preferred Units may be considered as having disposed of such Series B Preferred Units. If so, he would no longer be treated for tax purposes as a partner with respect to those Series B Preferred Units during the period of the loan and may recognize gain or loss from the disposition.

Because there is no direct or indirect controlling authority on this issue relating to partnership interests, Andrews Kurth is unable to render an opinion regarding the tax treatment of a holder of Series B Preferred Units whose Series B Preferred Units are loaned to a short seller to cover a short sale of Series B Preferred Units; therefore, holders of Series B Preferred Units desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing and loaning their Series B Preferred Units. The IRS has previously announced that it is studying issues relating to the tax treatment of short sales of partnership interests. See Disposition of Units Recognition of Gain or Loss.

Tax Rates

Under current law, the highest marginal U.S. federal income tax rate applicable to ordinary income of individuals is 39.6% and the highest marginal U.S. federal income tax rate applicable to long-term capital gains (generally, capital gains on certain assets held for more than twelve months) of individuals is 20%. However, these rates are subject to change by new legislation at any time.

In addition, a 3.8% net investment income tax, or NIIT, is imposed on certain net investment income earned by individuals, estates and trusts. For these purposes, net investment income generally includes guaranteed payments and gain realized by a holder of Series B Preferred Units from a sale of Series B Preferred Units. In the case of an individual, the tax will be imposed on the lesser of (1) the net investment income of the holder of Series B Preferred Units and (2) the amount by which such holder s modified adjusted gross income exceeds $250,000 (if the holder is married and filing jointly or a surviving spouse), $125,000 (if the holder is married and filing separately) or $200,000 (in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (1) undistributed net investment income and (2) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins. The U.S. Department of the Treasury and the IRS have issued Treasury Regulations that provide guidance regarding the NIIT. Prospective holders of Series B Preferred Units are urged to consult with their tax advisors as to the impact of the NIIT on an investment in our Series B Preferred Units.

Tax Treatment of Operations

Accounting Method and Taxable Year

We use the year ending December 31 as our taxable year and the accrual method of accounting for federal income tax purposes. Each holder of Series B Preferred Units will be required to include in its tax return its income from our guaranteed payments for each taxable year ending within or with its taxable

year. A holder of Series B Preferred Units that has a taxable year ending on a date other than December 31 and that disposes of all his Series B Preferred Units following the close of our taxable year but before the close of its taxable year will be required to include in income for his taxable year his income from more than one year of guaranteed payments.

Disposition of Units

Recognition of Gain or Loss

Gain or loss will be recognized on a sale of Series B Preferred Units equal to the difference between the amount realized and the tax basis of the holder of Series B Preferred Units for the Series B Preferred Units sold. Such holder s amount realized will be measured by the sum of the cash and the fair market value of other property received by him.

Generally, gain or loss recognized by a holder of Series B Preferred Units, other than a dealer in Series B Preferred Units, on the sale or exchange of a Series B Preferred Unit will be taxable as capital gain or loss. Capital gain recognized by an individual on the sale of Series B Preferred Units held for more than twelve months will generally be taxed at the U.S. federal income tax rate applicable to long-term capital gains. Capital losses may offset capital gains and no more than $3,000 of ordinary income, in the case of individuals, and may only be used to offset capital gains in the case of corporations. Both ordinary income and capital gain recognized on a sale of Series B Preferred Units may be subject to the NIIT in certain circumstances. See Tax Consequences of Unit Ownership Tax Rates.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an equitable apportionment method, which generally means that the tax basis allocated to the interest sold equals an amount that bears the same relation to the partner s tax basis in his entire interest in the partnership as the value of the interest sold bears to the value of the partner s entire interest in the partnership. Treasury Regulations under Section 1223 of the Internal Revenue Code allow a selling partner who can identify partnership interests transferred with an ascertainable holding period to elect to use the actual holding period of the partnership interest transferred. Thus, according to the ruling discussed above, a holder of Series B Preferred Units will be unable to select high or low basis partnership interests to sell as would be the case with corporate stock, but, according to the Treasury Regulations, he may designate specific partnership interests sold for purposes of determining the holding period of partnership interests transferred. A holder of Series B Preferred Units electing to use the actual holding period of partnership interests transferred must consistently use that identification method for all subsequent sales or exchanges of partnership interests. A holder of Series B Preferred Units considering the purchase of additional partnership interests or a sale of partnership interests purchased in separate transactions is urged to consult his tax advisor as to the possible consequences of this ruling and application of the Treasury Regulations.

Specific provisions of the Internal Revenue Code affect the taxation of some financial products and securities, including partnership interests, by treating a taxpayer as having sold an appreciated partnership interest, one in which gain would be recognized if it were sold, assigned or terminated at its fair market value, if the taxpayer or related persons enter(s) into:

a short sale;

an offsetting notional principal contract; or

a futures or forward contract;

in each case, with respect to the partnership interest or substantially identical property.

Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated

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as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of the Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations between Transferors and Transferees

Holders of Series B Preferred Units owning Series B Preferred Units as of the applicable record date with respect to a Distribution Payment Date will be entitled to receive the distribution of the guaranteed payment payable with respect to their Series B Preferred Units on the Distribution Payment Date. Purchasers of Series B Preferred Units after such applicable record date will therefore not become entitled to receive a cash distribution of the guaranteed payment on their Series B Preferred Units until the next applicable record date.

Notification Requirements

A holder of Series B Preferred Units who sells any of his Series B Preferred Units is generally required to notify us in writing of that sale within 30 days after the sale (or, if earlier, January 15 of the year following the sale). A purchaser of Series B Preferred Units who purchases such Series B Preferred Units from another holder of Series B Preferred Units is also generally required to notify us in writing of that purchase within 30 days after the purchase. Upon receiving such notifications, we are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. Failure to notify us of a purchase may, in some cases, lead to the imposition of penalties. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the United States and who effects the sale or exchange through a broker who will satisfy such requirements.

Constructive Termination

We will be considered to have technically terminated our partnership for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest will be counted only once. Our technical termination would, among other things, result in the closing of our taxable year for all partners (including holders of Series B Preferred Units), which would result in us filing two tax returns (and our partners could receive two Schedules K-1 if relief was not available, as described below) for one fiscal year. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead we would be treated as a new partnership for federal income tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. The IRS has announced a publicly traded partnership technical termination relief program whereby, if a publicly traded partnership that technically terminated requests publicly traded partnership technical termination relief and such relief is granted by the IRS, among other things, the partnership will only have to provide one Schedule K-1 to partners for the year notwithstanding two partnership tax years.

Conversion of Units

We will adopt the principles of Treasury Regulations § 1.721-2 with respect to the conversion of Series B Preferred Units into common units. Except to the extent that the exercise price satisfies our obligation for any accumulated but unpaid distribution, we expect that the conversion will be nontaxable to holders of Series B Preferred Units. At the time of conversion, we will revalue our assets and allocate book items of unrealized income, gain, loss and deduction to the extent necessary to reflect that partner s right to share in partnership capital under our Partnership Agreement. If available book items of income, gain, loss and deduction are unable to be allocated in a manner that reflects the converting partner s right to share in partnership capital under our Partnership Agreement, then we must reallocate partnership capital between the existing partners and the converting partner. Corrective allocations will be made until such capital

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reallocations are eliminated. Corrective allocations may result in the allocation of a greater amount of income, gain, loss or deduction to a particular partner for tax purposes, as compared to book purposes.

Upon the conversion of Series B Preferred Units, a holder will receive a basis in the resulting common units equal to its existing basis in its Series B Preferred Units plus such holder s initial allocable share of our liabilities in its capacity as a common unitholder. As a common unitholder, that basis will be will be (i) increased by the common unitholder s share of our income and any increases in such common unitholder s share of our liabilities, and (ii) decreased, but not below zero, by the amount of all distributions to the common unitholder, the common unitholder s share of our losses, any decreases in the common unitholder s share of our liabilities, and certain other items. The holding period of such common units will also include the period that holder held the converted Series B Preferred Units.

For a discussion of the tax treatment of the ownership and disposition of common units, including common units resulting from the conversion of Series B Preferred Units, not otherwise set forth in this prospectus supplement, see Material Tax Consequences in the accompanying base prospectus.

Tax-Exempt Organizations and Other Investors

Ownership of Series B Preferred Units by employee benefit plans and other tax-exempt organizations as well as by non-resident aliens, foreign corporations and other foreign persons (collectively, ***Non-U.S. Holders***) raises issues unique to those investors and, as described below to a limited extent, may have substantially adverse tax consequences to them. Prospective holders that are tax-exempt entities or Non-U.S. Holders should consult their tax advisors before investing in our Series B Preferred Units. Employee benefit plans and most other organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, are subject to federal income tax on unrelated business taxable income (***UBTI***). We will treat distributions on the Series B Preferred Units as guaranteed payments for the use of capital. The treatment of guaranteed payments for the use of capital to tax exempt investors is not certain. Such payments may be treated as UBTI for federal income tax purposes and Andrews Kurth is unable to opine with respect to whether such payments constitute UBTI for federal income tax purposes. If you are a tax-exempt entity, you should consult your tax advisor with respect to the consequences of owning our Series B Preferred Units.

Non-U.S. Holders are taxed by the United States on income effectively connected with the conduct of a U.S. trade or business (***effectively connected income***) and on certain types of U.S.-source non-effectively connected income (such as dividends and guaranteed payments), unless exempted or further limited by an income tax treaty, and may be considered to be engaged in business in the United States because of their ownership of our Series B Preferred Units. Furthermore, they may also be deemed to conduct such activities through permanent establishments in the United States within the meaning of applicable tax treaties. Consequently, they may be required to file federal tax returns to report their share of our income, gain, loss or deduction (in the case of holders of common units) or their share of income from guaranteed payments (in the case of holders of Series B Preferred Units) and pay federal income tax on their share of our net income or gain in a manner similar to a taxable U.S. holder. Although the issue is not free from doubt, we will treat distributions to Non-U.S. Holders as effectively connected income. As such, under rules applicable to publicly traded partnerships, distributions to Non-U.S. Holders are subject to withholding at the highest applicable effective tax rate. Each Non-U.S. Holder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8BEN, W-8BEN-E or applicable substitute form in order to obtain credit for these withholding taxes. If you are a non-resident alien, a foreign corporation or other foreign person, you should consult your tax advisor with respect to the consequences of owning our Series B Preferred Units.

In addition, if a foreign corporation that owns Series B Preferred Units will be treated as engaged in a U.S. trade or business, that corporation may be subject to the U.S. branch profits tax at a rate of 30%, in addition to regular federal income tax, on its share of our earnings and profits, as adjusted for changes in the foreign corporation s U.S. net equity, that is effectively connected with the conduct of a U.S. trade or

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business. That tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the foreign corporate unitholder is a qualified resident. In addition, this type of holder is subject to special information reporting requirements under Section 6038C of the Internal Revenue Code.

A Non-U.S. Holder who sells or otherwise disposes of a Series B Preferred Unit will be subject to U.S. federal income tax on gain realized from the sale or disposition of that Series B Preferred Unit to the extent the gain is effectively connected with a U.S. trade or business of the Non-U.S. Holder. Under a ruling published by the IRS, interpreting the scope of effectively connected income, a Non U.S.-Holder would be considered to be engaged in a trade or business in the United States by virtue of the U.S. activities of the partnership, and part or all of that holder s gain would be effectively connected with that holder s indirect U.S. trade or business. Apart from the ruling, a Non-U.S. Holder will not be taxed or subject to withholding upon the sale or disposition of a Series B Preferred Unit if he has owned 5% or less in value of the Series B Preferred Units during the five-year period ending on the date of the disposition and if the Series B Preferred Units are regularly traded on an established securities market at the time of the sale or disposition.

Administrative Matters

Information Reporting and Audit Procedures

We intend to furnish to each holder of Series B Preferred Units, within 90 days after the close of each taxable year, specific tax information, including a Schedule K-1, which describes its preferred return for the preceding taxable year. Notwithstanding the rules described above under Tax Consequences of Unit Ownership Basis of Series B Preferred Units requiring aggregation of partnership interests purchased in separate transactions, you may receive two Schedules K-1 if you hold common units and Series B Preferred Units due to administrative reporting limitations. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions. We cannot assure you that those positions will yield a result that conforms to the requirements of the Internal Revenue Code, Treasury Regulations or administrative interpretations of the IRS. Neither we nor Andrews Kurth can assure prospective holders of Series B Preferred Units that the IRS will not successfully contend in court that those positions are impermissible. Any challenge by the IRS could negatively affect the value of the Series B Preferred Units.

The IRS may audit our federal income tax information returns. Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. Adjustments resulting from an IRS audit may require partners (including holders of Series B Preferred Units) to adjust a prior year s tax liability, and possibly may result in an audit of his return. Any audit of a partner s return could result in adjustments not related to our returns as well as those related to our returns. Moreover, recently enacted legislation applicable to our tax years beginning after 2017 changes the audit procedures for large partnerships and in certain circumstances would permit the IRS to assess and collect taxes (including any applicable penalties and interest) resulting from partnership-level federal income tax audits directly from us in the year in which the audit is completed. If we are required to make payments of taxes, penalties and interest resulting from audit adjustments, our cash available for distribution to our partners might be substantially reduced. Pursuant to this new legislation, we have designated our general partner to act as the partnership representative who shall have the sole authority to act on behalf of the partnership with respect to dealings with the IRS under these new audit procedures.

Current law requires that one partner be designated as the Tax Matters Partner for these purposes. Our Partnership Agreement names our general partner as our Tax Matters Partner.

The Tax Matters Partner has made and will make some elections on our behalf and on behalf of partners. In addition, the Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against partners for items in our returns. The Tax Matters Partner may bind a partner with less

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than a 1% profits interest in us to a settlement with the IRS unless that partner elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the partners are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any partner having at least a 1% interest in profits or by any group of partners having in the aggregate at least a 5% interest in profits. However, only one action for judicial review will go forward, and each partner with an interest in the outcome may participate.

A partner must file a statement with the IRS identifying the treatment of any item on his federal income tax return that is not consistent with the treatment of the item on our return. Intentional or negligent disregard of this consistency requirement may subject a partner to substantial penalties.

Additional Withholding Requirements

Withholding taxes may apply to certain types of payments made to foreign financial institutions (as specially defined in the Internal Revenue Code) and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on interest, dividends and other fixed or determinable annual or periodical gains, profits and income from sources within the United States (***FDAP Income***), or gross proceeds from the sale or other disposition of any property of a type that can produce interest or dividends from sources within the United States (***Gross Proceeds***) paid to a foreign financial institution or to a non-financial foreign entity (as specially defined in the Internal Revenue Code), unless (1) the foreign financial institution undertakes certain diligence and reporting, (2) the non-financial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to noncompliant foreign financial institutions and certain other account holders.

In general, these rules currently apply to payments of FDAP Income and will apply to payments of relevant Gross Proceeds made on or after January 1, 2019. Thus, holders who are foreign financial institutions or certain other non-U.S. entities may be subject to withholding on distributions they receive from us, pursuant to the rules described above.

Prospective investors should consult their own tax advisors regarding the potential application of these withholding provisions to their investment in our Series B Preferred Units.

Nominee Reporting

Persons who hold an interest in us as a nominee for another person are required to furnish to us:

the name, address and taxpayer identification number of the beneficial owner and the nominee;

whether the beneficial owner is:

a person that is not a U.S. person;

a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing; or

a tax-exempt entity;

the amount and description of Series B Preferred Units held, acquired or transferred for the beneficial owner; and

specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from dispositions.

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Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on Series B Preferred Units they acquire, hold or transfer for their own account. A penalty of $250 per failure, up to a maximum of $3,000,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the Series B Preferred Units with the information furnished to us.

Accuracy Related Penalties

Certain penalties may be imposed as a result of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for the underpayment of that portion and that the taxpayer acted in good faith regarding the underpayment of that portion.

For individuals, a substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or $5,000 ($10,000 for most corporations). The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return:

for which there is, or was, substantial authority ; or

as to which there is a reasonable basis and the pertinent facts of that position are disclosed on the return.

If any item of income, gain, loss or deduction included in the distributive shares of partners might result in that kind of an understatement of income for which no substantial authority exists, we must disclose the pertinent facts on our return. In addition, we will make a reasonable effort to furnish sufficient information for partners to make adequate disclosure on their returns and to take other actions as may be appropriate to permit partners to avoid liability for this penalty. More stringent rules apply to tax shelters, which we do not believe includes us, or any of our investments, plans or arrangements.

A substantial valuation misstatement exists if (a) the value of any property, or the adjusted basis of any property, claimed on a tax return is 150% or more of the amount determined to be the correct amount of the valuation or adjusted basis, (b) the price for any property or services (or for the use of property) claimed on any such return with respect to any transaction between persons described in Internal Revenue Code Section 482 is 200% or more (or 50% or less) of the amount determined under Section 482 to be the correct amount of such price, or (c) the net Internal Revenue Code Section 482 transfer price adjustment for the taxable year exceeds the lesser of $5.0 million or 10% of the taxpayer s gross receipts. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds $5,000 ($10,000 for most corporations). If the valuation claimed on a return is 200% or more than the correct valuation or certain other thresholds are met, the penalty imposed increases to 40%. We do not anticipate making any valuation misstatements.

In addition, the 20% accuracy-related penalty also applies to any portion of an underpayment of tax that is attributable to transactions lacking economic substance. To the extent that such transactions are not disclosed, the penalty imposed is increased to 40%. Additionally, there is no reasonable cause defense to the imposition of this penalty to such transactions.

Reportable Transactions

If we were to engage in a reportable transaction, we (and possibly you and others) would be required to make a detailed disclosure of the transaction to the IRS. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a listed transaction or that it produces certain kinds of losses for partnerships, individuals, S corporations, and trusts in excess of $2.0 million in any single year, or $4.0 million in any

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combination of six successive tax years. Our participation in a reportable transaction could increase the likelihood that our federal income tax information return (and possibly your tax return) would be audited by the IRS. See Administrative Matters Information Reporting and Audit Procedures.

State, Local, Foreign and Other Tax Considerations

In addition to federal income taxes, our partners will likely be subject to other taxes, such as state, local and foreign income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which we do business or own property or in which such partners reside. Although an analysis of those various taxes is not presented here, each prospective holder should consider their potential impact on his investment in us. Although a holder may not be required to file a return and pay taxes in some jurisdictions because his income from that jurisdiction falls below the filing and payment requirements, holders will be required to file income tax returns and to pay income taxes in many of these jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. In some jurisdictions, tax losses may not produce a tax benefit in the year incurred and may not be available to offset income in subsequent taxable years. Some of the jurisdictions may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a partner who is not a resident of the jurisdiction. Withholding, the amount of which may be greater or less than a particular holder s income tax liability to the jurisdiction, generally does not relieve a nonresident partner from the obligation to file an income tax return. Amounts withheld will be treated as if distributed to partners for purposes of determining the amounts distributed by us. See Tax Consequences of Unit Ownership Entity-Level Collections. Based on current law and our estimate of our future operations, our general partner anticipates that any amounts required to be withheld will not be material.

It is the responsibility of each unitholder (including holders of Series B Preferred Units) to investigate the legal and tax consequences, under the laws of pertinent states, localities and foreign jurisdictions, of his investment in us. Accordingly, each prospective holder of Series B Preferred Units is urged to consult his tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each holder of Series B Preferred Units to file all state, local and foreign, as well as U.S. federal tax returns, that may be required of him. Andrews Kurth has not rendered an opinion on the state tax, local tax, alternative minimum tax or foreign tax consequences of an investment in us.

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UNDERWRITING

Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and UBS Securities LLC will be acting as joint book-running managers. Under the terms of an underwriting agreement, which we will file as an exhibit to a Current Report on Form 8-K and incorporate by reference in this prospectus supplement and the accompanying base prospectus, each of the underwriters named below have severally agreed to purchase from us the respective number of Series B Preferred Units set forth opposite its name:

Underwriters	Number of Series B Preferred Units
Wells Fargo Securities, LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. LLC	
UBS Securities LLC	
Total	

The underwriting agreement provides that the underwriters obligation to purchase the Series B Preferred Units offered hereby (other than those Series B Preferred Units covered by their option to purchase additional Series B Preferred Units as described below) depends on the satisfaction of the conditions contained in the underwriting agreement, including:

- the representations and warranties made by us to the underwriters are true;
- there is no material change in our business or in the financial markets; and
- we deliver customary closing documents to the underwriters.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional Series B Preferred Units. The underwriting fee is the difference between the initial price to the public and the amount the underwriters will pay to us for the Series B Preferred Units.

	No Exercise	Full Exercise
Per Series B Preferred Unit	$	$
Total	$	$

The underwriters have advised us that they propose to offer the Series B Preferred Units directly to the public at the public offering price on the cover of this prospectus supplement and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $ per Series B Preferred Unit. Sales of Series B Preferred Units made outside of the United States may be made by affiliates of the underwriters.

Members of the Board of Directors of NuStar GP, LLC may purchase Series B Preferred Units directly from the underwriters.

The expenses of the offering that are payable by us are estimated to be $700,000 (excluding underwriting discounts and commissions).

Option to Purchase Additional Series B Preferred Units

We have granted the underwriters an option exercisable for 30 days after the date of the underwriting agreement, to purchase, from time to time, in whole or in part, up to an aggregate of Series B Preferred Units at the public offering price less underwriting discounts and commissions. This option may

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be exercised if the underwriters sell more than Series B Preferred Units in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional Series B Preferred based on the underwriter s percentage underwriting commitment in the offering as indicated in the table above.

Lock-up Agreement

We and our general partner have agreed with the underwriters, subject to certain limited exceptions, not to sell or transfer any Series B Preferred Units or securities that are substantially similar to the Series B Preferred Units (collectively, the ***Lock-up Securities***), for 45 days after the date of this prospectus supplement without first obtaining the written consent of the underwriters. Specifically, we and our general partner have agreed, subject to certain limited exceptions, not to (i) offer for sale, sell, pledge, or otherwise dispose of any Lock-up Securities, or sell or grant options, rights or warrants with respect to any Lock-up Securities, (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of the Series B Preferred Units, whether such transaction described in clause (i) or (ii) above is to be settled by delivery of Series B Preferred Units or such other securities, in cash or otherwise, (iii) file any registration statement with the SEC relating to the registration of any Lock-Up Securities, or (iv) publicly disclose an intention to effect any transaction specified in clause (i), (ii) or (iii) above. The restrictions in this paragraph do not apply to the issuance by us of Series B Preferred Units in connection with this offering.

The underwriters, in their sole discretion, may release any of the Lock-up Securities in whole or in part at any time with or without notice. The underwriters have no present intent or arrangement to release any of the Lock-up Securities. The release of any lock-up is considered on a case-by-case basis. Factors that will be considered in deciding whether to release Lock-up Securities may include the length of time before the lock-up period expires, the number of Lock-up Securities involved, the reason for the requested release, market conditions, the trading price of the Lock-up Securities and the historical trading volume of the Lock-up Securities.

Listing

The Series B Preferred Units are a new issue of securities with no established trading market. We intend to apply to list the Series B Preferred Units on the NYSE under the symbol NSprB. If the application is approved, trading of the Series B Preferred Units on the NYSE is expected to begin within 30 days after the date of initial delivery of the Series B Preferred Units. The underwriters have advised us that they intend to make a market in the Series B Preferred Units before commencement of trading on the NYSE. They will have no obligation to make a market in the Series B Preferred Units, however, and may cease market-making activities, if commenced, at any time. Accordingly, an active trading market on the NYSE for the Series B Preferred Units may not develop or, even if one develops, may not last, in which case the liquidity and market price of the Series B Preferred Units could be adversely affected, the difference between bid and asked prices could be substantial and your ability to transfer Series B Preferred Units at the time and price desired will be limited.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the ***Securities Act***), and to contribute to payments that the underwriters may be required to make for these liabilities.

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Stabilization, Short Positions and Penalty Bids

The underwriters may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the Series B Preferred Units, in accordance with Regulation M under the Exchange Act:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

A short position involves a sale by the underwriters of Series B Preferred Units in excess of the number of Series B Preferred Units the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of Series B Preferred Units involved in the sales made by the underwriters in excess of the number of Series B Preferred Units they are obligated to purchase is not greater than the number of Series B Preferred Units that they may purchase by exercising their option to purchase additional Series B Preferred Units. In a naked short position, the number of Series B Preferred Units involved is greater than the number of Series B Preferred Units in their option to purchase additional Series B Preferred Units. The underwriters may close out any short position by either exercising their option to purchase additional Series B Preferred Units and/or purchasing Series B Preferred Units in the open market. In determining the source of Series B Preferred Units to close out the short position, the underwriters will consider, among other things, the price of Series B Preferred Units available for purchase in the open market as compared to the price at which they may purchase Series B Preferred Units through their option to purchase additional Series B Preferred Units. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the Series B Preferred Units in the open market after pricing that could adversely affect investors who purchase in the offering.

Syndicate covering transactions involve purchases of Series B Preferred Units in the open market after the initial distribution of the Series B Preferred Units has been completed in order to cover syndicate short positions.

Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the Series B Preferred Units originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our Series B Preferred Units or preventing or retarding a decline in the market price of the Series B Preferred Units. As a result, the price of the Series B Preferred Units may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series B Preferred Units. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

This prospectus supplement and the accompanying base prospectus in electronic format may be made available on Internet sites or through other online services maintained by one or more of the underwriters participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter, prospective investors ma