

Date - December 5, 2012

"Interesting perspective on Nustar. This author sees it as speculative. I'm holding a few shares. Plan to hold on but not add."

Jim

http://seekingalpha.com/article/1046831-nustar-energy-how-an-investment-turned-into-a-speculation?source=email_rt_article_readmore&ifp=0

Answer and Comment:

Jim,

I read this article. It is well written; the writer has done a very thorough job of presenting the case. He did throw me a curve with the term "Reliability Capital Expense", and I still do not have a fully understandable definition of the term. However, his conclusions, and his general reasoning, are sound. My sense is that the dividends paid out need to be reduced, and this is likely to be the case at some point in the future. The company has already reduced the preferred payout to the general partnership. The next step is to reduce shareholder dividends.

Thompson's analysis is impressive.

It appears that the company is taking reasonably successful, and potentially curative, steps to improve the bottom line cash flow generation. My guess is that there will be a need for more cuts in the dividends paid. That being said, I think that, for the time being, we should continue to hold the stock. Certainly, it was purchased as a speculative investment, and not as a "value" investment. My short term evaluation is that the management is moving in the right direction and, assuming that the US economy continues to build growth momentum, they will be successful in their efforts to push upward their operating cash flow to a point where the dividend coverage exceeds 110% of that operating cash flow. (For now, I am ignoring the Reliability Capital term and going with real cash flow).

dick

ps. thx for the input. This was a good article.