

KNOT Offshore Partners LP
Form 424B4
April 10, 2013
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As filed Pursuant to Rule 424(b)(4)
Registration No. 333-186947

PROSPECTUS

KNOT Offshore Partners LP

7,450,000 Common Units

Representing Limited Partner Interests

\$21.00 per common unit

This is the initial public offering of our common units. We are selling 7,450,000 common units. To the extent the underwriters sell more than 7,450,000 common units in this offering, the underwriters have an option to purchase up to 1,117,500 additional common units.

We are a Marshall Islands limited partnership formed to own, operate and acquire shuttle tankers under long-term charters. Our initial fleet of shuttle tankers will be contributed to us by Knutsen NYK Offshore Tankers AS, a leading independent owner of crude oil shuttle tankers. Although we are organized as a partnership, we have elected to be treated as a corporation solely for U.S. federal income tax purposes. The common units have been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol KNOP.

We are an emerging growth company, and we are eligible for reduced reporting requirements. See Summary Implications of Being an Emerging Growth Company. Investing in our common units involves risks. Please read Risk Factors beginning on page 22.

These risks include the following:

We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses to enable us to pay the minimum quarterly distribution on our units.

We will be required to make substantial capital expenditures to maintain and expand our fleet, which will reduce our cash available for distribution.

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Our debt levels may limit our flexibility in obtaining additional financing, pursuing other business opportunities and paying distributions to unitholders.

Our growth depends on the continued growth in demand for offshore oil transportation.

We depend on Knutsen NYK Offshore Tankers AS and certain of its affiliates to assist us in operating and expanding our business.

Unitholders have limited voting rights, and our partnership agreement restricts the voting rights of unitholders who are resident in Norway or own more than 4.9% of our common units.

Our general partner and its affiliates own a 57.4% interest in us and have conflicts of interest and limited duties to us and our unitholders, which may permit them to favor their own interests to your detriment.

Even if public unitholders are dissatisfied, they cannot initially remove our general partner without the consent of Knutsen NYK Offshore Tankers AS.

Our general partner has a limited call right that may require you to sell your common units at an undesirable time or price.

You will experience immediate and substantial dilution of \$5.45 per common unit.

U.S. tax authorities could treat us as a passive foreign investment company, which would have adverse U.S. federal income tax consequences to U.S. unitholders.

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

	Per	
	Common Unit	Total
Public offering price	\$ 21.00	\$ 156,450,000
Underwriting discount ⁽¹⁾⁽²⁾	\$ 1.26	\$ 9,387,000
Proceeds, before expenses, to KNOT Offshore Partners LP ⁽¹⁾⁽³⁾	\$ 19.74	\$ 147,063,000

(1) Excludes an aggregate structuring fee of \$1,173,375 (0.75% of the offering proceeds) payable to Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc.

(2) See Underwriting for further information.

(3) Excludes offering expenses payable by us as described in Expenses Related to This Offering.

The underwriters expect to deliver the common units to purchasers on or about April 15, 2013 through the book-entry facilities of the Depository Trust Company.

BofA Merrill Lynch

Citigroup

Barclays

**DNB Markets
Raymond James**

**UBS Investment Bank
RBC Capital Markets**

April 9, 2013

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We are responsible for the information contained in this prospectus and in any free writing prospectus we prepare or authorize. We have not authorized anyone to provide you with different information, and we take no responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date of this prospectus.

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Table of Contents**SUMMARY**

This summary highlights information contained elsewhere in this prospectus. Unless we otherwise specify, all references to information and data in this prospectus about our business and fleet refer to our business and fleet to be contributed to our partnership upon the closing of this offering. Prior to the closing of this offering, our partnership will not own any vessels. You should read the entire prospectus carefully, including the historical financial statements of KNOT Offshore Partners LP Predecessor and the notes to those financial statements. The information presented in this prospectus assumes, unless otherwise noted, that the underwriters do not exercise their option to purchase additional common units. You should read Risk Factors for more information about important risks that you should consider carefully before buying our common units. Unless otherwise indicated, all references to dollars and \$ in this prospectus are to, and amounts are presented in, U.S. Dollars.

References in this prospectus to KNOT Offshore Partners, we, our, us and the Partnership or similar terms when used in a historical context refer to Knutsen NYK Offshore Tankers AS and its vessels and the subsidiaries that hold interests in the vessels in our initial fleet. When used in the present tense or prospectively, those terms refer to KNOT Offshore Partners LP or any one or more of its subsidiaries, or to all such entities unless the context otherwise indicates. References in this prospectus to our predecessor refer to KNOT Offshore Partners LP Predecessor. For the year ended December 31, 2012, our predecessor had revenues and net income of \$65.7 million and \$4.2 million, respectively. Please read Summary Financial and Operating Data beginning on page 18 for an overview of our predecessor's operating results and financial position.

References in this prospectus to our general partner refer to KNOT Offshore Partners GP LLC, the general partner of KNOT Offshore Partners. References in this prospectus to KNOT UK refer to KNOT Offshore Partners UK LLC, a wholly owned subsidiary of the Partnership. References in this prospectus to KNOT refer, depending on the context, to Knutsen NYK Offshore Tankers AS and to any one or more of its direct and indirect subsidiaries, other than us. References in this prospectus to TSSI refer to TS Shipping Invest AS and references to NYK refer to Nippon Yusen Kaisha, each of which holds a 50% interest in KNOT. References in this prospectus to KNOT Management are to KNOT Management AS, a wholly owned subsidiary of KNOT. References in this prospectus to KOAS UK refer to Knutsen OAS (UK) Ltd., a wholly-owned subsidiary of TSSI. References in this prospectus to KOAS refer to Knutsen OAS Shipping AS, a wholly owned subsidiary of TSSI. References in this prospectus to BG Group, Statoil and Transpetro refer to BG Group Plc, Statoil ASA and Petrobras Transporte S.A., respectively, and certain of each of their subsidiaries that are our customers.

KNOT Offshore Partners LP

We are a limited partnership formed to own, operate and acquire shuttle tankers under long-term charters, which we define as charters of five years or more. Our initial fleet of shuttle tankers will be contributed to us by Knutsen NYK Offshore Tankers AS, or KNOT, which is jointly owned by TS Shipping Invest AS, or TSSI, and Nippon Yusen Kaisha, or NYK. TSSI is controlled by our Chairman and is a private Norwegian company with ownership interests in shuttle tankers, liquefied natural gas, or LNG, tankers and product/chemical tankers. NYK is a Japanese public company with a fleet of approximately 800 vessels, including bulk carriers, containerhips, tankers and specialized vessels. Upon completion of this offering, KNOT will own our 2.0% general partner interest, all of our incentive distribution rights and a 55.4% limited partner interest in us.

Upon the closing of this offering, we will have a modern fleet of shuttle tankers that will operate under long-term charters with major oil and gas companies engaged in offshore production such as BG Group, Statoil and Transpetro. We intend to operate our vessels under long-term charters with stable cash flows and to grow our position in the shuttle tanker market through acquisitions from KNOT and third parties. We also believe we can grow organically by continuing to provide reliable customer service to our charterers and leveraging KNOT's relationships, expertise and reputation.

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A shuttle tanker is a specialized ship designed to transport crude oil and condensates from offshore oil field installations to onshore terminals and refineries. Shuttle tankers are equipped with sophisticated loading systems and dynamic positioning systems that allow the vessels to load cargo safely and reliably from oil field installations, even in harsh weather conditions. Shuttle tankers were developed in the North Sea in 1977 as an alternative to pipelines.

Upon the closing of this offering, our initial fleet will consist of:

the *Fortaleza Knutsen*, a shuttle tanker built in 2011 that is currently operating under a bareboat charter that expires in March 2023 with Petrobras Transporte S.A., or Transpetro;

the *Recife Knutsen*, a shuttle tanker built in 2011 that is currently operating under a bareboat charter that expires in August 2023 with Transpetro;

the *Bodil Knutsen*, a shuttle tanker built in 2011 that is currently operating under a time charter that expires in May 2016 with Statoil ASA, or Statoil, with options to extend until May 2019; and

the *Windsor Knutsen*, a shuttle tanker built in 2007 and retrofitted from a conventional crude oil tanker to a shuttle tanker in 2011 that is currently operating under a time charter that expires in April 2014 with BG Group Plc, or BG Group, with options to extend until April 2016.

In addition, while we believe the *Bodil Knutsen* and the *Windsor Knutsen* will be chartered through the option periods, KNOT has agreed to guarantee the payments of the hire rate under such vessel's existing charters for a period of five years from the closing date of this offering.

Pursuant to the omnibus agreement we will enter into with KNOT at the closing of this offering, we will have the right to purchase from KNOT any shuttle tankers operating under charters of five or more years. This right will continue throughout the entire term of the omnibus agreement.

We will have the right to purchase the following five additional newbuild shuttle tankers from KNOT:

the *Carmen Knutsen*, a shuttle tanker that was delivered in January 2013 and is operating under a time charter that expires in January 2018 with Repsol YPF, with options to extend until January 2021.

Hull 2531, a shuttle tanker that is scheduled for delivery in the third quarter of 2013. Upon delivery, *Hull 2531* will operate under a time charter that expires in the third quarter of 2018 with Ente Nazionale Indrocarburi S.p.A., or Eni, with options to extend until the third quarter of 2023.

Hull 2532, a shuttle tanker that is scheduled for delivery in the third quarter of 2013. Upon delivery, *Hull 2532* will operate under a time charter that expires in the third quarter of 2018 with Eni, with options to extend until the third quarter of 2023.

Hull 2575, a shuttle tanker that is scheduled for delivery in the fourth quarter of 2013. Upon delivery, *Hull 2575* will operate under a time charter that expires in the fourth quarter of 2023 with ExxonMobil Corporation, or Exxon, with options to extend until the fourth quarter of 2028.

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Hull 574, a shuttle tanker currently being built by Cosco (Zhoushan) Shipyard Co., Ltd., or Cosco, that is scheduled for delivery in late 2014. Upon delivery, *Hull 574* will operate under a time charter that expires in late 2024 with Repsol Sinopec Brasil BV, or Repsol Sinopec, with options to extend until late 2029.