KNOT Offshore Partners LP
Form 424B2
May 28, 2015
Table of Contents

Filed Pursuant to 424(b)(2)
Registration No. 333-195976

PROSPECTUS SUPPLEMENT

(To Prospectus dated May 28, 2014)

KNOT Offshore Partners LP

5,000,000 Common Units

Representing Limited Partnership Interests

This is an offering of 5,000,000 common units representing limited partner interests of KNOT Offshore Partners LP.

Our common units trade on the New York Stock Exchange (the NYSE) under the symbol KNOP. The last reported trading price of our common units on the NYSE on May 27, 2015 was $24.76 per common unit.

Investing in our common units involves risks. See Risk Factors beginning on page S-13 of this prospectus supplement and page 7 of the accompanying prospectus and the other risk factors incorporated by reference into this prospectus supplement and the accompanying prospectus.

	Per Common Unit	Total
Price to the public	$ 23.76	$ 118,800,000
Underwriting discounts and commissions	$ 0.86	$ 4,300,000
Proceeds to KNOT Offshore Partners LP (before expenses)	$ 22.90	$ 114,500,000

We have granted the underwriters the option to purchase 750,000 additional common units representing limited partner interests on the same terms and conditions set forth above if the underwriters sell more than 5,000,000 common units in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common units on or about June 2, 2015 through the book-entry facilities of The Depository Trust Company.

Barclays **BofA Merrill Lynch** **Citigroup**

Morgan Stanley **UBS Investment Bank** **Wells Fargo Securities**

Raymond James **RBC Capital Markets**

BNP PARIBAS **SMBC Nikko**

Prospectus Supplement dated May 28, 2015

Table of Contents

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common units. Generally, when we refer to the prospectus, we refer to both parts combined. If information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus or any free writing prospectus we may authorize to be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with additional, different or inconsistent information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus or any free writing prospectus we may authorize to be delivered to you, as well as the information we previously filed with the Securities and Exchange Commission (the SEC) that is incorporated by reference herein, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since such dates.

We are offering to sell the common units, and are seeking offers to buy the common units, only in jurisdictions where offers and sales are permitted. The distribution of this prospectus and the offering of the common units in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the common units and the distribution of this prospectus outside the United States. This prospectus does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-3 regarding the securities covered by this prospectus. This prospectus does not contain all of the information found in such registration statement. For further information regarding us and the securities offered in this prospectus, you may wish to review the full registration statement, including its exhibits. In addition, we file annual and other reports with, and furnish information to, the SEC. You may inspect and copy any document we file with, or furnish to, the SEC at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC at 100 F Street, NE, Washington, D.C. 20549, at prescribed rates or from the SEC s website at www.sec.gov free of charge. Please call the SEC at 1-800-SEC-0330 for further information on public reference facilities. You can also obtain information about us at the offices of the NYSE at 20 Broad Street, New York, New York 10005.

As a foreign private issuer, we are exempt under the Securities Exchange Act of 1934, as amended (the Exchange Act), from, among other things, certain rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal unitholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, including the filing of quarterly reports on Form 10-Q or current reports on Form 8-K. However, we intend to make available quarterly reports containing our unaudited interim financial information for the first three fiscal quarters of each fiscal year.

Table of Contents

INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference information that we file with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to other documents filed separately with the SEC. The information incorporated by reference is an important part of this prospectus. Information that we later provide to the SEC, and which is deemed to be filed with the SEC and incorporated into this prospectus, automatically will update information previously filed with the SEC, and may replace information in this prospectus.

We incorporate by reference into this prospectus the documents listed below:

- our annual report on Form 20-F for the fiscal year ended December 31, 2014 filed on March 25, 2015 (our 2014 Annual Report);
- all subsequent reports on Form 6-K furnished prior to the termination of this offering that we identify in such reports as being incorporated by reference into the registration statement of which this prospectus is a part; and
- the description of our common units contained in our registration statement on Form 8-A filed on April 5, 2013, including any subsequent amendments or reports filed for the purpose of updating such description.

These reports contain important information about us, our financial condition and our results of operations.

You may obtain any of the documents incorporated by reference in this prospectus from the SEC through its public reference facilities or its website at the addresses provided above. You also may request a copy of any document incorporated by reference in this prospectus (excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference in this document), at no cost by visiting our website at www.knotoffshorepartners.com. You may also make requests for such documents at no cost by writing or calling us at the following address:

KNOT Offshore Partners LP

2 Queen s Cross

Aberdeen, Aberdeenshire AB15 4YB

United Kingdom

+44 1224 618420

You should rely only on the information contained in or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with any information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information incorporated by reference or provided in this prospectus is accurate as of any date other than its respective date. The information contained in our website, or any other website, is not incorporated by reference in this prospectus and does not constitute a part of this prospectus.

Table of Contents

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus and any free writing prospectus are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, expectations regarding our distribution levels and the markets in which we operate. In some cases, you can identify the forward-looking statements by the use of words such as may, will, could, should, would, expect, plan, anticipate, inter believe, estimate, predict, propose, potential, continue or the negative of these terms or other comparable terminology.

Forward-looking statements appear in a number of places in this prospectus and the documents we incorporate by reference and include statements with respect to, among other things:

- statements about market trends in the shuttle tanker or general tanker industries, including hire rates, factors affecting supply and demand and opportunities for the profitable operations of shuttle tankers;
- statements about the ability of KNOT Offshore Partners LP and Knutsen NYK Offshore Tankers AS (KNOT) to build shuttle tankers and the timing of the delivery and acceptance of any such vessels by their respective charterers;
- forecasts of our ability to make or increase distributions on our units and the amount of any such increase;
- our ability to integrate and realize the expected benefits from acquisitions, including our planned acquisition of the *Dan Sabia*;
- our anticipated growth strategies;
- the effects of a worldwide or regional economic slowdown;
- turmoil in the global financial markets;
- fluctuations in currencies and interest rates;
- fluctuations in the price of oil;
- general market conditions, including fluctuations in hire rates and vessel values;
- changes in our operating expenses, including drydocking and insurance costs and bunker prices;
- our future financial condition or results of operations and future revenues and expenses;

the repayment of debt and settling of any interest rate swaps;

our ability to make additional borrowings and to access debt and equity markets;

planned capital expenditures and availability of capital resources to fund capital expenditures;

our ability to maintain long-term relationships with major users of shuttle tonnage;

our ability to leverage KNOT s relationships and reputation in the shipping industry;

our ability to purchase vessels from KNOT in the future;

our continued ability to enter into long-term charters, which we define as charters of five years or more;

our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term charter;

the financial condition of our existing or future customers and their ability to fulfill their charter obligations;

timely purchases and deliveries of newbuilds;

Table of Contents

future purchase prices of newbuilds and secondhand vessels;

our ability to compete successfully for future chartering and newbuild opportunities;

acceptance of a vessel by its charterer;

termination dates and extensions of charters;

the expected cost of, and our ability to comply with governmental regulations and maritime self-regulatory organization standards, as well as standard regulations imposed by our charterers applicable to our business;

availability of skilled labor, vessel crews and management;

our general and administrative expenses and the fees and expenses payable under the fleet management agreements and the management and administrative services agreement;

the anticipated taxation of our partnership and distributions to our unitholders;

estimated future maintenance and replacement capital expenditures;

our ability to retain key employees;

customers increasing emphasis on environmental and safety concerns;

potential liability from any pending or future litigation;

potential disruption of shipping routes due to accidents, political events, piracy or acts by terrorists;

future sales of our securities in the public market;

our business strategy and other plans and objectives for future operations; and

other factors listed from time to time in the reports and other documents that we file with the SEC.

Forward-looking statements are made based upon management s current plans, expectations, estimates, assumptions and beliefs concerning future events affecting us. Forward-looking statements are subject to risks, uncertainties and assumptions, including those risks discussed in Risk Factors set forth in this prospectus and those risks discussed in other reports we file with the SEC and that are incorporated into this prospectus by reference, including, without limitation, our 2014 Annual Report. The risks, uncertainties and assumptions involve known and unknown risks

and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement. We make no prediction or statement about the performance of our common units or other securities.

Table of Contents

SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference herein and does not contain all the information you will need in making your investment decision. You should carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein. Unless otherwise specifically stated, the information presented in this prospectus supplement assumes that the underwriters have not exercised their option to purchase additional common units.

References in this prospectus to KNOT Offshore Partners, we, our, us and the Partnership or similar 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 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. 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 BG Group, Statoil, Transpetro, Respol and Eni refer to BG Group Plc, Statoil ASA, Petrobras Transporte S.A., Repsol Sinopec Brasil, B.V. and Eni Trading & Shipping S.p.A., respectively, and certain of their subsidiaries that are our customers.

Overview

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. We intend to leverage the relationships, expertise and reputation of KNOT, a leading independent owner and operator of shuttle tankers, to pursue potential growth opportunities and to attract and retain high-quality, creditworthy customers. KNOT owns our 2.0% general partner interest, all of our incentive distribution rights and all of our subordinated units representing a 37.5% limited partner interest in us. KNOT intends to utilize us as its primary growth vehicle to pursue the acquisition of long-term, stable cash-flow-generating shuttle tankers.

We have a modern fleet of shuttle tankers that operates under long-term charters with major oil and gas companies engaged in offshore production, such as Statoil, Transpetro, Repsol and Eni. We operate our vessels under long-term charters with stable cash flows and intend 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.

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.

Table of Contents

The following table provides information about the eight shuttle tankers in our current fleet:

Shuttle Tanker	Capacity (dwt)	Built	Current Operating Region	Charter Type	Charterer	Charter Term
Fortaleza Knutsen	106,316	2011	Brazil	Bareboat charter	Transpetro	2023
Recife Knutsen	105,928	2011	Brazil	Bareboat charter	Transpetro	2023
Bodil Knutsen	157,644	2011	North Sea	Time Charter	Statoil	2016(1)(2)
Windsor Knutsen	162,362	2007	Brazil	Time Charter	KNOT/BG Group	2015/2017(2)(3)
Carmen Knutsen	157,000	2013	Brazil	Time Charter	Repsol	2018(1)
Hilda Knutsen	123,000	2013	North Sea	Time Charter	ENI	2018(4)
Torill Knutsen	123,000	2013	North Sea	Time Charter	ENI	2018(4)
Dan Cisne	59,000	2011	Brazil	Bareboat charter	Transpetro	2023

(1) Customer has the option to extend the charter for up to three one-year periods.

(2) Pursuant to the omnibus agreement (the omnibus agreement) we entered into with KNOT in connection with our initial public offering (IPO), KNOT agreed in certain circumstances to guarantee the payments of the hire rate under the existing charters for a period of five years from the closing date of the IPO.

(3) In April 2014, we were notified that BG Group would not exercise its option to extend the *Windsor Knutsen* time charter after the expiration of its initial term. In July 2014, the vessel was re-delivered. In July 2014, we entered into a new two-year time charter contract with BG Group for the *Windsor Knutsen* that will commence in the fourth quarter of 2015 and has three one-year extension options. Prior to the commencement of its time charter with BG Group, the *Windsor Knutsen* is being employed under a time charter with KNOT.

(4) Customer has the option to extend for up to five one-year periods.

Our Pending Vessel Acquisition

On May 27, 2015, we entered into a Share Purchase Agreement with KNOT (the Purchase Agreement) pursuant to which we will acquire all of the ownership interests in KNOT Shuttle Tankers 21 AS, a Norwegian company that owns and operates the shuttle tanker, *Dan Sabia* (the Acquisition). The purchase price of the Acquisition is $103.0 million, net of $64.5 million of outstanding indebtedness related to the *Dan Sabia*.

In April 2014, KNOT s subsidiaries owning the *Dan Cisne* and *Dan Sabia*, as the borrowers, entered into a $172.5 million senior secured loan facility. In connection with our acquisition of the *Dan Cisne*, in December 2014, the $172.5 million senior secured loan facility was split into a tranche related to the *Dan Cisne* and a tranche related to the *Dan Sabia* (the Dan Sabia Facility). The Dan Sabia Facility is secured by a vessel mortgage on the *Dan Sabia* and, following the Acquisition, will be guaranteed by the Partnership and be cross-collateralized with the tranche related to the *Dan Cisne*. The Dan Sabia Facility is repayable in semiannual installments with a final balloon payment due at maturity at January 2024. The Dan Sabia Facility bears interest at LIBOR plus a margin of 2.4%. In connection with the closing of the Acquisition, we will be required to prepay $7.5 million of the Dan Sabia Facility. As of May 26, 2015, there was approximately $64.5 million of debt outstanding under the Dan Sabia Facility.

The Dan Sabia Facility contains the following financial covenants: (1) the market value of the *Dan Sabia* shall not be less than 100% of the outstanding balance under the Dan Sabia Facility for the first three years, and 125% thereafter; (2) the Partnership must maintain minimum liquidity of $16 million plus increments of $1 million for each additional vessel acquired and $1.5 million for each owned vessel with less than 12 months remaining tenor on its charter, and (3) the Partnership must maintain a minimum ratio of book equity to total assets of 30%. The Dan Sabia Facility also identifies various events that may trigger mandatory reduction, prepayment and cancellation of the facility, including total loss or sale of a vessel and customary events of default.

Table of Contents

The Acquisition and its purchase price were approved by our board of directors and the conflicts committee of our board of directors (the conflicts committee). The conflicts committee retained an outside financial advisor to assist it in evaluating the Acquisition and the purchase price offered by KNOT. In determining that the Acquisition is fair and reasonable to us, the conflicts committee obtained the views of its financial advisor as to the fairness of the purchase price.

We intend to use a portion of the proceeds of this offering, and the related capital contribution to us by our general partner to fund the cash portion of the purchase price for the Acquisition and to make the $7.5 million prepayment on the Dan Sabia Facility.

We expect the Acquisition to close within approximately 30 days following the closing of this offering, subject to customary closing conditions. If these conditions are not satisfied or waived, we will not complete the Acquisition. This offering is not conditioned on the closing of the Acquisition. The Acquisition may not close as anticipated or it may close with adjusted terms. Please read Risk Factors for further information. If the Acquisition does not close, we will use the net proceeds from this offering and the related capital contribution to us by our general partner for general partnership purposes.

We have agreed to the Acquisition for the following reasons:

- the long-term, fixed-rate charter with Transpetro fits our objective of generating stable cash flows;
- the Acquisition will further diversify our operations;
- the Acquisition is expected to increase our financial strength and flexibility by increasing our cash flow; and
- the Acquisition is expected to increase our cash available for distribution to our unitholders.

As a result of the Acquisition, our management has recommended to our board of directors an increase in our quarterly cash distribution of between $0.01 and $0.015 per unit (corresponding to an annualized increase of between $0.04 and $0.06 per unit), which would become effective for our distribution with respect to the quarter ending September 30, 2015. Any such increase would be conditioned upon, among other things, the closing of the Acquisition, the approval of such increase by our board of directors and the absence of any material adverse developments or potentially attractive opportunities that would make such an increase inadvisable.

The following table provides information about the *Dan Sabia*:

			Current	Charter		
Shuttle Tanker	**Capacity (dwt)**	**Built**	**Operating Region**	**Type**	**Charterer**	**Term**
Dan Sabia	59,000	2012	Brazil	Bareboat charter	Transpetro	2024

The *Dan Sabia* is operating under a bareboat charter dated March 6, 2008 with Transpetro. The *Dan Sabia* charter commenced upon delivery of the vessel in the first quarter of 2012 and will terminate in the first quarter of 2024.

Hire under the *Dan Sabia* charter is payable monthly in advance in U.S. Dollars. The hire rate is fixed for the entire term of the charter.

Under the *Dan Sabia* charter, the customer is responsible for all vessel operating expenses and voyage expenses, which include crewing, repairs and maintenance, insurance, stores and lube oils expenses. The *Dan Sabia* charter provides that we are responsible for repairs or renewals occasioned by latent defects in the vessel existing at the time of delivery, provided such defects have manifested themselves within 12 months after delivery. The *Dan Sabia* charter does not contain provisions for off-hire.

Table of Contents

There are certain conditions under which the *Dan Sabia* charter could terminate prior to its expiration date. The *Dan Sabia* charter will terminate automatically upon the loss or compulsory acquisition by a government authority of the vessel. Under the *Dan Sabia* charter, either party may also terminate the charter in the event of war in specified countries. However, in the event of war, hire shall continue to be paid in accordance with the charter until redelivery. In addition, we have the right to terminate the charter (subject to specified cure periods) if: (1) the customer fails to pay charter hire or becomes insolvent, (2) the vessel is arrested or detained or becomes the subject of a maritime lien, (3) the customer fails to properly maintain the vessel or (4) the customer does not arrange and keep certain collateral security and insurance.

Other Recent Developments

Changes in Board and Management

On May 7, 2015, John Costain resigned from our board of directors. Mr. Costain will become our Chief Executive Officer and Chief Financial Officer, effective June 1, 2015. On May 7, 2015, Simon Bird was appointed by the remaining elected directors to replace Mr. Costain as the Class III elected director to serve until the annual meeting of unitholders in 2016. On May 7, 2015, Mr. Edward Waryas was appointed chairman of the conflicts committee and Mr. Hans Petter Aas was appointed as a member of the conflicts committee. Mr. Aas was also appointed chairman of the audit committee and Mr. Waryas was appointed as a new member of the audit committee in addition to the existing member, Mr. Andrew Beveridge.

Mr. Simon Bird has served as the Chief Executive of Bristol Port Company since 2000. From 1997 to 1999, Mr. Bird served as Commercial Director at Mersey Docks & Harbour Company plc. From 1995 to 1997, he was Joint Managing Director and Executive Director at International Water Ltd. Prior to 1995, Mr. Bird held various positions at British Aerospace plc, Thorn EMI plc, Philips, the Royal Navy and Her Majesty s Diplomatic Service. Mr. Bird is also a director of Bristol Bulk Company, the chairman of UK Major Ports Group, a vice chairman of Maritime UK and a member of the Strategic Advisory Group of the Royal Navy.

Cash Distribution

On May 14, 2015, we paid a quarterly cash distribution of $0.51 per unit for the quarter ended March 31, 2015. This cash distribution amounted to $12.1 million.

Recent Financial Results

On May 7, 2015, we announced our financial results for the quarter ended March 31, 2015. For this quarter, we generated revenues of approximately $36.2 million, operating income of approximately $17.0 million and net income of approximately $7.2 million, compared to revenues of approximately $21.8 million, operating income of approximately $9.4 million and net income of approximately $6.4 million for the first quarter of 2014. The increase in our revenues, operating income and net income in the first quarter of 2015 compared to the first quarter of 2014 is primarily due to the *Hilda Knutsen* and *Torrill Knutsen* being included in our results of operations from July 1, 2014 and the *Dan Cisne* being included in our results of operations from December 15, 2014. Total finance expense for the quarter ended March 31, 2015 was approximately $9.8 million and included approximately $5.6 million in realized and unrealized losses on derivative instruments.

As of March 31, 2015, our cash and cash equivalents were approximately $32.7 million. Our total interest bearing debt outstanding at March 31, 2015 was approximately $604.6 million.

Our independent registered public accounting firm has not performed a review of our financial information for the three months ended March 31, 2015. As a result, the preliminary results for the three months ended March 31, 2015 set forth above may be subject to change.

Table of Contents

Our Relationship with Knutsen NYK Offshore Tankers AS

We believe that one of our principal strengths is our relationship with KNOT. We believe our relationship with KNOT gives us access to KNOT s relationships with major international oil and gas companies, shipbuilders, financing sources and suppliers and its technical, commercial and managerial expertise, which we believe allows us to compete more effectively when seeking additional customers. KNOT, through its wholly owned subsidiary KNOT Management, owns the ship management services relating to the shuttle tankers in our fleet, which allows for a fully integrated shipping operation, providing newbuild supervision, project development, crewing, technical management and various other maritime services.

KNOT currently owns our general partner, all of our incentive distribution rights and all of our subordinated units representing a 37.5% limited partner interest in us. KNOT, whose predecessor was formed in 1987, is jointly owned by TSSI and NYK.

Competitive Strengths

We believe that our future prospects for success are enhanced by the following aspects of our business:

Relationship with leading shuttle tanker operator. We believe we will benefit from our relationship with KNOT in the future. We believe charterers award new business to established participants in the shuttle tanker market because of their technical, commercial and managerial expertise. We believe that KNOT s 25-year history of providing offshore loading and transportation services to major integrated oil companies will enable it to attract additional long-term charters for shuttle tankers that are required to be offered to us pursuant to the omnibus agreement in the event their terms equal or exceed five years.

Built-in growth opportunities. In addition to the *Dan Sabia*, we have the right to purchase from KNOT two additional shuttle tankers, the *Ingrid Knutsen*, which was delivered from the yard in December 2013, and the *Raquel Knutsen*, which was delivered from the yard in March 2015, within 24 months of their acceptance by the charterers. Pursuant to the omnibus agreement, we will also have the opportunity to purchase additional shuttle tankers in KNOT s fleet if they are placed under charters of five years or more. We believe these and any future acquisition opportunities will provide us with a way to grow our distributions per unit.

Enhanced growth opportunities through our relationship with KNOT. We believe our relationship with KNOT provides us with many benefits that we believe will drive growth in distributions per unit, including opportunities to acquire other vessels, strong customer relationships, leading operational expertise, enhanced shipyard relationships, access to KNOT s relationships with leading financing providers and a large pool of experienced and qualified global seafarers.

Sustainable cash flow supported by charters with leading energy companies. Our services are integrated with the offshore oil fields we serve and are a critical part of our customers logistics solutions. Each shuttle tanker in our current fleet operates under a long-term, fixed-rate charter with a leading oil and gas company, such as Statoil, Transpetro, Eni and Repsol, with an average remaining duration of 5.1 years as of March 31, 2015 (including KNOT s guarantee of the hire rates under the charters for the *Bodil Knutsen* and the *Windsor Knutsen*). In addition, the hire rate payable under our charters is either a fixed amount for the firm period of the charter with escalations to be made in case of option periods or increases annually based on a fixed percentage increase or fixed schedule, in order to enable us to offset expected increases in operating costs.

Modern fleet equipped with the latest technology. Our current fleet is one of the youngest shuttle tanker fleets in operation worldwide, with an average age of 3.6 years as of March 31, 2015, compared to 10.3 years for the global shuttle tanker fleet. Our current fleet and the *Dan Sabia*, as well as the *Ingrid Knutsen* and the *Raquel Knutsen* which we have a right to purchase from KNOT pursuant to the

Table of Contents

omnibus agreement, are equipped with the latest advanced shuttle tanker technology, including advanced dynamic positioning technology (DP2), and are able to operate in harsh weather environments. We believe the significant investment needed to build shuttle tankers with the highly customized specifications required by our customers and train personnel to create operational efficiencies creates a significant barrier to entry for new competitors.

Financial flexibility to support our growth. We expect that our status as a publicly traded company will allow us to have access to the debt and equity markets, will benefit our cost of capital and make us more competitive as we pursue growth opportunities.

Business Strategies

Our primary business objective is to increase quarterly distributions per unit over time by executing the following strategies:

Pursue strategic and accretive acquisitions of shuttle tankers on long-term, fixed-rate charters. We seek to leverage our relationship with KNOT to make strategic and accretive acquisitions. Under the omnibus agreement, we have the right to purchase from KNOT two additional shuttle tankers, the *Ingrid Knutsen* and the *Raquel Knutsen*, within 24 months of their acceptance by the charterers. Additionally, during the term of the omnibus agreement, we will have the opportunity to purchase from KNOT any newbuild under a long-term charter or existing shuttle tanker in the KNOT fleet that enters into a long-term charter.

Expand global operations in high-growth regions. As offshore exploration and production activity increases worldwide, we seek to expand in proven areas, such as the North Sea and Brazil, and in new markets as they develop. We believe that KNOT s leading market position, operational expertise and strong customer relationships will enable us to have early access to new projects worldwide.

Manage our fleet and deepen our customer relationships to provide a stable base of cash flows. We intend to maintain and grow our cash flows by focusing on strong customer relationships and actively seeking the extension and renewal of existing charters in addition to new opportunities to serve our customers. KNOT charters its current fleet to a number of the world s leading energy companies. We believe the close relationships that KNOT has with these companies will provide attractive opportunities as offshore activity is expected to grow in coming years. We continue to incorporate safety, health, security and environmental stewardship into all aspects of vessel design and operation in order to satisfy our customers and comply with national and international rules and regulations.

Principal Executive Offices

Our registered and principal executive offices are located at 2 Queen s Cross, Aberdeen, Aberdeenshire AB15 4YB, United Kingdom, and our phone number is +44 1224 618420. We make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website at www.knotoffshorepartners.com, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Please read Where You Can Find More Information for an explanation of our reporting requirements as a foreign private issuer.

Table of Contents

Simplified Organizational and Ownership Structure after this Offering

The diagram below depicts our simplified organizational and ownership structure after giving effect to this offering.

	Number of Units	Percentage Ownership
Public Common Units(1)	18,807,500	67.3%
Knutsen NYK Offshore Tankers AS Subordinated Units	8,567,500	30.7%
General Partner Units	558,673	2.0%
	27,933,673	100.0%

(1) Assumes no exercise of the underwriters option to purchase up to 750,000 additional common units.
(2) Each of our vessels is owned by certain vessel owning subsidiaries.

Table of Contents

The Offering

Issuer	KNOT Offshore Partners LP
Common units offered by us	5,000,000 common units. 5,750,000 common units if the underwriters exercise in full their option to purchase up to 750,000 additional common units.
Units outstanding after this offering	18,807,500 common units (19,557,500 common units, if the underwriters exercise in full their option to purchase up to 750,000 additional common units) and 8,567,500 subordinated units.
Use of proceeds	We intend to use approximately $46.0 million of the net proceeds from this offering of common units and the related capital contribution to us by our general partner to fund the $38.5 million cash portion of the purchase price for the Acquisition and the $7.5 million prepayment on the Dan Sabia Facility. The remainder of the net proceeds will be used for general partnership purposes. The proceeds from any exercise of the underwriters option to purchase additional common units will be used for general partnership purposes. If the Acquisition does not close, we will use the net proceeds from this offering and the related capital contribution to us by our general partner for general partnership purposes. See Use of Proceeds.
Exchange listing	Our common units are listed on the NYSE under the symbol KNOP.
U.S. federal income tax considerations	We have elected to be taxed as a corporation for U.S. federal income tax purposes. We expect that all of the distributions you receive from us will constitute dividends. If you are an individual citizen or resident of the United States or a U.S. estate or trust and meet certain holding period and other requirements, such dividends would be expected to be treated as qualified dividend income that is taxable at preferential capital gain tax rates. In addition, there are other tax matters you should consider before investing, including our tax status as a non-U.S. issuer. Please read Material U.S. Federal Income Tax Considerations, Non-United States Tax Considerations and Risk Factors.

Table of Contents

RISK FACTORS

Before investing in our common units, you should carefully consider all of the information included in or incorporated by reference into this prospectus. Although many of our business risks are comparable to those of a corporation engaged in a similar business, limited partnership interests are inherently different from the capital stock of a corporation. When evaluating an investment in our common units, you should carefully consider the discussion of risk factors set forth below as well as the risk factors beginning on page 6 in our 2014 Annual Report incorporated by reference into this prospectus. If any of these risks were to occur, our business, financial condition or operating results could be materially adversely affected. In that case, our ability to pay distributions on our common units may be reduced, the trading price of our common units could decline and you could lose all or part of your investment.

The pending Acquisition may not close as anticipated or may close with adjusted terms.

We expect the Acquisition to close within approximately 30 days following the closing of this offering, subject to customary closing conditions. If these conditions are not satisfied or waived, we will not complete the Acquisition. Certain of the conditions that remain to be satisfied include, but are not limited to:

- the continued accuracy of the representations and warranties contained in the Purchase Agreement;
- the performance by each party of its obligations under the Purchase Agreement;
- the absence of any decree, order, injunction, ruling or judgment that prohibits, or other proceedings that seek to prohibit the Acquisition or makes the Acquisition unlawful; and
- the execution of certain agreements related to the consummation of the Acquisition.

We cannot assure you that the Acquisition will close on our expected timeframe, or at all, or close without material adjustments. In addition, the closing of this offering is not conditioned on the closing of the Acquisition. If the Acquisition does not close, we will use the net proceeds from this offering for customary partnership purposes, over which management will have broad discretion. Accordingly, if you decide to purchase common units in this offering, you should be willing to do so whether or not we complete the Acquisition.

We currently derive all of our time charter and bareboat revenues from five customers, and the loss of any such customers could result in a significant loss of revenues and cash flow.

We currently derive all of our time charter and bareboat revenues from five customers. For the year ended December 31, 2014, Transpetro, Eni, Statoil, Repsol, BG Group and KNOT accounted for approximately 23%, 21%, 20%, 18%, 11%, and 7%, respectively, of our revenues. On May 27, 2015, we agreed to purchase the entity that owns and operates the shuttle tanker, *Dan Sabia*, which is currently operating under a bareboat charter with Transpetro.

Petrobras, the Brazil state-controlled oil company and the parent company of Transpetro, is alleged to have participated in a widespread corruption scandal involving improper payments to Brazilian politicians and political parties. In addition, in January 2015, Petrobras announced that it may decrease its five-year capital expenditure budget for 2015 2019. Petrobras has also announced that it is reducing the pace of some projects. It is uncertain at this time how this may affect Petrobras, its performance of its existing charters with us or the development of new projects. Any adverse effect on Petrobras ability to perform under existing charters with us could harm us.

If we lose a key customer, we may be unable to obtain replacement long-term charters and may become subject to the volatile spot market, which is highly competitive and subject to significant price fluctuations. In

Table of Contents

addition, if a customer exercises its right to terminate a charter, we may be unable to re-charter such vessel on terms as favorable to us as those of the terminated charter. The loss of any of our key customers could have a material adverse effect on our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

Due to the recent decline in oil prices, the equity value of many of our customers has substantially declined in the final quarter of 2014 and the first quarter of 2015. The combination of a reduction of cash flow resulting from the declining oil prices, a reduction in borrowing bases under any credit facilities and the limited or lack of availability of debt or equity financing could potentially reduce the ability of our customers to make charter payments to us. Any further decline in the price of oil, or sustained current prices, could result in similar effects on our customers or other third parties with which we do business, which in turn could harm our business, results of operations and financial condition.

We may be unable to realize expected benefits from the Acquisition.

Similar to the acquisition of any vessel, the Acquisition may not result in anticipated profitability or generate cash flow sufficient to justify our investment or to support any increase in distributions on our common units. In addition, the Acquisition exposes us to risks that may harm our business, financial condition and operating results. In particular, the Acquisition includes risks that we may:

- fail to realize anticipated benefits, such as increased cash flows;
- fail to obtain the benefits of the related charter if Transpetro terminates the charter or fails to make hire payments because of its financial inability, disagreements with us or otherwise;
- decrease our borrowing capacity to finance further acquisitions;
- incur or assume unanticipated liabilities, losses or costs; or
- incur other significant charges, such as asset devaluation or restructuring charges.

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.

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a passive foreign investment company (a PFIC) for U.S. federal income tax purposes if at least 75.0% of its gross income for any taxable year consists of passive income or at least 50.0% of the average value of its assets produce, or are held for the production of, passive income. For purposes of these tests, passive income includes dividends, interest, gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute passive income. U.S. unitholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their interests in the PFIC.

Based on our current and projected method of operation, and an opinion of our U.S. counsel, Vinson & Elkins L.L.P., we believe that we were not a PFIC for any of our previous taxable years, and we expect that we will not be treated as a PFIC for the current or any future taxable year. We have received an opinion of our U.S. counsel in support of this position that concludes that the income our subsidiaries earn from certain of our present time-chartering activities should not constitute passive income for purposes of determining whether we are a PFIC. In addition, we have represented to our U.S. counsel that we expect that more than 25% of our gross income for each of our previous taxable years arose and for the current and each future year will arise from such or similar time-chartering activities or other income which our U.S. counsel has opined does not constitute passive income, and more than 50% of the average value of our assets for each such year was or will be held for

Table of Contents

the production of non-passive income. Assuming the composition of our income and assets is consistent with these expectations, and assuming the accuracy of other representations we have made to our U.S. counsel for purposes of its opinion, our U.S. counsel is of the opinion that we should not be a PFIC for any of our previous taxable years, the current year or any future year. This opinion is based and its accuracy is conditioned on representations, valuations and projections provided by us regarding our assets, income and charters to our U.S. counsel. While we believe these representations, valuations and projections to be accurate, the shipping market is volatile and no assurance can be given that they will continue to be accurate at any time in the future.

Moreover, there are legal uncertainties involved in determining whether the income derived from time-chartering activities constitutes rental income or income derived from the performance of services. In *Tidewater Inc. v. United States,* 565 F.3d 299 (5th Cir. 2009), the United States Court of Appeals for the Fifth Circuit (the Fifth Circuit) held that income derived from certain time-chartering activities should be treated as rental income rather than services income for purposes of a provision of the Internal Revenue Code of 1986, as amended (the Code), relating to foreign sales corporations. In that case, the Fifth Circuit did not address the definition of passive income or the PFIC rules; however, the reasoning of the case could have implications as to how the income from a time charter would be classified under such rules. If the reasoning of this case were extended to the PFIC context, the gross income we derive or are deemed to derive from our time-chartering activities may be treated as rental income, and we would likely be treated as a PFIC. In published guidance, the Internal Revenue Service (the IRS) stated that it disagreed with the holding in *Tidewater* and specified that time charters similar to those at issue in the case should be treated as service contracts. We have not sought, and we do not expect to seek, an IRS ruling on the treatment of income generated from our time-chartering activities. As a result, the IRS or a court could disagree with our position. No assurance can be given that this result will not occur. In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future, or that we will not be a PFIC in the future. If the IRS were to find that we are or have been a PFIC for any taxable year (and regardless of whether we remain a PFIC for any subsequent taxable year), our U.S. unitholders would face adverse U.S. federal income tax consequences. Please read Material U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of U.S. Holders PFIC Status and Significant Tax Consequences for a more detailed discussion of the U.S. federal income tax consequences to U.S. unitholders if we are treated as a PFIC.

Table of Contents

USE OF PROCEEDS

We expect to receive net proceeds of approximately $113.9 million from the sale of common units we are offering (or $131.0 million if the underwriters exercise in full their option to purchase 750,000 additional common units), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We will also receive approximately $2.4 million of proceeds from the capital contribution to us by our general partner (or $2.8 million if the underwriters option to purchase additional common units is exercised in full), to maintain its 2% general partner interest in us.

We intend to use approximately $46.0 million of the net proceeds from this offering of common units and the related capital contribution to us by our general partner to fund the $38.5 million cash portion of the purchase price for the Acquisition and the $7.5 million prepayment on the Dan Sabia Facility. The remainder of the net proceeds will be used for general partnership purposes. If the Acquisition does not close, we will use the net proceeds from this offering and the related capital contribution to us by our general partner for general partnership purposes.

The proceeds from any exercise of the underwriters option to purchase additional common units will be used for general partnership purposes.

The Dan Sabia Facility is repayable in semiannual installments with a final balloon payment due at maturity at January 2024. The Dan Sabia Facility bears interest at LIBOR plus a margin of 2.4%.

Table of Contents

CAPITALIZATION

The following table sets forth:

- our historical cash and capitalization as of December 31, 2014;
- our as adjusted cash and capitalization as of December 31, 2014, which gives effect to the Acquisition, this offering and the capital contribution by our general partner to maintain its 2% general partner interest in us and the application of the net proceeds from this offering as set forth in Use of Proceeds. If the Acquisition does not close, we will use the net proceeds from this offering for general partnership purposes.

This table is derived from and should be read together with the historical financial statements and the accompanying notes incorporated by reference in this prospectus and the section entitled Operating and Financial Review and Prospects contained in our 2014 Annual Report, which is incorporated by reference herein.

	As of December 31, 2014	
	Historical	As Adjusted(1)
	(in thousands)	
Cash and cash equivalents	$ 30,746	$ 101,020
Debt:(2)		
Seller s credit	$ 12,000	$ 12,000
Current portion of long-term debt	38,718	42,718
Long-term debt, excluding seller s credit and current portion(3)	562,503	615,473
Total debt	$ 613,221	$ 670,191
Total partners capital	$ 419,365	$ 535,639
Total capitalization	$ 1,032,586	$ 1,205,830

(1) Assumes the underwriters option to purchase additional common units is not exercised. The table also excludes the subsequent payments of quarterly distributions on our units on February 13, 2015 and May 14, 2015.
(2) All of our outstanding debt is secured by our vessels.
(3) As of March 31, 2015, we had $553.9 million of outstanding long-term debt, excluding seller s credit and current portion.

Table of Contents

PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

As of May 26, 2015, there were 13,807,500 common units outstanding, all of which were held by the public. As of May 26, 2015, there was one holder of record of our common units. Our common units were first offered on the NYSE on April 9, 2013 at an initial price of $21.00 per unit. Our common units are traded on the NYSE under the symbol KNOP.

The following table sets forth, for the periods indicated, the high and low sales prices for our common units, as reported on the NYSE, and quarterly cash distributions declared per common unit. The last reported sale price of our common units on the NYSE on May 27, 2015 was $24.76 per unit.

	High	Low	Cash Distributions Per Unit(1)
Year Ended:			
December 31, 2013(2)	$ 29.39	$ 20.68	
December 31, 2014	$ 29.89	$ 18.78	
Quarter Ended:			
June 30, 2013(3)	24.71	20.68	$ 0.3173(4)
September 30, 2013	26.17	21.51	0.4350
December 31, 2013	29.39	23.77	0.4350
March 31, 2014	29.58	23.50	0.4350
June 30, 2014	29.89	26.41	0.4350
September 30, 2014	28.80	24.69	0.4900
December 31, 2014	27.42	18.78	0.4900
March 31, 2015	25.45	18.21	0.5100
June 30, 2015(5)	26.49	21.58	(6)
Month Ended:			
December 31, 2014	23.89	18.78	
January 31, 2015	23.72	18.21	
February 28, 2015	24.55	20.98	
March 31, 2015	25.45	20.16	
April 30, 2015	26.49	23.36	
May 31, 2015(7)	26.28	21.58	

(1) Represents cash distributions attributable to the quarter.
(2) For the period from April 9, 2013, the first day our units were traded on the NYSE, through December 31, 2013.
(3) For the period from April 9, 2013, the first day our units were traded on the NYSE, through June 30, 2013.
(4) For the period from April 15, 2013, the closing date of our IPO, through June 30, 2013, we paid unitholders a distribution of $0.3173 per unit. This distribution was the prorated portion of the minimum quarterly distribution of $0.375 per unit.
(5) For the period from April 1, 2015 through May 27, 2015.
(6) The distributions attributable to the quarter ending June 30, 2015 have not yet been declared or paid. We are required to declare and pay quarterly cash distributions within 45 days following the end of the quarter.
(7) For the period from May 1, 2015 through May 27, 2015.

Table of Contents

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. This section updates information related to certain tax considerations and should be read in conjunction with the Material U.S. Federal Income Tax Considerations discussion in the accompanying prospectus, which reviews the principal U.S. federal income tax considerations associated with the purchase, ownership and disposition of our common units. This section is subject to the same limitations set forth in the discussion of Material U.S. Federal Income Tax Considerations in the accompanying prospectus.

Distributions

Subject to the discussion below of the rules applicable to PFICs, any distributions to a U.S. Holder made by us with respect to our common units generally will constitute dividends to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. We expect that the distributions we pay to U.S. Holders will not exceed our current and accumulated earnings and profits and, accordingly, all such distributions will constitute dividends. If, notwithstanding this expectation, we make distributions to U.S. Holders in excess of our earnings and profits, the excess portion of those distributions will be treated first as a nontaxable return of capital to the extent of the U.S. Holder s tax basis in its common units and thereafter as capital gain. U.S. Holders that are corporations generally will not be entitled to claim a dividends-received deduction with respect to distributions they receive from us because we are not a U.S. corporation. Dividends received with respect to our common units generally will be treated as passive category income for purposes of computing allowable foreign tax credits for U.S. federal income tax purposes.

Dividends received with respect to our common units by a U.S. Holder that is an individual, trust or estate (a U.S. Individual Holder) generally will be treated as qualified dividend income, which is taxable to such U.S. Individual Holder at preferential tax rates provided that: (1) our common units are readily tradable on an established securities market in the United States (such as the NYSE, on which our common units are traded); (2) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be, as discussed below under PFIC Status and Significant Tax Consequences); (3) the U.S. Individual Holder has owned the common units for more than 60 days during the 121-day period beginning 60 days before the date on which the common units become ex-dividend (and has not entered into certain risk limiting transactions with respect to such common units); and (4) the U.S. Individual Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. Because of the uncertainty of these matters, including whether we are or will be a PFIC, there is no assurance that any dividends paid on our common units will be eligible for these preferential rates in the hands of a U.S. Individual Holder, and any dividends paid on our common units that are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder.

Special rules may apply to any amounts received in respect of our common units that are treated as extraordinary dividends. In general, an extraordinary dividend is a dividend with respect to a common unit that is equal to or in excess of 10.0% of a unitholder s adjusted tax basis (or fair market value upon the unitholder s election) in such common unit. In addition, extraordinary dividends include dividends received within a one-year period that, in the aggregate, equal or exceed 20.0% of a unitholder s adjusted tax basis (or fair market value). If we pay an extraordinary dividend on our common units that is treated as qualified dividend income, then any loss recognized by a U.S. Individual Holder from the sale or exchange of such common units will be treated as long-term capital loss to the extent of the amount of such dividend.

Table of Contents

PFIC Status and Significant Tax Consequences

Adverse U.S. federal income tax rules apply to a U.S. Holder that owns an equity interest in a non-U.S. corporation that is classified as a PFIC for U.S. federal income tax purposes. In general, we are treated as a PFIC with respect to a U.S. Holder if either:

- at least 75.0% of our gross income (including the gross income of our vessel-owning subsidiaries) in any taxable year in which the holder held our units consists of passive income (e.g., dividends, interest, capital gains from the sale or exchange of investment property and rents derived other than in the active conduct of a rental business); or

- at least 50.0% of the average value of the assets held by us (including the assets of our vessel-owning subsidiaries) during any taxable year in which the holder held our units produce, or are held for the production of, passive income.

Income earned, or treated as earned (for U.S. federal income tax purposes), by us in connection with the performance of services would not constitute passive income. By contrast, rental income generally would constitute passive income unless we were treated as deriving that rental income in the active conduct of a trade or business under the applicable rules.

Based on our current and projected method of operation and an opinion of counsel, we do not believe that we are or will be a PFIC for any of our previous taxable years or for our current or any future taxable year. We have received an opinion of our U.S. counsel, Vinson & Elkins L.L.P., in support of this position that concludes that the income our subsidiaries earn from certain of our present time-chartering activities should not constitute passive income for purposes of determining whether we are a PFIC. In addition, we have represented to our U.S. counsel that we expect that more than 25.0% of our gross income for our current taxable year and each future year will arise from such or similar time-chartering activities or other income which our U.S. counsel has opined does not constitute passive income, and more than 50.0% of the average value of our assets for each such year was or will be held for the production of such non-passive income. Assuming the composition of our income and assets is consistent with these expectations, and assuming the accuracy of other representations we have made to our U.S. counsel for purposes of its opinion, our U.S. counsel is of the opinion that we should not be a PFIC for any of our previous taxable years or for our current or any future taxable year.

Our counsel has indicated to us that the conclusions described above are not free from doubt. While there is legal authority supporting our conclusions, including IRS pronouncements concerning the characterization of income derived from time charters as services income, the Fifth Circuit held in *Tidewater* that income derived from certain time-chartering activities should be treated as rental income rather than services income for purposes of a provision of the Code relating to foreign sales corporations. In that case, the Fifth Circuit did not address the definition of passive income or the PFIC rules; however, the reasoning of the case could have implications as to how the income from a time charter would be classified under such rules. If the reasoning of this case were extended to the PFIC context, the gross income we derive or are deemed to derive from our time-chartering activities may be treated as rental income, and we would likely be treated as a PFIC. In published guidance, the IRS stated that it disagreed with the holding in *Tidewater* and specified that time charters similar to those at issue in the case should be treated as service contracts.

Distinguishing between arrangements treated as generating rental income and those treated as generating services income involves weighing and balancing competing factual considerations, and there is no legal authority under the PFIC rules addressing our specific method of operation. Conclusions in this area therefore remain matters of interpretation. We are not seeking a ruling from the IRS on the treatment of income generated from our time-chartering operations, and the opinion of our counsel is not binding on the IRS or any court. Thus, while we have received an opinion of counsel in support of our position, it is possible that the IRS or a court could disagree with this position and the opinion of our counsel. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to our current or any future taxable year, we cannot assure unitholders that the nature of our operations will not change and that we will not become a PFIC in our current or any future taxable year.

Table of Contents

As discussed more fully in the accompanying prospectus, if we were to be treated as a PFIC for any taxable year (and regardless of whether we remain a PFIC over the subsequent taxable years), a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a Qualified Electing Fund, which we refer to as a QEF election. As an alternative to making a QEF election, a U.S. Holder would be able to make a mark-to-market election with respect to our common units. In addition, if a U.S. Holder owns our common units during any taxable year that we are a PFIC, such holder must file an annual report with the IRS.

Backup Withholding and Information Reporting

In general, payments to a non-corporate U.S. Holder of distributions or the proceeds of a disposition of common units will be subject to information reporting. These payments to a non-corporate U.S. Holder also may be subject to backup withholding if the non-corporate U.S. Holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or corporate distributions required to be reported on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8IMY (or successor form), as applicable.

Backup withholding is not an additional tax. Rather, a unitholder generally may obtain a credit for any amount withheld against its liability for U.S. federal income tax (and obtain a refund of any amounts withheld in excess of such liability) by timely filing a U.S. federal income tax return with the IRS.

In addition, individual citizens or residents of the United States holding certain foreign financial assets (which generally include stock and other securities issued by a foreign person unless held in an account maintained by a financial institution) that exceed certain thresholds (the lowest being holding foreign financial assets with an aggregate value in excess of: (1) $50,000 on the last day of the tax year or (2) $75,000 at any time during the tax year) are required to report information relating to such assets. Significant penalties may apply for failure to satisfy the reporting obligations described above. Unitholders should consult their tax advisors regarding the reporting obligations, if any, that would result from the purchase, ownership or disposition of our units.

Table of Contents

NON-UNITED STATES TAX CONSIDERATIONS

Unless the context otherwise requires, references in this section to we, our or us are references to KNOT Offshore Partners LP.

Marshall Islands Tax Consequences

The following discussion is based upon the opinion of Watson Farley & Williams LLP, our counsel as to matters of the laws of the Republic of the Marshall Islands, and the current laws of the Republic of the Marshall Islands applicable to persons who are not citizens of and do not reside in, maintain offices in or engage in business in the Republic of the Marshall Islands.

Because we and our subsidiaries do not and do not expect to conduct business or operations in the Republic of the Marshall Islands, and because all documentation related to this offering will be executed outside of the Republic of the Marshall Islands, under current Marshall Islands law you will not be subject to Marshall Islands taxation or withholding on distributions, including upon distribution treated as a return of capital, we make to you as a unitholder. In addition, you will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of common units, and you will not be required by the Republic of the Marshall Islands to file a tax return relating to your ownership of common units.

Norwegian Tax Consequences

The following discussion is based upon the opinion of Advokatfirmaet Thommessen AS, our counsel as to taxation matters under the laws of the Kingdom of Norway that may be relevant to current and prospective unitholders who are persons not resident in Norway for taxation purposes (Non-Norwegian Holders).

The discussion that follows is based upon existing Norwegian legislation and current Norwegian Tax Administration practice as of the date of this prospectus. Changes in these authorities may cause the tax consequences to vary substantially from the consequences of unit ownership described below.

Current and prospective unitholders who are resident in Norway for taxation purposes are urged to consult their own tax advisors regarding the potential Norwegian tax consequences to them of an investment in our common units. For this purpose, a company incorporated outside of Norway will be treated as resident in Norway in the event its central management and control is carried out in Norway.

Taxation of Non-Norwegian Holders

Under the Tax Act on Income and Wealth, Non-Norwegian Holders will not be subject to any taxes in Norway on income or profits in respect of the acquisition, holding, disposition or redemption of the common units, provided that:

- we are not treated as carrying on business in Norway; and
- either of the following conditions is met:
  - if such holders are resident in a country that does not have an income tax treaty with Norway, such holders are not engaged in a Norwegian trade or business to which the common units are effectively connected; or
  - if such holders are resident in a country that has an income tax treaty with Norway, such holders do not have a permanent establishment in Norway to which the common units are effectively connected.

A Non-Norwegian Holder that carries on a business in Norway through a partnership is subject to Norwegian tax on income derived from the business if managed from Norway or carried on by the Partnership in Norway.

Table of Contents

While we expect to conduct our affairs in such a manner that our business will not be treated as managed from or carried on in Norway at any time in the future, this determination is dependent upon the facts existing at such time, including (but not limited to) the place where our board of directors meets and the place where our management makes decisions or takes certain actions affecting our business. Our Norwegian tax counsel has advised us regarding certain measures we can take to limit the risk that our business may be treated as managed from or carried on in Norway and has concluded that, provided we adopt these measures and otherwise conduct our affairs in a manner consistent with our Norwegian tax counsel s advice, which we intend to do, our business should not be treated as managed from or carried on in Norway for taxation purposes, and consequently, Non-Norwegian Holders should not be subject to tax in Norway solely by reason of the acquisition, holding, disposition or redemption of their common units. Nonetheless, there is no legal authority addressing our specific circumstances, and conclusions in this area remain matters of interpretation. Thus, it is possible that the Norwegian taxation authority could challenge, or a court could disagree with, our position.

While we do not expect it to be the case, if the arrangements we propose to enter into result in our being considered to carry on business in Norway for the purposes of the Tax Act on Income and Wealth, unitholders would be considered to be carrying on business in Norway and would be required to file tax returns with the Norwegian Tax Administration and, subject to any relief provided in any relevant double taxation treaty (including, in the case of holders resident in the United States, the U.S.-Norway Tax Treaty), would be subject to taxation in Norway on any income considered to be attributable to the business carried on in Norway.

United Kingdom Tax Consequences

The following is a discussion of the material United Kingdom tax consequences that may be relevant to current and prospective unitholders who are persons not resident and not domiciled in the United Kingdom for taxation purposes and who do not acquire their units as part of a trade, profession or vocation carried on in the United Kingdom (Non-UK Holders).

Current and prospective unitholders who are resident or domiciled in the United Kingdom for taxation purposes, or who hold their units through a trade, profession or vocation in the United Kingdom are urged to consult their own tax advisors regarding the potential United Kingdom tax consequences to them of an investment in our common units and are responsible for filing their own UK tax returns and paying any applicable UK taxes (which may be due on amounts received by us but not distributed). The discussion that follows is based upon current United Kingdom tax law and what is understood to be the current practice of Her Majesty s Revenue & Customs as at the date of this document, both of which are subject to change, possibly with retrospective effect.

Taxation of income and disposals. We expect to conduct our affairs so that Non-UK Holders should not be subject to United Kingdom income tax, capital gains tax or corporation tax on income or gains arising from the Partnership. Distributions may be made to Non-UK Holders without withholding or deduction for or on account of United Kingdom income tax.

Stamp taxes. No liability to United Kingdom stamp duty or stamp duty reserve tax should arise in connection with the issue of units to unitholders or the transfer of units in the Partnership.

EACH PROSPECTIVE UNITHOLDER IS URGED TO CONSULT HIS OWN TAX COUNSEL OR OTHER ADVISOR WITH REGARD TO THE LEGAL AND TAX CONSEQUENCES OF UNIT OWNERSHIP UNDER ITS PARTICULAR CIRCUMSTANCES.

Table of Contents

UNDERWRITING

Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Morgan Stanley & Co. LLC, UBS Securities LLC, Wells Fargo Securities, LLC, Raymond James & Associates, Inc. and RBC Capital Markets, LLC are acting as the joint book-running managers of this offering, and Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc. are acting as the representatives of the underwriters named below. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, each of the underwriters named below has severally agreed to purchase from us the respective number of common units shown opposite its name below:

Underwriters	Number of Common Units
Barclays Capital Inc.	850,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	700,000
Citigroup Global Markets Inc.	700,000
Morgan Stanley & Co. LLC	550,000
UBS Securities LLC	550,000
Wells Fargo Securities, LLC	550,000
Raymond James & Associates, Inc.	450,000
RBC Capital Markets, LLC	450,000
BNP Paribas Securities Corp.	100,000
SMBC Nikko Securities America, Inc.	100,000
Total	5,000,000

The underwriting agreement provides that the underwriters obligation to purchase the common units depends on the satisfaction of the conditions contained in the underwriting agreement including:

- the obligation to purchase all of the common units offered hereby (other than those common units covered by their option to purchase additional common units as described below), if any of the common units are purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in our business or 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 common units. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the common units.

	No Exercise	Full Exercise

Per Common Unit	$ 0.86	$ 0.86
Total	$ 4,300,000	$ 4,945,000

The representatives have advised us that the underwriters propose to offer the common 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 $0.516 per common unit. After the offering, the representatives may change the offering price and other selling terms.

The expenses of the offering that are payable by us are estimated to be approximately $650,000 (excluding underwriting discounts and commissions).

Table of Contents

Option to Purchase Additional Common Units

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus supplement to purchase, from time to time, in whole or in part, up to an aggregate of 750,000 common units from us at the public offering price less underwriting discounts and commissions. This option may be exercised to the extent the underwriters sell more than 5,000,000 common 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 common units based on the underwriter s percentage underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting Section.

Lock-Up Agreements

We, our general partner and certain of its affiliates, including KNOT, and all of our directors and executive officers have agreed that, for a period of 60 days after the date of this prospectus supplement, subject to certain limited exceptions as described below, we and they will not directly or indirectly, without the prior written consent of Barclays Capital Inc. offer, sell, contract to sell, pledge or otherwise dispose of, including the filing with the SEC of a registration statement under the Securities Act of 1933, as amended, in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, any common units or securities convertible into or exchangeable or exercisable for any common units or publicly disclose the intention to take any such action; *provided, however*, that we may (i) issue and sell common units pursuant to, and file a registration statement on Form S-8 relating to, any employee benefit plan we have in effect on the date hereof and (ii) upon the conversion of securities or the exercise of warrants outstanding on the date hereof.

Barclays Capital Inc. in its sole discretion, may release the common units and other securities subject to the lock-up agreements described above in whole or in part at any time. When determining whether or not to release common units and other securities from lock-up agreements, Barclays Capital Inc. will consider, among other factors, the holder s reasons for requesting the release, the number of common units and other securities for which the release is being requested and market conditions at the time.

Indemnification

We, and certain of our affiliates, have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The representatives 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 common 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 common units in excess of the number of common 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 common units involved in the sales made by the underwriters in excess of the number of common units they are obligated to purchase is not greater than the number of common units that they may purchase by exercising their option to purchase additional common units. In a naked short position, the number of common units involved is greater than the number of common units in their option to purchase additional common units. The underwriters may close out any short position by either exercising their option to purchase additional common units and/or purchasing common units in the open market. In determining the source of common units to close out the short position, the underwriters will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which they may purchase common units