

KNOT Offshore Partners LP
Form F-3
October 23, 2018
Table of Contents

As filed with the Securities and Exchange Commission on October 23, 2018

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM F-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

KNOT Offshore Partners LP
(Exact name of registrant as specified in its charter)

Republic of the Marshall Islands
(State or other jurisdiction of
incorporation or organization)

98-1098373
(I.R.S. Employer
Identification No.)

Edgar Filing: KNOT Offshore Partners LP - Form F-3

2 Queen s Cross, Aberdeen, Aberdeenshire AB15 4YB, United Kingdom, +44 1224 618420

(Address and telephone number of Registrant s principal executive offices)

Puglisi & Associates

850 Library Avenue, Suite 204

Newark, Delaware 19711

(302) 738-6680

(Name, address, and telephone number of agent for service)

Copies to:

Catherine S. Gallagher

Baker Botts L.L.P.

The Warner

1299 Pennsylvania Avenue NW

Suite 1300

Washington, DC 20004

Tel (202) 639-7725

Fax (202) 585-1088

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

Edgar Filing: KNOT Offshore Partners LP - Form F-3

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933. Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)(2)	Proposed Maximum Offering Price Per Unit(3)	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee(3)
Common units representing limited partner interests	3,750,000	(4)	\$80,362,500	\$9,740

(1) Pursuant to Rule 416(a) of the Securities Act of 1933, as amended, the number of common units being registered on behalf of the selling unitholders shall be adjusted automatically to include any common units that may become

issuable as a result of any unit distribution, split, combination or similar transaction.

- (2) Represents 3,750,000 common units issuable upon conversion of the Series A Convertible Preferred Units held by the selling unitholders listed herein. The initial conversion ratio is one Series A Convertible Preferred Unit in exchange for one common unit; however, the conversion ratio is subject to adjustment.
- (3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, with respect to the common units to be sold by the selling unitholders listed herein based on the average of the high and low prices of our common units as reported on the New York Stock Exchange on October 19, 2018.
- (4) The proposed maximum offering price per common unit will be determined from time to time in connection with, and at the time of, the sale by the applicable selling unitholder.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 23, 2018

PROSPECTUS

KNOT Offshore Partners LP

3,750,000 Common Units Representing Limited Partnership Interests

This prospectus relates to up to 3,750,000 common units representing limited partner interests in KNOT Offshore Partners LP (common units) issuable upon conversion of 3,750,000 Series A Convertible Preferred Units representing limited partner interests in KNOT Offshore Partners LP (Series A Preferred Units) held by the selling unitholders listed herein that may be offered and sold from time to time in one or more offerings. For more information relating to the selling unitholders, please read Selling Unitholders.

The selling unitholders may from time to time, in one or more offerings, offer and sell the common units through one or more underwriters, dealers or agents or directly to investors, in amounts, at prices and on terms to be determined by market conditions or other factors at the time of the offering. This prospectus describes the general terms of the common units and the general manner in which the selling unitholders may offer them. The specific terms of any offering may be included in a supplement to this prospectus. The prospectus supplement also may add, update or change information contained in this prospectus. The names of any underwriters and the specific terms of a plan of distribution will be stated in a supplement to this prospectus if required. Selling unitholders that are affiliates of us may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended (the Securities Act), and, as a result, may be deemed to be offering securities, indirectly, on our behalf. We will not receive any of the proceeds from the sale by the selling unitholders of common units offered by this prospectus.

You should carefully read this prospectus and any applicable prospectus supplement and the documents incorporated by reference herein and therein before you invest in any of our securities. You should also read the documents we have referred you to in the Where You Can Find More Information section of this prospectus for information about us, including our financial statements.

Our common units are traded on the New York Stock Exchange (the NYSE), under the symbol KNOP.

Investing in our securities involves risks. You should carefully consider the risk factors described under Risk Factors on page 6 of this prospectus and contained in the applicable prospectus supplement, our most recent Annual Report on Form 20-F and in our other reports we file with the Securities and Exchange Commission before you make an investment in our common units.

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.

The date of this prospectus is _____, 2018.

Table of Contents

TABLE OF CONTENTS

	Page
<u>ABOUT THIS PROSPECTUS</u>	1
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	1
<u>FORWARD-LOOKING STATEMENTS</u>	3
<u>ABOUT KNOT OFFSHORE PARTNERS LP</u>	5
<u>RISK FACTORS</u>	6
<u>USE OF PROCEEDS</u>	7
<u>CAPITALIZATION</u>	8
<u>DESCRIPTION OF THE COMMON UNITS</u>	9
<u>Number of Units</u>	9
<u>Transfer Agent and Registrar</u>	9
<u>Transfer of Common Units</u>	9
<u>Voting Rights</u>	9
<u>Issuance of Additional Interests</u>	12
<u>Limited Call Right</u>	13
<u>Summary of our Partnership Agreement</u>	13
<u>OUR CASH DISTRIBUTION POLICY AND RESTRICTIONS ON DISTRIBUTIONS</u>	14
<u>General</u>	14
<u>Distributions of Available Cash</u>	15
<u>Operating Surplus and Capital Surplus</u>	16
<u>Distributions of Available Cash From Operating Surplus</u>	20
<u>General Partner Interest</u>	20
<u>Incentive Distribution Rights</u>	21
<u>Percentage Allocations of Available Cash From Operating Surplus</u>	21
<u>Right to Reset Incentive Distribution Levels</u>	22
<u>Distributions From Capital Surplus</u>	23
<u>Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels</u>	23
<u>Distributions of Cash Upon Liquidation</u>	24
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	25
<u>Election to be Treated as a Corporation</u>	25
<u>U.S. Federal Income Taxation of U.S. Holders</u>	25
<u>U.S. Federal Income Taxation of Non-U.S. Holders</u>	30
<u>Backup Withholding and Information Reporting</u>	30
<u>NON-UNITED STATES TAX CONSIDERATIONS</u>	31
<u>Marshall Islands Tax Consequences</u>	31
<u>Norwegian Tax Consequences</u>	31
<u>United Kingdom Tax Consequences</u>	32

<u>PLAN OF DISTRIBUTION</u>	34
<u>SELLING UNITHOLDERS</u>	36
<u>SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES</u>	38
<u>LEGAL MATTERS</u>	38
<u>EXPERTS</u>	38
<u>EXPENSES</u>	39

Table of Contents

In making your investment decision, you should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference in this prospectus. Neither we nor the selling unitholders have authorized anyone else to give you different information. Neither we nor the selling unitholders are offering these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents. We will disclose any material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the Securities and Exchange Commission (the "SEC"), incorporated by reference in this prospectus.

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the SEC using a shelf registration process. Under this shelf registration process, the selling unitholders may over time, in one or more offerings, offer and sell up to 3,750,000 of our common units.

This prospectus provides you with a general description of KNOT Offshore Partners LP and the common units that are registered hereunder that may be offered by the selling unitholders. Each time the selling unitholders sell any common units offered by this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Any prospectus supplement may also add, update or change information contained in this prospectus. To the extent information in this prospectus is inconsistent with the information contained in a prospectus supplement, you should rely on the information in the prospectus supplement.

The information in this prospectus is accurate as of its date. Additional information, including our financial statements and the notes thereto, is incorporated in this prospectus by reference to our reports filed with the SEC. Before you invest in our securities, you should carefully read this prospectus, including the Risk Factors, any prospectus supplement, the information incorporated by reference in this prospectus and any prospectus supplement (including the documents described under the heading Where You Can Find More Information in both this prospectus and any prospectus supplement) and any additional information you may need to make your investment decision.

Unless the context otherwise requires, references in this prospectus to KNOT Offshore Partners LP, KNOT Offshore Partners, the Partnership, we, our, us or similar terms refer to KNOT Offshore Partners LP, a Marshall Islands limited liability partnership, or any one or more of its subsidiaries. References in this prospectus to our general partner refer to KNOT Offshore Partners GP LLC, the general partner 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 the selling unitholders refer to the selling unitholders listed under the heading Selling Unitholders.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-3 regarding the common units covered by this prospectus. This prospectus does not contain all of the information found in the registration statement. For further information regarding us and the common units offered in this prospectus, you may wish to review the full registration statement, including its exhibits. Electronic copies of the registration statement, including the exhibits, may be obtained from the SEC's website at www.sec.gov free of charge. You may also obtain information about us at the offices of the NYSE at 20 Broad Street, New York, NY, 10005, or on our website at www.knotoffshorepartners.com. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus unless specifically so designated and filed with the SEC.

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and, in accordance therewith, we are required to file with the SEC annual reports on Form 20-F within four months of our fiscal year-end, and provide to the SEC other material information on Form 6-K. Electronic copies of these reports and other information may be obtained from the SEC's website as provided above. Our website, also provided above, will make our annual reports on Form 20-F and our periodic reports filed with the SEC available, free of charge, as soon as reasonably practicable after those reports are electronically filed with the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

Table of Contents

As a foreign private issuer, we are exempt under 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 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.

The SEC allows us to incorporate by reference into this prospectus 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, 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, 2017 filed on April 25, 2018 (our 2017 Annual Report);

our report on Form 6-K filed on September 4, 2018 for the quarterly period ended June 30, 2018;

all subsequent annual reports on Form 20-F filed prior to the termination of this offering;

all subsequent current reports on Form 6-K furnished prior to the termination of this offering that we identify in such current 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/A filed on June 30, 2017, 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 electronic copies of any of the documents incorporated by reference in this prospectus from the SEC through its website at the address 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, or 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

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus and the documents we incorporate by reference contain certain forward-looking statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto. 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, 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, could, should, would, expect, plan, anticipate, intend, forecast, believe, estimate, predict, propose, potential, continue or the negative of other comparable terminology. These forward-looking statements reflect management's current views only as of the date of this prospectus and are not intended to give any assurance as to future results. As a result, unitholders are cautioned not to rely on any forward-looking statements.

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:

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;

KNOT's and KNOT Offshore Partners' ability to build shuttle tankers and the timing of the delivery and acceptance of any such vessels by their respective charterers;

forecasts of KNOT Offshore Partners' ability to make or increase distributions on the common units and make distributions on the Series A Preferred Units or the amount of any such distributions;

KNOT Offshore Partners' ability to integrate and realize the expected benefits from acquisitions;

KNOT Offshore Partners' 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 KNOT Offshore Partners' operating expenses, including drydocking and insurance costs and bunker prices;

KNOT Offshore Partners' future financial condition or results of operations and future revenues and expenses;

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

KNOT Offshore Partners' ability to make additional borrowings and to access debt and equity markets;

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

KNOT Offshore Partners' ability to maintain long-term relationships with major users of shuttle tonnage;

KNOT Offshore Partners' ability to leverage KNOT's relationships and reputation in the shipping industry;

KNOT Offshore Partners' ability to purchase vessels from KNOT in the future;

KNOT Offshore Partners' continued ability to enter into long-term charters;

Table of Contents

KNOT Offshore Partners' ability to maximize the use of its vessels, including the re-deployment or disposition of vessels no longer under long-term charter;

the financial condition of KNOT Offshore Partners' existing or future customers and their ability to fulfill their charter obligations;

timely purchases and deliveries of newbuilds;

future purchase prices of newbuilds and secondhand vessels;

any impairment in the value of KNOT Offshore Partners' vessels;

KNOT Offshore Partners' 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 KNOT Offshore Partners' ability to comply with, governmental regulations, maritime self-regulatory organization standards, as well as standard regulations imposed by its charterers applicable to KNOT Offshore Partners' business;

availability of skilled labor, vessel crews and management;

KNOT Offshore Partners' general and administrative expenses and its fees and expenses payable under the fleet management agreements and the management and administrative services agreement;

the anticipated taxation of KNOT Offshore Partners and distributions to KNOT Offshore Partners unitholders;

estimated future maintenance and replacement capital expenditures;

KNOT Offshore Partners' 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 KNOT Offshore Partners securities in the public market;

KNOT Offshore Partners 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 KNOT Offshore Partners files with the SEC.

Forward-looking statements in this prospectus are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and therefore involve a number of risks and uncertainties, including those risks discussed in Risk Factors and those risks discussed in reports we file with the SEC. 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 or statements 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 for us 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.

Table of Contents

ABOUT KNOT OFFSHORE PARTNERS LP

We are a publicly traded limited partnership formed on February 21, 2013 to own and operate shuttle tankers under long-term charters. On April 15, 2013, we completed our initial public offering (our IPO). Our fleet currently consists of sixteen shuttle tankers. Knutsen NYK Offshore Tankers AS directly owns 8,567,500 of our common units, and all of our incentive distribution rights and, through its ownership of our general partner, a 1.85% general partner interest in us and 90,368 additional common units.

We were formed under the laws of the Marshall Islands and maintain our principal place of business at 2 Queen's Cross, Aberdeen, Aberdeenshire, AB15 4YB, United Kingdom. Our telephone number at that address is +44 1224 618420.

Table of Contents

RISK FACTORS

An investment in our common units involves a significant degree of risk. You should carefully consider the risk factors and all of the other information included in this prospectus, any prospectus supplement and the documents we have incorporated by reference into this prospectus and any prospectus supplement, including those in Item 3. Key Information Risk Factors in our 2017 Annual Report as updated by annual, quarterly and other reports and documents we file with the SEC after the date of this prospectus and that are incorporated by reference herein, in evaluating an investment in the common units. If any of these risks were actually to occur, our business, financial condition or results of operations could be materially adversely affected. When we offer and sell any common units pursuant to a prospectus supplement, we may include additional risk factors relevant to such common units in the prospectus supplement.

Table of Contents

USE OF PROCEEDS

The common units to be offered and sold using this prospectus will be offered and sold by the selling unitholders named in this prospectus or in any supplement to this prospectus. We will not receive any of the proceeds from the sale of common units by the selling unitholders.

Table of Contents**CAPITALIZATION**

The following table shows our historical cash and capitalization as of June 30, 2018. This table is derived from our unaudited consolidated financial statements, including accompanying notes, incorporated by reference in this prospectus. You should read this table in conjunction with the historical financial statements and accompanying notes incorporated by reference into this prospectus and the sections entitled Operating and Financial Review and Prospects in our 2017 Annual Report and Management's Discussion and Analysis of Financial Condition and Results of Operations in our report on Form 6-K for the six months ended June 30, 2018, each of which is incorporated by reference herein.

	As of June 30, 2018 (In thousands)
Cash and cash equivalents	\$ 45,085
Debt:(1)	
Current portion of long-term debt	\$ 80,206
Long-term debt, excluding current portion	1,029,053
Total debt	\$ 1,109,259
Series A Preferred Units	89,264
Total partners' capital	652,683
 Total capitalization	 \$ 1,851,206

(1) All of our outstanding debt is secured by our vessels. Debt amounts exclude unamortized deferred loan issuance costs of \$7.8 million.

Each prospectus supplement will include updated information on our capitalization.

Table of Contents

DESCRIPTION OF THE COMMON UNITS

Our common units represent limited partner interests in us. The holders of common units are entitled to participate in partnership distributions and exercise the rights and privileges available to limited partners under our partnership agreement. For a description of the relative rights and privileges of holders of common units in and to partnership distributions, please read this section and Our Cash Distribution Policy and Restrictions on Distributions.

Number of Units

As of October 22, 2018, we had 32,694,094 common units outstanding, of which 24,036,226 are held by the public and 8,657,868 are held by KNOT and its wholly owned subsidiary, KNOT Offshore GP LLC, our general partner. We also have 3,750,000 Series A Preferred Units outstanding.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC serves as registrar and transfer agent for the common units.

Transfer of Common Units

By transfer of common units in accordance with our partnership agreement, each transferee of common units will be admitted as a limited partner with respect to the common units transferred when such transfer and admission is reflected in our books and records. Each transferee:

represents that the transferee has the capacity, power and authority to become bound by our partnership agreement;

automatically agrees to be bound by the terms and conditions of, and is deemed to have executed, our partnership agreement; and

gives the consents and approvals contained in our partnership agreement, such as the approval of all transactions and agreements we entered into in connection with our formation and our IPO.

A transferee will become a substituted limited partner of the Partnership for the transferred common units automatically upon the recording of the transfer on our books and records. Our general partner will cause any transfers to be recorded on our books and records no less frequently than quarterly.

We may, at our discretion, treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holder's rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Common units are securities and are transferable according to the laws governing transfer of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to become a limited partner in the Partnership for the transferred common units.

Until a common unit has been transferred on our books, we and the transfer agent may treat the record holder of the unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

Voting Rights

Unlike the holders of common stock in a corporation, holders of common units have only limited voting rights on matters affecting our business. We hold a meeting of the limited partners every year to elect one or more members of our board of directors and to vote on any other matters that are properly brought before the

Table of Contents

meeting. Common unitholders are entitled to elect only four of the seven members of our board of directors. The elected directors are elected on a staggered basis and serve for four-year terms. Our general partner in its sole discretion appoints the remaining three directors and sets the terms for which those directors serve. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting our unitholders' ability to influence the manner or direction of management. Unitholders have no right to elect our general partner, and our general partner may not be removed except by a vote of the holders of at least 66 $\frac{2}{3}$ % of the outstanding common units, including any common units owned by our general partner and its affiliates, voting together as a single class.

Our partnership agreement further restricts unitholders' voting rights by providing that all persons (including individuals, entities, partnerships, trusts and estates) that are residents of Norway for purposes of the Norwegian Tax Act (Norwegian Resident Holders) are not eligible to vote in the election of elected directors. No holder of Series A Preferred Units that is a Norwegian Resident Holder is eligible to vote on any matter. Further, if any person or group owns beneficially more than 4.9% of any class of units then outstanding (excluding Norwegian Resident Holders in the election of elected directors), any such units owned by that person or group in excess of 4.9% may not be voted on any matter and are not considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to our board of directors), determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any unitholders not entitled to vote on a specific matter are effectively redistributed pro rata among the other common unitholders. Our general partner, its affiliates and persons who acquire common units with the prior approval of our board of directors are not subject to the 4.9% limitation except with respect to voting their common units in the election of the elected directors.

The Series A Preferred Units have voting rights that are identical to the voting rights of the common units, except they do not have any right to nominate, appoint or elect any of our directors, except whenever distributions payable on the Series A Preferred Units have not been declared and paid for four consecutive quarters (a Trigger Event). Upon a Trigger Event, holders of Series A Preferred Units, together with the holders of any other series of preferred units upon which like rights have been conferred and are exercisable, will have the right to replace one of the members of our board appointed by our general partner with a person nominated by such holders, such nominee to serve until all accrued and unpaid distributions on the preferred units have been paid. The Series A Preferred Units shall be entitled to vote with the common units as a single class so that the Series A Preferred Units shall be entitled to one vote for each common unit into which the Series A Preferred Units are then convertible. The 4.9% limitation described above applies to the holders of the Series A Preferred Units with respect to the voting of the Series A Preferred Units on an as-converted basis together with the common units.

The following is a summary of the unitholder vote required for the approval of the matters specified below. Matters that require the approval of a unit majority require the approval of a majority of the common units (which include the Series A Preferred Units voting on an as converted basis) voting as a single class. All references in this prospectus to voting of the common units, other than references to voting for the election of the elected directors, shall include voting of the Series A Preferred Units together with the common units as a single class on an as converted basis.

Table of Contents

In voting their common units or any Series A Preferred Units they may hold, our general partner and its affiliates have no fiduciary duty or obligation whatsoever to us or our unitholders, including any duty to act in good faith or in the best interests of us and our unitholders.

Action

Issuance of additional common units or other limited partner interests

Unitholder Approval Required and Voting Rights

No common unitholder approval required; general partner approval required for all issuances not reasonably expected to be accretive within 12 months of issuance or which would otherwise have a material adverse impact on our general partner or its interest in the partnership. We will have the right to issue securities that with respect to distributions on such securities or distributions upon liquidation of the partnership rank pari passu with the Series A Preferred Units (parity securities), provided that the aggregate amount of the Series A Preferred Units and the parity securities pro-forma for such issuance, does not exceed 33.33% of the book value of the sum of our then outstanding aggregate amount of parity securities and junior securities (including common units). The consent of at least 67% of the holders of Series A Preferred Units will be necessary for us to issue (i) any securities that with respect to distributions on such securities or distributions upon liquidation of the partnership rank senior to the Series A Preferred Units (senior securities) and (ii) any parity securities in excess of such pro-forma book value. In addition, the consent of at least 67% of the holders of Series A Preferred Units will be necessary for us to incur or assume additional indebtedness that would result in our total consolidated indebtedness exceeding 70% of our total capitalization.

Amendment of our partnership agreement

Certain amendments may be made by our board of directors without the approval of our unitholders. Other amendments generally require the approval of a unit majority. Any amendment that (i) adversely affects the rights, preferences and privileges of the Series A Preferred Units or (ii) amends or modifies the terms of the Series A Preferred Units requires the approval of at least of 67% of the Series A Preferred Units, voting separately as a class.

Merger of our partnership or the sale of all or substantially all Unit majority and approval of our general partner and our of our assets

Unit majority and approval of our general partner and our board of directors.

Dissolution of our partnership

Unit majority and approval of our general partner and our board of directors.

Reconstitution of our partnership upon dissolution

Unit majority.

Election of four of the seven members of our board of directors

A plurality of the votes of the holders of the common units.

Table of Contents

Action

Withdrawal of our general partner

Unitholder Approval Required and Voting Rights

Under most circumstances, the approval of a majority of our common units, excluding common units held by our general partner and its affiliates, is required for the withdrawal of our general partner prior to March 31, 2023 in a manner which would cause a dissolution of our partnership.

Removal of our general partner

Not less than 66 $\frac{2}{3}$ % of our outstanding common units, voting as a single class, including common units held by our general partner and its affiliates.

Transfer of the general partner interest in us

Our general partner may transfer all, but not less than all, of its general partner interest in us without a vote of our common unitholders or other limited partners to an affiliate or another person in connection with its merger or consolidation with or into, or sale of all or substantially all of its assets to such person. The approval of a majority of our common units, excluding common units held by our general partner and its affiliates, is required in other circumstances for a transfer of the general partner interest to a third party prior to March 31, 2023.

Transfer of incentive distribution rights

No approval required.

Transfer of ownership interests in our general partner

No approval required.

Issuance of Additional Interests

Our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and rights to buy partnership securities for the consideration and on the terms and conditions determined by our board of directors, without the approval of our unitholders, other than the limited approval rights of the holders of the Series A Preferred Units with regard to the issuance of parity securities and senior securities described above under Voting Rights. Our general partner will be required to approve all issuances of additional partnership interests that are not reasonably expected to be accretive within 12 months of issuance or which would otherwise have a material adverse impact on the general partner or its interest in us.

In accordance with Marshall Islands law and the provisions of our partnership agreement, we may also issue additional partnership securities interests that, as determined by our board of directors, have special voting or other rights to which our common units or Series A Preferred Units are not entitled.

Upon issuance of certain additional partnership securities (other than the issuance of common units in connection with a reset of our incentive distribution target levels or the issuance of partnership interests upon conversion of outstanding partnership interests), our general partner will have the right, but not the obligation, to make additional

capital contributions to the extent necessary to maintain its general partner interest in us at the same percentage level as before the issuance. Our general partner's interest in us will thus be reduced if we issue certain additional partnership securities and our general partner does not elect to maintain its general partner interest. Our general partner's interest does not entitle it to receive any portion of distributions made in respect of the Series A Preferred Units and our general partner's interest will not be affected by the issuance of any additional preferred units. Our general partner and its affiliates also have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units or other equity securities

Table of Contents

whenever, and on the same terms that, we issue those securities to persons other than our general partner and its affiliates, to the extent necessary to maintain its and its affiliates' percentage interest in us, including its interest represented by common units, that existed immediately prior to each issuance. Other holders of common units will not have similar preemptive rights to acquire additional common units or other partnership securities.

Limited Call Right

If at any time our general partner and its affiliates hold more than 80% of the then-issued and outstanding partnership interests of any class, except for the Series A Preferred Units, our general partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acqu