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

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report: _____

Commission file number: 1-33373

CAPITAL PRODUCT PARTNERS L.P.

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands
(Jurisdiction of incorporation or organization)

3 Iassonos Street, Piraeus, 18537 Greece
+30 210 458 4950
(Address and telephone number of principal executive offices and company contact person)

Gerasimos (Jerry) Kalogiratos, j.kalogiratos@capitalmaritime.com
(Name and Email of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common units representing limited partnership interests	Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

122,094,633 Common Units
2,439,989 General Partner Units

12,983,333 Class B Convertible Preferred Units

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES **NO**

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

YES **NO**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES **NO**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

YES **NO**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definitions of “accelerated filer” and “large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer **Accelerated filer** **Non-accelerated filer**

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP **International Financial Reporting Standards as issued by the International Accounting Standards Board** **Other**

If “Other” has been checked in response to the previous question, indicate by check mark which financial statements item the registrant has elected to follow.

ITEM 17 **ITEM 18**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES **NO**

CAPITAL PRODUCT PARTNERS L.P.

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This annual report on Form 20-F (this “Annual Report”) should be read in conjunction with our audited consolidated financial statements and accompanying notes included herein. In this Annual Report, the “Partnership”, “CPLP”, “we”, “us” or “our” refer to Capital Product Partners L.P.; “Capital Maritime” or “CMTC” refer to Capital Maritime & Trading Corp., our sponsor and “Capital Ship Management” or the “Manager” refer to Capital Ship Management Corp., a subsidiary of Capital Maritime and our manager.

FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this Annual Report concerning our business, operations, cash flows, and financial position, including, among other things, the likelihood of our success in developing and expanding our business, include forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements which are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, financial condition and the markets in which we operate, and involve risks and uncertainties. In some cases, you can identify the forward-looking statements by the use of words such as “may”, “might”, “could”, “should”, “would”, “expect”, “plan”, “anticipate”, “likely”, “intend”, “forecast”, “believe”, “estimate”, “project”, “predict”, “propose”, “potential”, “continue”, “seek” or the negative of these terms or other comparable terminology. Although these statements are based upon assumptions we believe to be reasonable based upon available information, including projections of revenues, operating margins, earnings, cash flow, working capital and capital expenditures, they are subject to risks and uncertainties that are described more fully in this Annual Report in “Item 3.D: Risk Factors” below. These forward-looking statements represent our estimates and assumptions only as of the date of this Annual Report and are not intended to give any assurance as to future results. As a result, you are cautioned not to rely on any forward-looking statements. Forward-looking statements appear in a number of places in this Annual Report and include statements with respect to, among other things:

- expectations regarding our ability to make distributions on our common units and our Class B Convertible Preferred Units (the “Class B Units”), which rank senior to our common units and receive distributions prior to any distributions on our common units;
- our ability to increase our distributions over time;
- global economic outlook and growth;
- shipping conditions and fundamentals, including the balance of supply and demand in the tanker, drybulk and container markets in which we operate, as well as trends and conditions in the newbuilding markets and scrapping of older vessels;
- increases or decreases in domestic or worldwide oil consumption;
- increases or decreases in seaborne transportation of containerized goods;
- future supply of, and demand for, refined products and crude oil;
- future refined product and crude oil prices and production;
- our ability to operate in various new markets, including the tanker, drybulk and container carrier markets;
- tanker, drybulk and container carrier industry trends, including charter rates and factors affecting the chartering of vessels;
- our future financial condition or results of operations and our future revenues and expenses, including revenues from any profit sharing arrangements, and required levels of reserves;
- future levels of operating surplus, reserves and levels of distributions, as well as our future cash distribution policy;
- future charter hire rates and vessel values;
- anticipated future acquisitions of vessels from Capital Maritime or from third parties, including any of the five remaining newbuild Samsung eco medium range product tankers for which we have a right of first refusal;
- anticipated future chartering arrangements with Capital Maritime or third parties;
- our ability to secure employment for our vessels that come off their current charters;
- our ability to leverage to our advantage Capital Maritime’s relationships and reputation in the shipping industry;
- our ability to compete successfully for future chartering and newbuilding opportunities;
- our current and future business and growth strategies and other plans and objectives for future operations;
- our ability to access debt, credit and equity markets;

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- changes in the availability and costs of funding due to conditions in the bank market, capital markets and other factors;
- our ability to refinance and/or repay our debt and/or achieve further postponement of any amortization of our debt if necessary under the current terms of our credit facilities;
- interest rate developments in any of our funding currencies;
- the ability of our customers to meet their obligations under the terms of our charter agreements, including the timely payment of the rates under the agreements;
- the financial condition, viability and sustainability of our customers, including their ability to obtain liquidity and access the capital markets;
- changes in interest rates and any interest rate hedging practices in which we may engage;
- the debt amortization payments and repayment of debt and settling of interest rate swaps we may make, if any;
- planned capital expenditures and availability of capital resources to fund capital expenditures;
- our ability to maintain long-term relationships with major refined product importers and exporters, major crude oil companies and major commodity traders, operators and liner companies;
- the ability of our Manager to qualify for short- and long-term charter business with major charterers, oil traders, commodity traders, drybulk operators and liner companies;
- our ability to maximize the use of our vessels, including the redeployment or disposition of vessels no longer under long-term time charter;
- our continued ability to enter into long-term, fixed-rate time charters with our charterers and to re-charter our vessels as their existing charters expire at attractive rates;
- the changes to the regulatory requirements applicable to the shipping and oil transportation industry, including, without limitation, stricter requirements adopted by international organizations, such as the International Maritime Organization, a United Nations agency that issues international trade standards for shipping (the “IMO”) and the European Union, or by individual countries or charterers and actions taken by regulatory authorities and governing such areas as safety and environmental compliance;
- the expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards, including with new environmental regulations and standards being introduced, as well as with standard regulations imposed by our charterers applicable to our business;
- the impact of heightened regulations and the actions of regulators and other government authorities, including anti-corruption laws and regulations, as well as sanctions and other governmental actions;
- our anticipated general and administrative expenses and our costs and expenses under the management agreements and the administrative services agreement with our Manager, and for reimbursement for fees and costs of Capital GP L.L.C., our general partner (the “General Partner”);
- increases in costs and expenses, including but not limited to crew wages, insurance, provisions, port expenses, lubricating oil, bunkers, repairs, maintenance and general and administrative expenses;
- the adequacy of our insurance arrangements and our ability to obtain insurance and required certifications;
- the impact on operating expenses of the floating fee structure under which most of our vessels are managed;
- potential increases in costs and expenses under our management agreements following expiration and/or renewal of such agreements in connection with certain of our vessels;
- the impact of heightened environmental and quality concerns of insurance underwriters and charterers;
- the anticipated taxation of our partnership and distributions to our common and Class B unitholders;
- estimated future maintenance and replacement capital expenditures;
- expected demand in the shipping sectors in which we operate in general and the demand for our crude oil and product tankers, container and drybulk vessels in particular;
- the expected lifespan and condition of our vessels;
- the ability of our General Partner and Manager to employ and retain key employees;

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- our General Partner's and Manager's track records, and past and future performance, in safety, environmental and regulatory matters;
- potential liability and costs due to environmental, safety and other incidents involving our vessels;
- the effects of increasing emphasis on environmental and safety concerns by customers, governments and others, as well as changes in maritime regulations and standards;
- expected financial flexibility to pursue acquisitions and other expansion opportunities;
- anticipated funds for liquidity needs and the sufficiency of cash flows;
- the performance and expected cost savings of the vessels we have acquired or may acquire in the future from CMTC or from third parties and any new technologies incorporated into such vessels, at least some of which may be untested; and
- future sales of our units in the public market.

These and other forward-looking statements 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 "Item 3.D: Risk Factors" below. 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.

Unless required by law, we expressly disclaim any 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. You should carefully review and consider the various disclosures included in this Annual Report and in our other filings made with the U.S. Securities and Exchange Commission (the "SEC") that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

PART I**Item 1. Identity of Directors, Senior Management and Advisors.**

Not Applicable.

Item 2. Offer Statistics and Expected Timetable.

Not Applicable.

Item 3. Key Information.**A. Selected Financial Data**

We have derived the following selected historical financial data for the three years ended December 31, 2016, and as of December 31, 2016 and 2015, from our audited consolidated financial statements (the “Financial Statements”), appearing elsewhere in this Annual Report. The historical financial data presented for the years ended December 31, 2013 and 2012 and as of December 31, 2014, 2013 and 2012 have been derived from audited financial statements not included in this Annual Report and are provided for comparison purposes only. Our historical results are not necessarily indicative of the results that may be expected in the future. Different factors affect our results of operations, including among others, the number of vessels in our fleet, prevailing charter rates, management and administrative services fees, as well as financing arrangements we enter into. Consequently, the below table should be read together with, and is qualified in its entirety by reference to, the Financial Statements and the accompanying notes included elsewhere in this Annual Report. The below table should also be read together with “Item 5A: Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Our Financial Statements are prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) as described in Note 2 (Significant Accounting Policies) to the Financial Statements included herein. All numbers are in thousands of U.S. Dollars, except numbers of units and earnings per unit.

	Year ended December 31,				
	2016	2015	2014	2013	2012
Income Statement Data:					
Revenues	\$205,594	\$156,613	\$119,907	\$116,520	\$84,012
Revenues – related party	36,026	63,731	72,870	54,974	69,938
Total revenues	241,620	220,344	192,777	171,494	153,950
Expenses:					
Voyage expenses (1)	9,920	6,479	5,907	5,776	5,114
Voyage expenses—related party (1)	360	411	338	314	554
Vessel operating expenses (2)	66,637	58,625	48,714	38,284	22,126
Vessel operating expenses—related party (2)	10,866	11,708	13,315	17,039	23,634
General and administrative expenses	6,253	6,608	6,316	9,477	9,159
Loss / (gain) on sale of vessels to third parties	—	—	—	7,073	(1,296)
Vessel depreciation and amortization	71,897	62,707	57,476	52,208	48,235
Vessels’ impairment charge (4)	—	—	—	—	43,178
Total operating expenses	165,933	146,538	132,066	130,171	150,704
Operating income	75,687	73,806	60,711	41,323	3,246
Gain from bargain purchase	—	—	—	42,256	—
Gain on sale of claim	—	—	—	31,356	—
Interest expense and finance costs	(24,302)	(20,143)	(19,225)	(15,991)	(26,658)
Gain on interest rate swap agreement	—	—	—	4	1,448
Other income	1,104	1,747	2,526	533	775

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	Year ended December 31,				
	2016	2015	2014	2013	2012
Partnership's net income / (loss)	\$ 52,489	\$ 55,410	\$ 44,012	\$ 99,481	\$ (21,189)
Class B unit holders' interest in our net income	11,101	11,334	14,042	18,805	10,809
General partner's interest in our net income / (loss)	818	879	593	1,598	(640)
Common unit holders' interest in our net income / (loss)	40,570	43,197	29,377	79,078	(31,358)
Net income / (loss) allocable to limited partner per:					
Common unit basic	0.34	0.38	0.31	1.04	(0.46)
Common unit diluted	0.34	0.38	0.31	1.01	(0.46)
Weighted-average units outstanding basic					
Common units	119,803,329	115,030,879	93,353,168	75,645,207	68,256,072
Weighted-average units outstanding diluted					
Common units	119,803,329	115,030,879	93,353,168	97,369,136	68,256,072
Balance Sheet Data (at end of the year):					
Fixed assets(4)(9)(14)(15)	\$ 1,367,731	\$ 1,333,657	\$ 1,186,711	\$ 1,176,819	\$ 959,550
Total assets(4)(9)(14)(15)	1,598,605	1,555,875	1,489,853	1,397,721	1,068,510
Total long-term liabilities(14)(15)	578,652	556,809	572,545	578,186	459,262
Total partners' capital (3)(5)(6)(7)(8)(10)(11)(12)(13)(15)(16)	927,757	937,820	872,561	781,426	573,828
Number of units	137,517,955	135,832,778	120,427,778	109,128,388	86,343,388
Common units	122,094,633	120,409,456	104,079,960	88,440,710	69,372,077
Class B units	12,983,333	12,983,333	14,223,737	18,922,221	15,555,554
General Partner units	2,439,989	2,439,989	2,124,081	1,765,457	1,415,757
Dividends declared per common unit	\$ 0.46	\$ 0.94	\$ 0.93	\$ 0.93	\$ 0.93
Dividends declared per class B unit	\$ 0.86	\$ 0.87	\$ 0.86	\$ 0.86	\$ 0.48
Cash Flow Data:					
Net cash provided by operating activities	155,086	134,209	125,277	129,576	84,798
Net cash (used in) / provided by investing activities	(91,782)	(209,937)	(30,327)	(335,346)	15,935
Net cash (used in) / provided by financing activities	(46,816)	1,719	5,277	226,191	(110,552)

- (1) Voyage expenses primarily consist of commissions, port expenses, canal dues and bunkers.
- (2) Vessel operating expenses consist of management fees payable to our Manager pursuant to the terms of our three separate management agreements and actual operating expenses such as crewing, repairs and maintenance, insurance, stores, spares, lubricants and other operating expenses incurred in respect of our vessels.
- (3) In May and June 2012, we issued a total of 15,555,554 Class B Units to a group of investors, including Capital Maritime, and received net proceeds of \$136.4 million, which, together with \$13.2 million from our available cash, were used to prepay bank debt of \$149.6 million.
- (4) In December 2012, we acquired the companies owning the M/V Archimidis and the M/V Agamemnon from Capital Maritime, in exchange for our subsidiaries owning the M/T Alexander the Great and the M/T Achilleas, two Very Large Crude Carriers. As a consequence of this exchange, we recognized an impairment charge of \$43.2 million, which was the result of the difference between the carrying and the fair market value of the M/T Alexander the Great and M/T Achilleas on the date of the exchange.

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- (5) In March 2013, we issued a total of 9,100,000 Class B Units to a group of investors, including Capital Maritime, and received net proceeds of \$72.6 million, which, together with a \$54.0 million draw down under our existing \$350.0 million credit facility entered into in 2008 (as amended, the “2008 credit facility”) and \$3.4 million from available cash, were used to acquire from Capital Maritime the shares of two separate vessel-owning companies, each of which owns a 5,000 twenty foot equivalent (“TEU”) high specification container vessel, built in 2013, at a price of \$65.0 million each.
- (6) In August 2013, we completed an equity offering of 13,685,000 common units, which included the full exercise of the underwriters’ overallotment option of 1,785,000 common units, receiving net proceeds of \$119.8 million after deducting expenses related to the offering. The net proceeds, together with a \$75.0 million draw down under our \$225.0 million term loan facility entered into in 2013 (as amended, the “2013 credit facility”) and \$0.2 million from available cash, were used to acquire from Capital Maritime three vessel-owning companies, each of which owned a 5,000 TEU high specification container vessel, built in 2013, at a price of \$65.0 million each.
- (7) In August 2013, our sponsor converted 349,700 common units into general partner units and delivered such units to our General Partner in order for it to maintain its 2% interest in us. Currently our General Partner holds a 1.96% general partner interest in us.
- (8) During 2013, certain holders of our Class B Units converted an aggregate of 5,733,333 Class B Units into common units in accordance with the terms of the partnership agreement.
- (9) In November 2013, we sold the M/T Agamemnon II (51,238 dwt IMO II/III Chemical Product Tanker built 2008, STX Shipbuilding & Offshore, S. Korea) at a price of \$33.5 million to unaffiliated third parties. In November 2013, we acquired an eco-type MR product tanker, the M/T Aristotelis (51,604 dwt IMO II/III Chemical Product Tanker built 2013, Hyundai Mipo Dockyard Ltd, S. Korea). The acquisition price of \$38.0 million was funded from the sale proceeds of the M/T Agamemnon II and our available cash. The M/T Aristotelis replaced the M/T Agamemnon II as a security under our \$370.0 million credit facility entered into in 2007 (as amended, the “2007 credit facility”).
- (10) In September 2014, we completed an equity offering of 17,250,000 common units, which included the full exercise of the underwriters’ overallotment option of 2,250,000 common units, receiving net proceeds of \$173.5 million after deducting expenses related to the offering. The net proceeds were used to repurchase from Capital Maritime 5,950,610 common units at an aggregate price of \$60.0 million and to cancel such common units. Furthermore, we used the amount of \$30.2 million of the net proceeds of the offering as an advance payment to Capital Maritime in connection with the acquisition of five new vessels acquired from Capital Maritime, our sponsor, comprising three newbuild Daewoo 9,160 TEU eco-flex containerships (collectively, the “Dropdown Containerships”) and two newbuild Samsung eco-medium range product tankers (collectively, the “Dropdown Tankers” and, together with the Dropdown Containerships, the “Dropdown Vessels”), four of which were delivered between March and September 2015 and the fifth of which was delivered in February 2016. The total acquisition cost for these five vessels was \$311.5 million. The remaining proceeds of the offering were used for general partnership purposes.
- (11) In 2015 and 2014, our sponsor converted 315,908 and 358,624 common units, respectively, into general partner units and delivered such units to our General Partner in order for it to maintain its 2% interest in us. Currently our General Partner holds 1.96% general partner interest in us.
- (12) During 2015 and 2014, various holders of our Class B Units, including Capital Maritime, converted an aggregate of 1,240,404 and 4,698,484 Class B Units into common units, respectively, in accordance with the terms of the partnership agreement.
- (13) In April 2015, we completed an equity offering of 14,555,000 common units, including 1,100,000 common units sold to Capital Maritime and 1,755,000 common units representing the overallotment option, at a net price of \$9.53 per common unit, and received net proceeds before expenses of \$133.3 million. The net proceeds were used to prepay the quarterly installments scheduled for 2016 and the first quarter of 2017 under our 2007, 2008 and 2011 credit facilities and to pay related fees and expenses and for general partnership purposes.
- (14) On March 31, June 10, June 30 and September 18, 2015, we acquired the shares of the companies owning four of the Dropdown Vessels, namely the M/T Active, the M/V Akadimos (renamed the “CMA CGM Amazon”), the M/T Amadeus and the M/V Adonis (renamed the “CMA CGM Uruguay”), for a total consideration of \$230.0 million, which was funded by drawdowns under our 2013 credit facility for a total of \$115.0 million and from cash on hand.
- (15) On February 26, 2016, we acquired from Capital Maritime the shares of the company owning the M/V Anaxagoras (renamed the ‘CMA CGM Magdalena’), the last of the five Dropdown Vessels. We funded the acquisition by drawing under our 2013 credit facility and using available cash. On October 24, 2016, we acquired from Capital Maritime the shares of the company owning the M/T Amor, an eco-type MR product tanker, for a total consideration of \$16.9 million comprising , \$16.0 million in cash and the issuance of 283,696 new common units to Capital Maritime, reflecting the fair value of M/T Amor of \$31.6 million and the fair value of the time charter attached to the vessel of \$1.1 million, less the assumption of a \$15.8 million term loan under a credit facility previously arranged by Capital Maritime with ING Bank N.V. (the “2015 credit facility”).
- (16) In September 2016, the Partnership entered into an equity distribution agreement with UBS Securities LLC (“UBS”) under which the Partnership may sell, from time to time through UBS, as its sales agent, new common units having an aggregate offering amount of up to \$50.0 million (the “ATM offering”). During the period between the launch of the ATM offering and December 31, 2016, we issued an aggregate of 1.4 million new common units and received net proceeds of \$4.5 million (before offering expenses).

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Please read Note 2 (Significant Accounting Policies), Note 3 (Acquisitions), Note 5 (Fixed Assets), Note 7 (Long-Term Debt), and Note 12 (Partners' Capital) to our Financial Statements included herein for additional information.

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors

An investment in our securities involves a high degree of risk. Some of the following risks relate principally to the countries and the industry in which we operate and the nature of our business in general. Although many of our business risks are comparable to those a corporation engaged in a similar business would face, limited partner interests are inherently different from the capital stock of a corporation. If any of the following risks actually occurs, our business, financial condition or operating results could be materially adversely affected. In that case, we might not be able to pay distributions on our common units or Class B Units, the trading price of our common units could decline and you could lose all or part of your investment. The risks described below also include forward-looking statements and our actual results may differ substantially from those discussed in such forward-looking statements. For more information, please read "Forward-Looking Statements" above.

RISKS RELATING TO THE TANKER INDUSTRY

Changes to global economic conditions and oil and oil product demand, prices and supply could result in decreased demand for our vessels and services, materially affect our ability to re-charter our vessels at favorable rates and have a material adverse effect on our business, financial position, results of operations, cash flow and ability to make cash distributions and service or refinance our debt.

Global economic growth is a significant driver in the demand for oil and, as a result, the demand for shipping. The past several years were marked by major economic slowdowns, which have had, and in part continue to have, a significant impact on the global economy and demand for oil. Global economic conditions remain fragile with significant uncertainty affecting recovery prospects and long-term economic growth. In particular, uncertainty surrounding recovery in Europe and the United States, and the recent economic slowdown in China and other emerging markets, have in the past affected and may continue to affect demand for product and crude tankers.

Furthermore, there is a general global trend towards energy efficient technologies and alternative sources of energy. In the long term, oil demand may be reduced by an increased reliance on alternative energy sources or a drive for increased efficiency in the use of oil, as a result of environmental concerns or high oil prices, which has the potential to significantly decrease demand for oil and shipping.

We expect emerging markets, which historically have had more volatile economies, to be a key driver in future oil demand and a slowdown in these economies, such as recently in China, could severely affect global demand for oil and may result in protracted, reduced consumption of oil products and a decreased demand for our vessels and lower charter rates.

If global economic conditions deteriorate further or oil prices increase and, as a result, demand for oil and oil products contracts or increases more slowly, we may not be able to operate our vessels profitably or employ our vessels at favorable charter rates as they come up for re-chartering. Furthermore, the market value of our vessels may decline as a result of such events, which may cause us to recognize losses upon disposition of the vessels or record impairments and affect our ability to comply with our loan covenants.

In addition, reduced global supply of oil due to coordinated action, such as the production cuts recently agreed by OPEC members and other oil producing nations, or other circumstances may adversely affect demand for the transportation of crude oil and oil tankers.

A deterioration of the current economic conditions or changes in oil demand and supply and the product and crude tanker markets would have a material adverse effect on our business, financial position, results of operations, cash flow and ability to make cash distributions and service or refinance our debt.

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Charter rates for tanker vessels are highly volatile and may decrease in the future, which may adversely affect our earnings and our ability to make cash distributions, as we may not be able to re-charter our vessels or we may not be able to re-charter them at competitive rates.

The shipping industry is cyclical. As a result, charter hire rates and vessel values have historically been volatile. We are particularly exposed to fluctuations in the product and crude tanker markets as the majority of our vessels are tankers. Therefore, as our charters expire, we may only be able to re-charter our tankers at reduced or unprofitable rates, or we may not be able to re-charter our tankers at all.

The demand for period charters may remain stagnant or decrease. Even if we secure employment for our tankers under period charters, our charterers may go bankrupt, fail to perform their obligations under the charter agreements, delay payments or suspend payments altogether, terminate the charter agreements prior to the agreed-upon expiration date or attempt to renegotiate the terms of the charters.

Depending on market conditions, we may be forced to deploy our tankers in the spot market, which is cyclical and highly volatile. In the past, there have been periods during which spot rates have declined below the operating cost of tankers. If we deploy our tankers in the spot markets, we may be unable to obtain profitable spot charters or minimize the time spent waiting for charters or traveling to pick up cargo. Furthermore, as charter rates for spot charters are fixed for a single voyage of up to several weeks, we may experience delays in realizing the benefits from increases in spot charter rates.

The factors affecting supply and demand for product and crude tankers are outside our control and the nature, timing, direction and degree of changes in industry conditions are difficult to predict with confidence. Some of the factors that may affect charter hire rates and the market value of tankers include the following:

- the supply for oil and oil products, which is influenced by, among other things, international economic activity, geographic changes in oil production, processing and consumption, oil price levels, inventory policies of the major oil and oil trading companies, competition from alternative sources of energy and strategic inventory policies of countries such as the United States, China and India;
- the demand for oil and oil products;
- decreases in the consumption of oil due to increases in its price relative to other energy sources, other factors making consumption of oil less attractive or energy conservation measures;
- increases in the production of oil in areas linked by pipelines to consuming areas, the extension of existing, or the development of new, pipeline systems in markets we may serve, or the conversion of existing non-oil pipelines to oil pipelines in those markets;
- regional availability of refining capacity;
- prevailing economic conditions in the market in which the tanker trades;
- availability of credit to charterers and traders in order to finance expenses associated with the relevant trades;
- regulatory change;
- increases in the supply of vessel capacity; and
- the cost of retrofitting or modifying existing vessels, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

If we have to re-charter our tankers when charter hire rates are low or are unable to re-charter our tankers, our business, financial condition, results of operations, cash flow and ability to make distributions and service or refinance our debt could be adversely affected.

The market values of tanker vessels are highly volatile and may decrease further in the future which may cause us to recognize losses if we sell our tankers or record impairments and affect our ability to comply with our loan covenants and refinance our debt.

The market value of tankers is influenced, among other factors, by the prevailing charter market, replacement costs, the residual value of the vessels, expectations with regard to asset prices, availability of tankers for sale, as well as the ability of buyers to access financing and capital. If we sell a vessel at a time when its market value has fallen, the sale price may be less than the vessel's carrying amount, resulting in a loss. In addition, we may be required to record an impairment charge as a result of a decrease in the future charter rates or market values of our vessels. A decline in the market value of our vessels could also lead to a default under our credit facilities, affect our ability to refinance our existing credit facilities and limit our ability to obtain additional financing and service or refinance our debt. If any of these circumstances were to happen, our business, financial condition, results of operation, cash flow and ability to make distributions may be materially and adversely affected.

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An oversupply of tanker vessels or an expansion of the capacity of newly built tankers may lead to reductions in charter hire rates, vessel values and profitability.

The supply of tankers is affected by a number of factors, such as demand for energy resources and primarily oil and petroleum products, level of charter hire rates, asset and newbuilding prices, availability of financing, as well as overall economic growth in parts of the world economy, including Asia, and has been increasing as a result of the delivery of substantial newbuilding orders over the last few years. Newly built tankers were delivered in significant numbers starting at the beginning of 2006 through 2016. In addition, as of December 31, 2016, the newbuilding order book was estimated to equal approximately 13.7% of the existing world tanker fleet and may increase further in proportion to the existing fleet. Furthermore, if newly built tankers have more capacity than the tankers being scrapped or lost, tanker capacity overall will expand. If the supply of tankers or their capacity increases over time but demand for tanker vessels does not grow correspondingly, charter rates and vessel values will materially decline. If that happens, as our charters expire, we may only be able to re-charter our vessels at reduced or unprofitable rates, or we may not be able to charter our vessels at all. A reduction in charter rates and the value of our vessels may have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

Over the last five years, a number of vessel owners have ordered and taken delivery of so-called “eco-type” vessel designs, which offer substantial bunker savings as compared to older designs. Increased demand for and supply of “eco-type” vessels could reduce demand for certain of our vessels that are not classified as such and expose us to lower vessel utilization and/or decreased charter rates.

We estimate that a significant proportion of newbuilding orders are based on new vessel designs, which purport to offer material bunker savings compared to older designs, such as a significant proportion of our tanker vessels. See “Item 4.B: Business Overview—Our Fleet.” New vessel designs could result in a substantial reduction of bunker cost for charterers. As the supply of “eco-type” tankers expands, if charterers prefer those vessels over our tankers that are not classified as such, this may reduce demand for our non-“eco-type” tankers, impair our ability to re-charter such tankers at competitive rates or at all and have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

RISKS RELATED TO THE DRYBULK INDUSTRY

We are exposed to various risks in the international drybulk shipping industry, which is cyclical and volatile.

Since our acquisition of the M/V Cape Agamemnon from Capital Maritime in June 2011, we have been subject to the various risks affecting the drybulk shipping industry, which is cyclical with attendant volatility in charter rates, vessel values and profitability, with wide disparities across different classes of drybulk carriers.

After reaching historical highs in mid-2008, charter hire rates for capesize drybulk carriers, such as the M/V Cape Agamemnon, have been declining and are currently close to historically low levels. The M/V Cape Agamemnon is currently deployed on a period time charter. In the future, we may be forced to re-charter the M/V Cape Agamemnon pursuant to short-term time charters, and may be exposed to changes in the spot market and short-term charter rates for capesize drybulk carriers, all of which may affect our earnings and the value of the M/V Cape Agamemnon.

The factors affecting supply and demand for drybulk vessels are outside our control and the nature, timing, direction and degree of changes in industry conditions are difficult to predict with confidence. Some of the factors that may influence demand for drybulk carriers include the following:

- supply and demand for drybulk products;
- economic growth in China and other developing economies;
- changes in global production of products transported by drybulk vessels;
- seaborne and other transportation patterns, including the distances over which drybulk cargoes are transported and changes in such patterns and distances;
- the globalization of manufacturing;
- global and regional economic and political conditions;

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- developments in international trade;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

Some of the factors that may influence the supply of vessel capacity for drybulk carriers include the following:

- the number of deliveries of newly built vessels, which among other factors depend upon the ability of shipyards to meet contracted delivery dates and the ability of purchasers to finance such new acquisitions;
- the scrapping rate of older vessels;
- the number of vessels that are in or out of service, including as a result of vessel casualties;
- changes in environmental and other regulations and standards that may limit the profitability, operations or useful lives of vessels; and
- port and canal congestion and closures.

We currently anticipate that the future demand for the M/V Cape Agamemnon following completion of its charter and, in turn, drybulk charter rates, will be dependent, among other things, upon the rate of economic growth in the global economy, including the world's developing economies, such as China, India, Brazil and Russia, seasonal and regional changes in demand, changes in the capacity of the global drybulk vessel fleet and the sources and supply of drybulk cargo to be transported by sea. A decline in demand for commodities transported in drybulk vessels or an increase in supply of drybulk vessels could cause a significant decline in charter rates, which could materially adversely affect our business, financial condition, results of operations, cash flow and ability to make cash distributions and service or repay our debt.

The market values of dry bulk vessels have declined and may further decline, which may cause us to recognize a loss if we sell the Cape Agamemnon or record impairments and affect our ability to comply with our loan covenants and refinance our debt.

The market values of dry bulk vessels have generally experienced high volatility and have recently declined significantly. The market value of dry bulk vessels may continue to fluctuate depending on a number of factors, including:

- prevailing level of charter rates;
- general economic and market conditions affecting the shipping industry
- types, sizes and ages of vessels;
- supply of and demand for vessels;
- other modes of transportation;
- cost of newbuildings;
- governmental or other regulations;
- the need to upgrade vessels as a result of charterer requirements, technological advances in vessel design or equipment or otherwise; and
- competition from other shipping companies and other modes of transportation

If the market value of the Cape Agamemnon deteriorates significantly, we may be required to record an impairment charge in our financial statements. Furthermore, if the current charter expires or is terminated, we may be unable to re-charter the vessel at an acceptable rate and, rather than continuing to incur costs to maintain the vessel, we may seek to dispose of it. Our inability to dispose of the vessel at a reasonable price however could result in a loss. A further decline in the market value of the Cape Agamemnon could also lead to a default under our credit facilities, affect our ability to refinance our existing credit facilities and limit our ability to obtain additional financing and service or refinance our debt. If any of these circumstances were to happen, our business, financial condition, results of operation, cash flow and ability to make distributions may be adversely affected.

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The M/V Cape Agamemnon is currently chartered at rates that are at a substantial premium to the spot and period markets. The loss of this charter could result in a significant loss of expected future revenues and cash flows.

The M/V Cape Agamemnon is currently under a ten-year time charter to Cosco Bulk Carrier Co. Ltd. (“Cosco”), a member of the China Ocean Shipping (Group) Company (“COSCO Group”) and one of the largest drybulk charterers globally. The charter commenced in July 2010 and was amended in November 2011. The earliest expiry date under the charter is June 2020. Since the charter was amended in November 2011, the gross charter rate is a flat rate of \$42,200 per day.

We currently maintain insurance to protect us against the loss of income that would result from Cosco’s failure or refusal to pay hires under the time charter agreement. Under our revenue protection insurance, our insurer has agreed to pay us a maximum amount of \$25,000 per day for each day of loss, defined as the difference between the hire contractually payable under the charter and the replacement hire earned or that could be earned by us during the policy period expiring on July 30, 2020. Replacement hires are defined as the greater of the actual hires earned during the policy period and the average hire rate that the M/V Cape Agamemnon is capable of earning, as determined by three independent shipbrokers. The revenue protection insurance is renewed annually and there is no guarantee that we will be able to renew this insurance.

COSCO Group has faced financial difficulties. Its listed affiliate China Cosco Holdings announced record high net losses of Rmb7.2bn (\$1.1bn) for the first six months of 2016, compared with a loss of Rmb1.9bn in the same period last year. We could lose this charterer or the benefits of the charter if, among other things:

- the charterer is unable or unwilling to perform its obligations under the charter, including the payment of the agreed rates in a timely manner;
- the charterer continues to face financial difficulties forcing it to declare bankruptcy, to restructure its operations or to default under the charter;
- the charterer fails to make charter payments because of its financial inability, disagreements with us or otherwise;
- the charterer seeks to re-negotiate the terms of the charter agreement due to prevailing economic and market conditions or due to continued poor performance by the charterer;
- the charterer exercises certain rights to terminate the charter;
- the charterer terminates the charter because we fail to comply with the terms of the charter, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged periods of off-hire, or we default under the charter;
- a prolonged force majeure event affecting the charterer, including war or political unrest, prevents us from performing services for that charterer; or
- the charterer terminates the charter because we fail to comply with the safety and regulatory criteria of the charterer or the rules and regulations of various maritime organizations and bodies.

In the event we lose the benefit of the charter with Cosco prior to its expiration date, we would have to re-charter the vessel at the then prevailing charter rates. If that were to happen and insurance cover were to be unavailable or insurance payout were to be insufficient to cover our loss for any reason, this could materially and adversely affect our business, financial condition, results of operations, cash flow and our ability to make distributions and service or refinance our debt.

A negative change in the economic conditions in Asia, especially in China, Japan or India, including as a result of slowdowns in the United States or Europe, could reduce drybulk trade and demand, which would affect charter rates and have a material adverse effect on our business, financial condition, results of operations, cash flow and ability to make cash distribution and service or refinance our debt.

A significant number of the port calls made by Capesize bulk carriers involve the loading or discharging of raw materials in ports in Asia, particularly China, Japan and India. In past years, China and India have had two of the world’s fastest growing economies in terms of gross domestic product and have been the main force driving demand for drybulk vessels. If economic growth declines in China, Japan, India and other countries in Asia, we may face decreases in drybulk trade and demand. For example, the

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recent slowdown of the Chinese economy has adversely affected demand for capesize bulk carriers. As a result, spot and period rates, as well as asset values, are currently at historically low levels. Moreover, slowdowns in the United States or the economies of the European Union, as have occurred recently, may adversely affect economic growth in China, Japan, India and other Asian countries. A negative change in economic conditions in any Asian country, particularly China, Japan or India, could reduce demand for capesize bulk carriers and, as a result, charter rates and affect our ability to re-charter the M/V Cape Agamemnon at a profitable rate or at all and have a material adverse effect on our business, financial position, results of operations, cash flow and ability to make cash distribution and service or refinance our debt.

An oversupply of drybulk vessel capacity may lead to reductions in charter rates and profitability.

The market supply of drybulk vessels has been increasing, and the number of drybulk vessels on order as of December 2016 was estimated by market sources to be approximately 10.8% of the then-existing global drybulk fleet in dwt terms, with deliveries expected mainly during the next 24 months, although available data with regard to cancellations of existing newbuild orders or delays in newbuild deliveries are not always accurate or may not be readily available.

Despite increased demolition of older drybulk vessels between 2011 and 2016, the drybulk fleet continues to grow. An oversupply of drybulk vessel capacity will likely result in protracted weakness in drybulk charter hire rates. Upon the expiration of the current charter period in June 2020, if we cannot enter into a new period time charter for the M/V Cape Agamemnon on acceptable terms, we may have to secure charters in the spot market, where charter rates are more volatile and revenues are, therefore, less predictable, or we may not be able to charter the vessel at all.

The international drybulk shipping industry is highly competitive, and with only one drybulk vessel in our fleet, we may not be able to compete successfully for charters with established companies with greater resources. As a result, we may not be able to successfully operate the vessel.

We employ the M/V Cape Agamemnon in the highly competitive drybulk market, which is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of which have substantially larger fleets of drybulk vessels or greater resources than we currently have or will have in the future. Competition for the transportation of drybulk cargo by sea is intense and depends on price, customer relationships, operating expertise, professional reputation and size, age, location and condition of the vessel. In this highly fragmented market, companies operating larger fleets, as well as competitors with greater resources, may be able to offer lower charter rates than ours, which could have a material adverse effect on our ability to charter out the M/V Cape Agamemnon and, accordingly, its profitability.

The operation of drybulk vessels has certain unique operational risks, and failure to adequately maintain the M/V Cape Agamemnon could have a material adverse effect on our business, financial condition, results of operations, cash flow and ability to make distributions and service or refinance our debt.

With a drybulk vessel, the cargo itself and its interaction with the vessel may create operational risks. By their nature, drybulk cargoes are often heavy, dense and easily shifted, and they may react badly to water exposure. In addition, drybulk vessels are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach while at sea. Breaches of a drybulk vessel's hull may lead to the flooding of the vessel's holds. If a drybulk vessel suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads, leading to the loss of a vessel. If we or Capital Maritime, as manager, do not adequately maintain the M/V Cape Agamemnon, we may be unable to prevent these events. The occurrence of any of these events could have a material adverse effect on our business, financial condition, results of operations, cash flow and ability to make distributions and service or refinance our debt.

RISKS RELATED TO THE CONTAINER CARRIER INDUSTRY

We are exposed to various risks in the ocean-going container shipping industry, which is cyclical and volatile in terms of charter rates and profitability.

Since December 2012, we have acquired ten container vessels from Capital Maritime and have become subject to the risks affecting the container shipping industry. We had limited experience in the container shipping market prior to 2012.

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The ocean-going container shipping industry is both cyclical and volatile in terms of charter rates and profitability and demand for our vessels depends on a range of factors, including demand for the shipment of cargoes in containers. Containership charter rates peaked in 2005 but have declined sharply since then and have remained at or close to historical lows throughout 2016, as the impact of the slowdowns in the European and Chinese economies continue to affect international trade, including exports from China to Europe and the United States.

Since the second half of 2011, liner companies have experienced a substantial downturn in container shipping activity, resulting in depressed average freight rates, which has caused financial distress at a number of liner companies, including our charterers, and could further impact them. In a number of instances, charterers have not performed under, or have requested modifications of, existing time charters.

Containership charter rates depend upon a range of factors, including changes in the supply and demand for ship capacity and changes in the supply and demand for major products transported by containerships. Demand for containerships and profitability of the container business have been affected negatively by a large order book of new containership vessels, including “ultra large container vessels”. Since the second half of 2015, a slowdown in demand in certain key container trade routes, including the Asia to Europe route, at a time of increased vessel supply has resulted in an increase of the idle container fleet to 7.5% as of the end of 2016.

Furthermore, the decline in the containership market has adversely affected the value of container vessels, which follow the trends of freight rates and containership charter rates, and resulted in a less active secondhand market for the sale of vessels.

The factors affecting the supply and demand for products shipped in containers and for containerships are outside our control and the nature, timing, direction and degree of changes in industry conditions are difficult to predict with confidence. Some of the factors that influence demand for containerships include:

- supply and demand, including consumer demand, for products suitable for shipping in containers;
- changes in global production of products transported by containerships;
- seaborne and other transportation patterns, including the distances over which container cargoes are transported and changes in such patterns and distances;
- the globalization of manufacturing;
- developments in the market for exports of containerized goods from emerging markets, including China;
- global and regional economic and political conditions;
- developments in international trade;
- trends in the market for imports of raw materials to emerging markets, such as India and China;
- the relocation of regional and global manufacturing facilities from Asian and emerging markets to developed economies in Europe and the United States;
- environmental and other regulatory developments;
- currency exchange rates;
- weather; and
- cost of bunkers.

Some of the factors that influence the supply of containerships include the following:

- the number of newbuilding orders and deliveries;
- the extent of newbuilding vessel deferrals;
- the scrapping rate of containerships;
- newbuilding prices and containership owner access to capital to finance the construction of newbuildings;
- charter rates and the price of steel and other raw materials;
- changes in environmental and other regulations and standards that may limit the profitability, operations or useful life of containerships;
- the number of containerships that are slow-steaming or extra slow-steaming to conserve fuel;
- the number of containerships that are off-charter;

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- port and canal congestion and closures; and
- demand for fleet renewal.

If the charter market is depressed when time charters for our containerships expire, we may be forced to re-charter our containerships at reduced or even unprofitable rates, or we may not be able to re-charter them at all, which may reduce or eliminate our earnings or make our earnings volatile and materially and adversely affect our business, financial condition, results of operations, cash flow and ability to make cash distributions and service or refinance our debt.

An oversupply of containership capacity may prolong or further depress current charter rates and adversely affect our ability to re-charter our existing containerships at profitable rates or at all.

From 2005 through the first quarter of 2010, the size of the containership order-book was at historically high levels. Although the container order-book declined compared to previous years, as at the end of 2016, the order-book was still at almost 16% of the existing fleet. Deliveries of vessels ordered will significantly increase the size of the container fleet over the next two to three years. Additionally, a substantial number of container vessels are currently idle and the potential reactivation of the idle fleet may result in a prolonged period of lower charter rates or in a reduction of charter rates.

An oversupply of newbuilding vessels and/or re-chartered or idle containership capacity entering the market, combined with any further decline in the demand for containerships, may further depress charter rates and may decrease our ability to re-charter our containerships other than for reduced rates or unprofitable rates or to re-charter our containerships at all, which may materially and adversely affect our business, financial condition, results of operations, cash flow and ability to make cash distributions and service or refinance our debt.

A number of vessel owners have ordered and taken delivery of so-called “eco-type” vessel designs, which offer substantial bunker savings, higher container intake as compared to older designs and comply with the latest regulatory and charterers’ requirements. Increased demand for and supply of “eco-type” vessels could reduce demand for our vessels that are not classified as such and expose us to lower vessel utilization and/or decreased charter rates.

The majority of new orders of container vessels are based on new vessel designs, which purport to offer material bunker savings compared to older designs and higher container intakes. Such savings could result in a substantial reduction of bunker cost for charterers on a per unit basis. In addition, older designs may require additional capital expenditure in order to comply with regulatory and charterers’ requirements, such as the installation of Alternative Maritime Power or other equipment and/or modifications. As the supply of “eco-type” vessels increases, if charterers prefer such vessels over our vessels that are not classified as such, this may reduce demand for our non-“eco-type” vessels, impair our ability to re-charter such vessels at competitive rates or to re-charter such vessels at all, and have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt. See “Item 4.B: Business Overview—Our Fleet” for more information about the vessels in our fleet.

If our container carrier vessel charterers do not fulfill their obligations to us, or if they are unable to honor their obligations, our business, financial condition, results of operations, cash flow and ability to make cash distributions and service or refinance our debt may be adversely affected.

Our ten container carrier vessels are currently under charters with Hyundai Merchant Marine Co. Ltd. (“HMM”), CMA CGM Group (“CMA CGM”) and Pacific International Lines (PTE) Ltd Singapore (“PIL”). We currently only have short term charters at market rates with PIL.

Many liner companies, including our charterers, are highly leveraged. In recent years, a combination of factors, including, among other things, unavailability of credit, volatility in financial markets, overcapacity, competitive pressure, declines in world trade and depressed freight rates, have severely affected the financial condition of liner companies and their ability to make charter payments, which has resulted in a material increase in the credit and counterparty risks to which we are exposed and our ability to re-charter our vessels at competitive rates.

Furthermore, the surplus of containerships available at lower charter rates and lack of demand for our charterers’ liner services could negatively impact our charterers’ willingness to perform their obligations under our time charters, that provide for charter rates above current market rates.

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HMM, the charterer of five of our container vessels, completed a financial restructuring in July 2016. Our subsidiaries owning vessels under charter with HMM agreed a reduction of the charter rate payable under their respective charters by 20% to \$23,480 per day (from a gross daily rate of \$29,350) for a three and a half year period starting in July 2016 and ending in December 2019 (the “Charter Reduction Period”). The charter restructuring agreement entered into with HMM provides that at the end of the Charter Reduction Period, the charter rate under the respective charter parties will be restored to the original gross daily rate of \$29,350 until the expiry of each charter in 2024 and 2025. There can however be no assurance that the financial restructuring of HMM will prove sufficient to ensure the financial viability of HMM, which still has a high level of indebtedness, and continued charter payments to us.

CMA-CGM, the charterer of three of our container vessels, is also under financial stress, in part following its acquisition of Neptune Orient Lines Limited (NOL). CMA-CGM reported a \$476.3 million net loss for the nine-month period ended September 30, 2016.

If one of our charterers defaults on our time charters for any reason, we may be unable to redeploy the vessel previously employed by such charterer on similarly favorable or on competitive terms or at all. Also, we will incur expenses to maintain and insure the vessel but will not receive any revenue if such a vessel remains idle before being re-chartered. A variety of factors, including containership overcapacity and the expected increase in the world containership fleet over the next few years, may make it difficult for us to secure substitute employment, and any new charter arrangements may be at significantly lower rates.

A failure of our charterers to comply with the terms of their respective charters, and our inability to replace such charters at minimum charter rates and maintain minimum financial ratios may result in an event of default under our credit facilities. The loss of our charterers or a decline in payments under our time charters could have a material adverse effect on our business, financial condition, results of operations, cash flow and our ability to make cash distributions and service or refinance our debt.

Many of our container vessels are under time charters at rates that are at a substantial premium to the spot and period markets, and our charterers’ failure to perform under our time charters could result in a significant loss of expected future revenues and cash flows.

Our five container vessels that are chartered to HMM are each currently employed under 12-year time charters. Following HMM’s financial restructuring that was completed in July 2016, the charter rate payable under the respective charter parties was reduced to \$23,480 per day (from a gross daily rate of \$29,350) from July 2016 to December 2019. Our container vessels that are chartered to CMA CGM are each employed under time charters for a minimum of five years, at a gross charter rate of \$39,250 per day, all of which were entered into in December 2013.

Given that the rates we charge under these time charters are significantly higher than the current spot and period rates, failure to perform by any of these charterers could result in a significant loss of revenues, which may materially and adversely affect our business, financial condition, results of operation, cash flows and our ability to maintain cash distributions and service or refinance our debt. We could lose these charterers or the benefits of the charters if, among other things:

- the charterer is unable or unwilling to perform its obligations under the charters, including the payment of the agreed rates in a timely manner;
- the charterer continues to face financial difficulties forcing it to declare bankruptcy, further restructure its operations or default under the charters;
- the charterer fails to make charter payments because of its financial inability or its inability to trade our and other vessels profitably or due to the occurrence of losses due to the weaker charter markets;
- the charterer fails to make charter payments due to distress, disagreements with us or otherwise;
- the charterer seeks to renegotiate the terms of the charter agreements due to prevailing economic and market conditions or due to its continued poor performance;
- the charterer exercises certain rights to terminate the charters;
- the charterer terminates the charters because we fail to comply with the terms of the charters, the vessels are lost or damaged beyond repair, there are serious deficiencies in the vessels or prolonged periods of off-hire, or we default under the charters;
- a prolonged force majeure event affecting the charterer, including war or political unrest, prevents us from performing services for that customer; or
- the charterer terminates the charters because we fail to comply with the safety and regulatory criteria of the charterer or the rules and regulations of various maritime organizations and bodies.

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In the event we lose the benefit of the charters with HMM or CMA CGM prior to their respective expiration date, we would have to re-charter the vessels at the then prevailing charter rates. In such event, we may not be able to obtain competitive or profitable rates for these vessels or we may not be able to re-charter these vessels at all and our business, financial condition, results of operation, cash flow and ability to make distribution and service or refinance our debt may be materially and adversely affected.

A decrease in the level of export of goods, in particular from Asia, or an increase in trade protectionism globally, including from the United States, could have a material adverse impact on our charterers' business and, in turn, could cause a material adverse impact on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

Our operations expose us to the risk that increased trade protectionism from the United States or other nations adversely affect our business. Governments may turn to trade barriers to protect or revive their domestic industries in the face of foreign imports, thereby depressing the demand for shipping. Restrictions on imports, including in the form of tariffs, could have a major impact on global trade and demand for shipping. Trade protectionism in the markets that our charterers serve may cause an increase in the cost of exported goods, the length of time required to deliver goods and the risks associated with exporting goods and, as a result, a decline in the volume of exported goods and demand for shipping.

The new U.S. president was elected on a platform promoting trade protectionism. The results of the presidential election have thus created significant uncertainty about the future relationship between the United States and China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. On January 23, 2017, the U.S. President signed an executive order withdrawing the United States from the Trans-Pacific Partnership, a global trade agreement intended to include the United States, Canada, Mexico, Peru and a number of Asian countries. Protectionist developments, or the perception they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade and, in particular, trade between the United States and other countries, including China.

Our containerships are deployed on routes involving containerized trade in and out of emerging markets, and our charterers' container shipping and business revenue may be derived from the shipment of goods from Asia to various overseas export markets, including the United States and Europe. Any reduction in or hindrance to the output of Asia-based exporters could have a material adverse effect on the growth rate of Asia's exports and on our charterers' business.

Furthermore, the government of China has implemented economic policies aimed at increasing domestic consumption of Chinese-made goods and containing capital outflows. These policies may have the effect of reducing the supply of goods available for exports and the level of international trading and may, in turn, result in a decrease in demand for container shipping. In addition, reforms in China for a gradual shift to a "market economy" including with respect to the prices of certain commodities, are unprecedented or experimental and may be subject to revision, change or abolition and if these reforms are reversed or amended, the level of imports to and exports from China could be adversely affected.

Any new or increased trade barriers or restrictions on trade would have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. Such adverse developments could in turn have a material adverse effect on our business, financial condition, results of operations, cash flow and our ability to make cash distributions and service or refinance our debt.

Containership values have been volatile over the last five years and have decreased markedly during 2016. Containership values may decrease further and over time may fluctuate substantially, which may cause us to recognize losses if we sell our container vessels or record impairments and affect our ability to comply with our loan covenants or refinance our debt.

Containership values can fluctuate substantially over time due to a number of different factors, including:

- prevailing economic conditions in the markets in which containerships operate;
- reduced demand for containerships, including as a result of a substantial or extended decline in world trade;
- increases in the supply of containership capacity;
- prevailing charter rates and the cost of retrofitting or modifying existing ships to respond to technological advances in vessel design or equipment;
- changes in applicable environmental or other regulations or standards, or otherwise.
- prevailing newbuilding prices for similar vessels;

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- prevailing demolition prices for similar vessels;
- availability of capital for investment in containerships including ship finance and public equity; and
- supply of containerships in the market for sale including mass disposals of containerships controlled by financing institutions

In addition, fire sales of vessels by some of our competitors or other fleet-owners that may be in distress from time to time could, among other consequences, drive down vessel values. Hanjin Shipping, the world's seventh largest container shipper, recently filed for bankruptcy and a liquidation of its assets could have a negative impact on the value of our vessels.

If the market values of our vessels deteriorate further, we may be required to record an impairment charge in our financial statements. Furthermore, if a charter expires or is terminated, we may be unable to re-charter the vessel at an acceptable rate and, rather than continue to incur costs to maintain the vessel, we may seek to dispose of it. Our inability to dispose of one or more of the containerships at a reasonable price however could result in a loss. A further decline in the market value of our vessels could also lead to a default under our credit facilities, affect our ability to refinance our existing credit facilities and limit our ability to obtain additional financing and service or refinance our debt. If any of these circumstances were to happen, our business, financial condition, results of operation, cash flow and ability to make distributions may be materially and adversely affected.

Our growth and our ability to re-charter our containerships depend on, among other things, our ability to expand relationships with existing charterers and develop relationships with new charterers, for which we will face substantial competition.

The process of obtaining new long-term time charters on containerships is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months.

Containership charters are awarded based upon a variety of factors related to the vessel owner, including, among other things:

- shipping industry relationships and reputation for customer service and safety;
- container shipping experience and quality of vessel operations, including cost effectiveness;
- quality and experience of seafaring crew;
- the ability to finance containerships at competitive rates and the vessel owner's financial stability generally;
- relationships with shipyards and the ability to get suitable berths;
- construction management experience, including the ability to obtain on-time delivery of new vessel according to customer specifications;
- willingness to accept operational risks under the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

Competition for providing containerships for chartering purposes comes from a number of experienced shipping companies, including direct competition from other independent charter owners and indirect competition from state-sponsored and other major entities with their own fleets. Some of our competitors have significantly greater financial resources than we do and can operate larger fleets and may be able to offer better charter rates. An increasing number of marine transportation companies have entered the containership sector, including many with strong reputations and extensive resources and experience in the marine transportation industry. This increased competition may cause greater price competition for time charters. As a result of these factors, we may be unable to expand our relationships with existing charterers or to develop relationships with new charterers on a profitable basis, if at all, which could harm our business, financial condition, results of operations, cash flow and ability to make cash distributions and to service or refinance our debt.

RISKS RELATED TO OUR BUSINESS AND OPERATIONS

We may not be able to grow or to effectively manage our growth.

Our future growth will depend upon a number of factors, some of which we cannot control. These factors include, among other things, our ability to:

- capitalize on opportunities in the crude and product tanker, dry bulk and container markets by fixing period charters for our vessels at attractive rates;
- obtain required financing for existing and new operations, including refinancing of indebtedness, and access to capital markets, including equity and debt capital markets;
- identify businesses engaged in managing, operating or owning vessels for acquisitions or joint ventures;
- identify vessels and/or shipping companies for acquisitions;
- integrate any acquired businesses or vessels successfully with existing operations;
- hire, train and retain qualified personnel to manage, maintain and operate our business and fleet;
- identify additional new markets;
- improve operating and financial systems and controls;
- complete accretive transactions in the future; and
- maintain our commercial and technical management agreements with Capital Maritime or other competent managers.

Our ability to grow is in part dependent on our ability to expand our fleet through acquisitions of suitable vessels. We may not be able to acquire newly built or secondhand vessels on favorable terms, which could impede our growth and negatively impact our financial condition and ability to pay cash distributions. We may not be able to contract for newbuildings or locate suitable vessels or negotiate acceptable construction or purchase contracts with shipyards and owners, or obtain financing for such acquisitions on economically acceptable terms, or at all. See also “—Risks Related to Financing Activities —We rely on the master limited partnership (“MLP”) structure and its appeal to investors for accessing debt and equity markets to finance our growth and repay or refinance our debt.”

The failure to effectively identify, purchase, develop, employ and integrate any vessels or businesses could negatively affect our competitiveness which in turn could adversely affect our business, financial condition, results of operations, cash flow and our ability to make cash distributions and service or refinance our debt.

The fees and expenses we pay to Capital Ship Management, a subsidiary of Capital Maritime, for services provided to us are substantial, fluctuate, cannot be easily predicted and may reduce our cash available for distribution to our unitholders.

We have entered into three separate technical and commercial management agreements with Capital Ship Management, our Manager, for the management of our fleet. These include a fixed fee management agreement, a floating fee management agreement and, with respect to the vessels acquired as part of the merger with Crude Carriers, the Crude Carriers management agreement. Each vessel in our fleet is managed under the terms of one of these three agreements. Please read “Item 4B: Business Overview—Our Management Agreements” for information on the main terms of our three management agreements.

Expenses incurred to manage our fleet depend upon a variety of factors, many of which are beyond our or our Manager’s control. Some of these costs, primarily relating to crewing, insurance and enhanced security measures, have increased in the past and may continue to increase in the future. Rises in any of these costs, to the extent charged to us, will reduce our earnings, cash flows and the amount of cash available for distribution to our unitholders.

Furthermore, we expect that as the fixed fee management agreement expires for the five remaining vessels to which it currently applies or as we acquire new vessels, these vessels will be managed under floating fee management agreements on terms similar to those currently in place. The level of our operating costs is likely to be more volatile under floating fee arrangements than under fixed fee arrangements. In particular, any increase in the costs and expenses associated with the provision of our Manager’s services, by reason, for example, of the condition and age of our vessels, costs of crews for our time chartered vessels and insurance, will be borne by us.

The payment of fees to Capital Ship Management and compensation for expenses and liabilities incurred on our behalf, as well as the costs associated with future drydockings and/or intermediate surveys on our vessels, which can be significant, may adversely affect our business, financial condition, results of operations, cash flow and our ability to make cash distributions and service or refinance our debt.

We cannot assure you that we will pay any distributions on our units.

Our board of directors determines our cash distribution policy and the level of our cash distributions. Generally, our board of directors seeks to maintain a balance between the level of reserves it takes to protect our financial position and liquidity against the desirability of maintaining distributions on our limited partnership interests. We intend to review our distributions from time to time in the light of a range of factors, including our ability to obtain required financing and access financial markets, the repayment or refinancing of our external debt, the level of our capital expenditures, our ability to pursue accretive transactions, our financial condition, results of operations, prospects and applicable provisions of Marshall Islands law.

Under the terms of our partnership agreement, we are prohibited from declaring and paying distributions on our common units until we declare and pay, or set aside for payment, full distributions on our Class B Units. As of December 31, 2016, there were 12,983,333 Class B Units issued and outstanding. The minimum quarterly distribution on our Class B Units is \$0.21375 per unit, which is equal to \$0.86 per unit per year, until May 22, 2022 and will thereafter increase if the Class B Units are still outstanding. Among other consequences, if we fail to pay the minimum Class B Unit distribution for six or more quarters, the holders of the Class B Units will have the right to appoint a director to our board of directors and, if such arrearages exist after March 1, 2018, to replace the directors appointed by our General Partner, in each case by the affirmative vote of the holders of a majority of the Class B Units.

We may not have sufficient cash available each quarter to pay a minimum quarterly distribution on our common units following the payment of fees and expenses, the establishment by our board of directors of cash reserves, and the declaration of the minimum quarterly distribution on our Class B Units. In April 2016, in the face of severely depressed trading prices for master limited partnerships, including us, a significant increase in our cost of capital and potential loss of revenue, our board of directors took the decision to protect our liquidity position by creating a capital reserve and setting distributions on our common units at a level that our board of directors believed to be sustainable and consistent with the proper conduct of our business. We have paid significantly less than the minimum quarterly distribution on our common units since the first quarter of 2016. The minimum quarterly distribution is a target set in our limited partnership agreement. There is no requirement that we make a distribution in this amount.

Our distribution policy from time to time will depend on, among other things, shipping market developments and the charter rates we are able to negotiate when we re-charter our vessels, our cash earnings, financial condition and cash requirements, and could be affected by a variety of factors, including increased or unanticipated expenses, the loss of a vessel, required capital expenditures, reserves established by our board of directors, refinancing or repayment of indebtedness, additional borrowings, compliance with our loan covenants, our anticipated future cost of capital, access to financing and equity and debt capital markets, including for the purposes of refinancing or repaying existing indebtedness, and asset valuations. Our distribution policy may be changed at any time, and from time to time, by our board of directors.

Our ability to make cash distributions is also limited under Marshall Islands law. A Marshall Islands limited partnership cannot make a cash distribution to a partner to the extent that at the time of the distribution, after giving effect to the distribution, all liabilities of the limited partnership (other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specified property of the limited partnership) exceed the fair value of its assets. For purposes of this test, the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds such liability.

The amount of cash we generate from our operations may differ materially from our profit or loss for the period, which will be affected by non-cash items. As a result, we may not make cash distributions in certain periods even if we were to record a positive net income in those periods. Conversely, we may make cash distributions during periods when we record losses.

In the light of the factors described above and elsewhere in this annual report, there can be no assurance that we will pay any distributions on our units.

Our common units are equity securities and are subordinated to our existing and future indebtedness and our Class B Units.

Our common units are equity interests and do not constitute indebtedness. Our common units rank junior to all indebtedness and other non-equity claims on us with respect to the assets available to satisfy claims, including a liquidation of the Partnership. Additionally, holders of our common units are subject to the prior distribution and liquidation rights of any holders of the Class B Units and any other preferred units we may issue in the future. Therefore, we are prohibited from making distributions on our common units under our partnership agreement until all accrued and unpaid distributions are paid on the Class B Units.

Our board of directors is authorized to issue additional classes or series of preferred units without the approval or consent of the holders of our common units. In addition, holders of the Class B Units have the right to convert all or a portion of their Class B Units at any time into common units. As of December 31, 2016, there were 12,983,333 Class B Units issued and outstanding.

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Any reduction in the amount of distributions made on our common units could materially and adversely affect the market price of the common units.

Since 2011, our board of directors has elected not to deduct cash reserves for estimated replacement capital expenditures from our operating surplus. If this practice continues, our asset base and the income generating capacity of our fleet may be significantly affected.

Our partnership agreement provides that our board of directors shall deduct from operating surplus cash reserves that it determines are necessary to fund our future operating expenditures, including estimated maintenance capital expenditures. The amount of estimated maintenance capital expenditures deducted from operating surplus is subject to review and change by our board of directors, provided that any change must be approved by our conflicts committee.

Replacement capital expenditures are made in order to maintain our asset base and the income generating capacity of our fleet. We have in the past incurred substantial replacement capital expenditures. Replacement capital expenditures may vary over time as a result of a range of factors, including changes in:

- the value of the vessels in our fleet;
- the cost of our labor and materials;
- the cost and replacement life of suitable replacement vessels;
- customer/market requirements;
- the age of the vessels in our fleet;
- charter rates in the market; and
- governmental regulations, industry and maritime self-regulatory organization standards relating to safety, security or the environment.

Since 2011, our board of directors has elected not to deduct any cash reserves for estimated replacement capital expenditures from our operating surplus. We account for maintenance capital expenditures required to maintain the operating capacity of our vessels, including any amortization of drydocking costs associated with scheduled drydockings, as part of our operating costs, which are reflected in our operating income.

As a result of this practice, we have become significantly more reliant on our ability to obtain required financing and access the financial markets to fund our replacement capital expenditures from time to time. If this practice continues and external funding is not available to us for any reason, our ability to acquire new vessels or replace a vessel in our fleet to maintain our asset base and our income generating capacity may be significantly impaired, which would negatively affect our business, financial condition, results of operations, cash flow and ability to make cash distributions and service or refinance our debt.

As our vessels come up for their scheduled drydockings the number of off-hire days of our fleet will increase and we will incur expenses related to the drydockings and as a result our cash available for distribution to our unitholders may decrease.

Once one of our vessels is drydocked, it is automatically considered to be off-hire for the duration of the special or intermediate survey and associated drydocking, which means that for such period of time that vessel will not be earning any revenues. In 2016, five of our vessels were drydocked with a total of 135 off-hire days. None of our vessels are scheduled to drydock in 2017.

During the drydocking of our vessels, we may incur or may be obligated to reimburse our manager for certain costs, including, among other things, the installation of the ballast water treatment system for vessels, the levels of which are not possible to predict. Consequently, as scheduled drydockings for our vessels approach, the number of off-hire days of our fleet and operating expenses increase, which may materially affect our cash available for distribution to our unitholders. In addition, we may decide to put any of our vessels into drydock before the scheduled drydocking date in anticipation of regulatory changes, opportunities in the charter market or if we deem that, due to the position of the vessel, it will be less costly to put the vessel into drydock at the time.

If our vessels suffer damage due to the inherent operational risks of the shipping industry, we may experience unexpected drydocking costs and delays or total loss of our vessels, which may adversely affect our business and financial condition.

Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy and other circumstances or events. In addition, the operation of tankers has unique operational risks associated with the transportation of oil. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision or other cause, due to the high flammability and high volume of the oil transported in tankers.

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If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover in full. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs or loss that could negatively impact our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

Arrests of our vessels by maritime claimants could cause a significant loss of earnings for the related off-hire period.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In certain cases, maritime claimants may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages of its manager. In many jurisdictions, a maritime lienholder may enforce its lien by "arresting" or "attaching" a vessel through foreclosure proceedings. In addition, in jurisdictions where the "sister ship" theory of liability applies, a claimant may arrest the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. In countries with "sister ship" liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we own. The arrest or attachment of one or more of our vessels could result in a significant loss of earnings for the related off-hire period, which could adversely affect our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings.

The government of a vessel's registry could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to make cash distributions and service or refinance our debt.

Acts of piracy on ocean-going vessels have continued and could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean, the Gulf of Aden off the coast of Somalia and the Red Sea. Although the frequency of sea piracy worldwide has decreased in the Indian Ocean and the Gulf of Aden in recent years it has, for example, shown an increase in West Africa (Gulf of Guinea).

If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones or Joint War Committee "war and strikes" listed areas, premiums payable for insurance coverage for our vessels could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred due to the deployment of onboard security guards, could increase in such circumstances. While the use of security guards is intended to deter and prevent the hijacking of our vessels, it could also increase our risk of liability for death or injury to persons or damage to personal property. We may not be adequately insured to cover aspects of loss from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows, financial condition and ability to make cash distributions, as well as result in increased costs and decreased cash flows to our customers impairing their ability to make payments to us under our charters.

Increases in fuel prices could adversely affect our profits.

When our vessels are trading on period charters, our charterers are responsible for the cost of fuel in the form of bunkers. However if we trade our vessels in the spot market or they are off-hire or during the vessels' drydocking, we are responsible for the cost of bunkers consumed, which can be a significant vessel expense. Spot charter arrangements generally provide that the vessel owner, or pool operator where relevant, bear the cost of fuel. Because we do not intend to hedge our fuel costs, an increase in the price of fuel beyond our expectations may adversely affect our profitability, cash flows and ability to pay cash distributions. The price and

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supply of fuel is unpredictable and fluctuates as a result of events outside our control, including geo-political developments, supply and demand for oil and gas, actions by members of the Organization of the Petroleum Exporting Countries (also known as OPEC) and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations. Changes in the actual price of fuel at the time the charter is to be performed could result in the charter being performed at a significantly greater cost than originally anticipated and may result in losses or diminished profits.

In addition, the IMO confirmed in October 2016 that a global 0.5% sulphur cap on marine fuels will come into force on January 1, 2020, as agreed in amendments adopted in 2008 for Annex VI to the International Convention for the Prevention of Pollution from ships (“MARPOL”). Annex VI sets progressively stricter regulations to control sulphur oxides (SOx) and nitrous oxides (NOx) emissions from ships, which present both environmental and health risks. The 0.5% sulphur cap marks a significant reduction from the current global sulphur cap of 3.5%, which came into effect on January 1, 2012. When the 2020 sulphur cap was decided upon in 2008, it was also agreed that a review should be undertaken by 2018 to assess whether there was sufficient compliant fuel available to meet the 2020 effective date, failing which, the effective date could be deferred to 2025. That review was completed in July 2016 by a consortium of consultants led by CE Delft, and submitted to the IMO’s Marine Environment Protection Committee (MEPC) during their 70th session. The review concluded that sufficient compliant fuel would be available to meet the new requirement. However, there have been competing studies, that hold the opposing view that refining capacity will not be sufficient in 2020, with an estimated 60-70% additional sulphur plant capacity required by 2020. There have also been questions as to how the sulphur cap will be enforced, as it is up to individual parties to MARPOL to enforce fines and sanctions. A potential shortage of low sulphur marine fuels could drive prices upwards, which could adversely affect our profit margins, if our vessels are being chartered on the spot market or are off hire or the profit margins of our charterers.

Increased competition in technology and innovation could reduce our charter hire income and the value of our vessels.

The charter rates and the value and operational life of a vessel are determined by a number of factors, including the vessel’s efficiency, operational flexibility and physical life. Determining a vessel’s efficiency includes considering its speed and fuel economy, while flexibility considerations include the ability to enter harbors, utilize related docking facilities and pass through canals and straits. A vessel’s physical life is related to the original design and construction, maintenance and the impact of the stress of its operations. If new ship designs currently promoted by shipyards as being more fuel efficient perform as promoted, or if new vessels are built in the future that are more efficient, or flexible, have increased capacity, or have longer physical lives than our current vessels, competition from these more technologically advanced vessels could adversely affect our ability to re-charter our vessels, the amount of charter-hire payments that we receive for our vessels once their current charters expire and the resale value of our vessels. This could adversely affect our ability to service our debt or make cash distributions.

Matters Related to Investigations of Greek Professional Football (Soccer).

Our former Chairman and the founder and current chairman of Capital Maritime, Evangelos M. Marinakis, has been the principal owner of Olympiacos, a Greek professional football team, since January 2011 and has served as President of Olympiacos since December 2010. Mr. Marinakis was also President of the Superleague Greece in which Olympiacos participates and Vice-President of the Hellenic Football Federation between August 2010 and September 2011. Mr. Marinakis has informed us that, since 2011, Greek authorities have investigated allegations of match-fixing and other improprieties related to professional football in Greece. Various individuals, including Mr. Marinakis, were identified as subjects of these investigations. In June 2015, the judge in charge of the investigations provisionally ordered that Mr. Marinakis report periodically to a police station, deposit €200,000 as security and refrain from football-related activities pending determination of the charges. Mr. Marinakis has advised us that he has cooperated with the investigations and has denied any wrongdoing.

In September 2016, the public prosecutor recommended to the judicial council of the Court of Appeals that some of the charges that were the subject of the investigations, including in relation to the alleged operation of a criminal network, be referred to trial, that other charges be dismissed and that the judicial council of the Court of Appeals place Mr. Marinakis in provisional custody (which, if approved by the judicial council, would be subject to legal challenge) on the ground that Mr. Marinakis allegedly breached the previous order restraining him from further football-related activities. The judicial council of the Court of Appeals has responsibility for determining whether to refer the charges for trial or to withdraw them and for approving or rejecting the public prosecutor’s recommendation to place Mr. Marinakis in provisional custody. Capital Maritime has advised us that it is unable to assess what, if any, reputational or other harm Capital Maritime and we may suffer as a result of these proceedings. For more information on the risks arising from our relationship with Capital Maritime, see “Item 3.D—Risk Factors—Risk inherent in our operations—we depend on Capital Maritime and its affiliates to assist us in operating and expanding our business. If Capital Maritime is materially adversely affected by market fluctuations, and risks or suffers material damage to its reputation, its ability to comply with the terms of its charters with us or provide us with the necessary level of services to support and expand our business may be negatively affected.”

The vessels that we have recently acquired or may acquire in the future, from Capital Maritime or third parties, may not meet our design or cost savings expectations.

In 2016 and 2015 we acquired six vessels from our sponsor Capital Maritime, comprising three newbuild Daewoo eco-flex containerships, two newbuild Samsung eco medium range product tankers and one additional Samsung eco medium range product tanker. These vessels incorporate many technological and design features, such as new hull and propulsion designs, energy saving devices, de-rated electronic engines and other equipment not previously tested on our other vessels. Certain of these vessels were also constructed at shipyards and by vessel construction firms with which we have not previously worked. While we expect that vessels with such features will generate increased cost savings and, in turn, increase demand for our charters, there is no assurance that they will do so. For example, if the current trend of decreased costs for oil and bunkers were to continue, it could substantially reduce the cost savings these vessels are expected to deliver to our charterers. If they do not generate the cost reduction benefits that we anticipate, competition from vessels without these features, but with lower charter rates, could adversely affect the amount of charter hire payments we receive for the vessels and, in turn, our return on investment on such vessels. As a result, our business, financial condition, results of operations, cash flows, and ability to make distributions and service or refinance our debt could be adversely affected.

RISKS RELATING TO FINANCING ACTIVITIES

We are reliant on our ability to obtain required financing and access the financial markets. Therefore, we may be harmed by any limitation in the availability of external funding, as a result of a contraction or volatility in bank debt or financial markets or for any other reason. If we are unable to obtain required financing or access the capital markets, we may be unable to grow or maintain our asset base, pursue other potential growth opportunities or refinance our existing indebtedness.

We are reliant on our ability to obtain required financing and access the financial markets to operate and grow our business.

However, asset impairments, financial stress, enforcement actions and credit rating pressures experienced in recent years by financial institutions, in particular in the wake of the 2008 financial crisis, combined with a general decline in the willingness of financial institutions to extend credit to the shipping industry due to depressed shipping rates and the deterioration of asset values that have led to losses in many banks' shipping portfolios, as well as changes in overall banking regulations (including, for example, Basel III) have severely constrained the availability of credit supply for shipping companies such as us. For example, following heavy losses in its shipping portfolio and at the EU Commission's behest, one of our main lenders, HSH Nordbank AG, has initiated a process to be privatized by the end of February 2018.

In addition, our ability to obtain financing or access capital markets to issue debt or equity securities may be limited by (i) our financial condition at the time of any such financing or issuance, (ii) adverse market conditions affecting the shipping industry, including weaker demand for, or increased supply of, product tankers, drybulk and container vessels, whether as a result of general economic conditions or the financial condition of charterers and operators of vessels, (iii) weaknesses in the financial markets, (iv) restrictions imposed by our credit facilities, such as collateral maintenance requirements, which could limit our ability to incur additional secured financing and (v) other contingencies and uncertainties, which may be beyond our control. Continued access to external financing and the capital markets is not assured.

As a result, our ability to obtain financing to fund capital expenditures, acquire new vessels or refinance our existing indebtedness, is and may continue to be limited. If we are unable to obtain additional financing or issue further equity or debt securities, our ability to fund current and future obligations may be impaired. In addition, restrictions in the availability of credit supply may result in higher interest costs, which would reduce our available cash for distributions. Any failure to obtain funds for necessary future capital expenditures, to grow our asset base or to refinance our existing indebtedness on terms that are commercially acceptable could have a material adverse impact on our business, financial condition, results of operations, cash flow and our ability to make cash distributions and service or refinance our debt, and could cause the market price of our common units to decline.

We rely on the master limited partnership ("MLP") structure and its appeal to investors for accessing debt and equity markets to finance our growth and repay or refinance our debt. The recent drop in energy prices has, among other factors, caused increased volatility and contributed to a dislocation in pricing for MLPs.

The fall in energy prices and, in particular, the price of oil, among other factors, has contributed to increased volatility in the pricing of MLPs and the energy debt markets, as a number of MLPs and other energy companies may be adversely affected by a lower energy prices environment. A number of MLPs, including certain maritime MLPs and us, have reduced or eliminated their distributions to unitholders.

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We rely on our ability to obtain financing and to raise capital in the equity and debt markets to fund our capital replacement, growth and investment expenditures, and to refinance our debt. A protracted deterioration in the valuation of our common units would increase our cost of capital, make any equity issuance significantly dilutive and may affect our ability to access capital markets and, as a result, our capacity to pay distributions to our unitholders and service or refinance our debt.

A limited number of financial institutions hold our cash, including, from time to time, financial institutions located in Greece.

We maintain our cash with a limited number of financial institutions, occasionally including institutions located in Greece. Of these financial institutions located in Greece, some are subsidiaries of international banks and others are Greek financial institutions. These balances may not be covered by insurance in the event of default by these financial institutions. The ongoing fiscal situation and political uncertainty in Greece may result in an event of default by some or all of these financial institutions. The occurrence of such a default could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distribution and service or refinance our debt.

We have incurred significant indebtedness, which could adversely affect our ability to finance our operations, refinance our existing indebtedness, pursue desirable business opportunities, successfully run our business or make cash distributions.

As of December 31, 2016, our total debt was \$605.0 million, consisting of (i) \$186.0 million outstanding under our credit facility entered into in 2007 (the “2007 credit facility”); (ii) \$181.6 million outstanding under our credit facility entered into in 2008 (the “2008 credit facility”); (iii) \$14.0 million outstanding under our credit facility entered into in 2011 (the “2011 credit facility”); (iv) \$207.6 million outstanding under our credit facility entered into in 2013 (the “2013 credit facility”) and (v) \$15.8 million outstanding under a credit facility arranged in 2015 (the “2015 credit facility”). With the exception of the 2013 credit facility, which has a quarterly amortization of \$4.3 million starting in the first quarter of 2017, and the 2015 credit facility which is non-amortizing until the fourth quarter of 2018, our credit facilities are non-amortizing until the fourth quarter of 2017. Please see “*Item 5.B. Liquidity and Capital Resources—Borrowings—Our Credit Facilities*” for further information on our existing facilities.

The principal repayment schedule under our existing credit facilities, on an aggregated basis, is as follows:

Year	(Expressed in millions of United States Dollars)				
	2017	2018	2019	2020	Thereafter
Aggregate Principal Amount Due	\$40.5	\$119.4	\$275.4	\$156.9	\$ 12.8

In April 2016, in the face of severely depressed trading prices for master limited partnerships, including us, a significant deterioration in our cost of capital and potential loss of revenue, our board of directors took the decision to protect our liquidity position by creating a capital reserve and setting distributions at a level that our board believes to be sustainable and consistent with the proper conduct of our business. The capital reserve, set by the board of directors at approximately \$14.6 million per quarter, is intended to address amortization requirements under our credit facilities through the end of 2018. As of December 31, 2016, we had made aggregate allocations of \$58.6 million to the capital reserve. We anticipate refinancing any portion of our indebtedness that we do not fund through our capital reserve and internally generated cash flow.

Our leverage and debt service obligations could have a significant impact on our operations, including the following:

- if, before or upon the maturity of our credit facilities, we are not able to refinance our existing indebtedness on commercially acceptable terms and our capital reserve and future cash flows are insufficient to service our debt, our obligation to make principal payments under our credit facilities may force us to take actions, such as reducing or eliminating cash distributions to our unitholders, reducing or delaying business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We cannot assure you that we will be able to refinance our existing indebtedness on acceptable terms or at all;
- our indebtedness will have the general effect of reducing our flexibility to react to changing business and economic conditions and, therefore, may pose substantial risks to our business and our unitholders;
- in the event that we are liquidated, any of our senior or subordinated creditors and any senior or subordinated creditors of our subsidiaries will be entitled to payment in full prior to any distributions to our unitholders;
- our ability to secure additional financing, or to refinance our credit facilities, may be substantially restricted by the existing level of our indebtedness and the restrictions contained in our debt instruments;

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- upon or before maturity of our indebtedness, we will be required to dedicate a substantial portion of our cash flow and cash balances to the payment of such debt, which will reduce the amount of funds available for operations, capital expenditures, distributions and future business opportunities.

While our leverage is significant, if future cash flows are insufficient to fund capital expenditures and other expenses or investments, we may need to incur further indebtedness. See “Risks Related to Our Business and Operations—*Since 2011, our board of directors has elected not to deduct cash reserves for estimated replacement capital expenditures from our operating surplus. If this practice continues, our asset base and the income generating capacity of our fleet may be significantly affected*”.

Any of the risks described above may have a material adverse effect on our business, financial condition, results of operations, cash flow and ability to make cash distributions and to service or refinance our debt.

Our credit facilities contain, and we expect that any new or amended credit facilities we may enter into will contain, restrictive covenants, which may limit our business and financing activities, including our ability to make cash distributions.

The operating and financial restrictions and covenants in our credit facilities and in any new or amended credit facility we enter into in the future could adversely affect our ability to finance future operations or capital needs or to engage, expand or pursue our business activities. For example, our credit facilities require the consent of our lenders to, or limit our ability to, among other items:

- incur or guarantee indebtedness;
- charge, pledge or encumber our vessels;
- change the flag, class, management or ownership of our vessels;
- change the commercial and technical management of our vessels;
- sell or change the beneficial ownership or control of our vessels; and
- subordinate our obligations thereunder to any general and administrative costs relating to our vessels, including fees payable under the management agreements.

Our credit facilities also require us to comply with the International Safety Management Code and to maintain valid safety management certificates and documents of compliance at all times. In addition, our credit facilities require us to comply with certain financial covenants:

- to maintain minimum free consolidated liquidity of at least \$500,000 per collateralized vessel;
- to maintain a ratio of EBITDA (as defined in each credit facility) to net interest expense of at least 2.00 to 1.00 on a trailing four-quarter basis; and
- to maintain a ratio of net Total Indebtedness to the aggregate Fair Market Value (as each term is defined in each credit facility) of our total fleet, current or future, of no more than 0.725.

In addition, our credit facilities require that we maintain an aggregate fair market value of the vessels, subject to mortgage under each credit facility, of at least 120% in relation to the 2015 credit facility and at least 125% in relation to our other credit facilities, of the aggregate amount outstanding under each credit facility.

Our ability to comply with the covenants and restrictions contained in our credit facilities may be affected by events beyond our control, including prevailing economic, financial and industry conditions, interest rate developments, changes in the funding costs of our banks and changes in vessel earnings and asset valuations. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we are in breach of any of the restrictions, covenants, ratios or tests in our credit facilities, or if we trigger a cross-default currently contained in our credit facilities, we may be forced to suspend our distributions, a significant portion of our obligations may become immediately due and payable, and our lenders’ commitment to make further loans to us may terminate. We may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, obligations under our credit facilities are secured by our vessels, and if we are unable to repay debt under the credit facilities, the lenders could seek to foreclose on those assets.

Furthermore, any contemplated vessel acquisitions will have to be at levels that do not impair the required ratios described above. The global economic downturn that occurred within the past several years, depressed shipping markets, lack of capital in the industry and prolonged overcapacity had an adverse effect on vessel values. If the estimated asset values of our vessels decrease, we may be obligated to prepay part of our outstanding debt in order to remain in compliance with the relevant covenants in our credit facilities, which could have a material adverse effect on our business, financial condition, results of operations, cash flow and our ability to make cash distributions and service or refinance our debt.

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If we default under our credit facilities, our ability to make cash distributions may be impaired and we could forfeit our rights in certain of our vessels and their charters.

We have pledged all of our vessels as security to the lenders under our credit facilities. Default under these credit facilities, if not waived or modified, would permit the lenders to foreclose on the mortgages over the vessels and the related collateral, and we could lose our rights in the vessels and their charters.

When final payment is due under our credit facilities, we must repay any borrowings outstanding, including balloon payments. To the extent that cash flows are insufficient to repay any of these borrowings or asset cover is inadequate due to a deterioration in vessel values, we will need to refinance some or all of our credit facilities, replace them with alternate credit arrangements or provide additional security. We may not be able to refinance or replace our credit facilities or provide additional security at the time they become due.

In the event we default under our credit facilities or we are not able to refinance our existing debt obligations with new debt facilities on commercially acceptable terms, or if our operating results are not sufficient to service current or future indebtedness, or to make relevant principal repayments if necessary, we may be forced to take actions such as reducing or eliminating distributions, reducing or delaying business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing debt, or seeking additional equity capital or bankruptcy protection. In addition, the terms of any refinancing or alternate credit arrangement may restrict our financial and operating flexibility and our ability to make cash distributions.

If we are in breach of any of the terms of our credit facilities a significant portion of our obligations may become immediately due and payable, and our lenders' commitments to make further loans to us, if any, may terminate. This can adversely affect our ability to execute our business strategy or make cash distributions.

Our ability to comply with the covenants and restrictions contained in our credit facilities and any other debt instruments we may enter into in the future may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If we are in breach of any of the restrictions, covenants, ratios or tests in our credit facilities, or if we trigger a cross-default currently contained in our credit facilities or any interest rate swap agreements, or in any such facility or agreement we may enter into, pursuant to their terms, a significant portion of our obligations may become immediately due and payable, and our lenders' commitment to make further loans to us, if any, may terminate. We may not be able to reach agreement with our lenders to amend the terms of the loan agreements or waive any breaches and we may not have, or be able to obtain, sufficient funds to make any accelerated payments, which could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

Restrictions in our debt agreements may prevent us from paying distributions.

Our payment of interest and, following the end of the relevant non-amortizing periods, principal on our debt will reduce cash available for distribution on our units. In addition, our credit facilities prohibit the payment of distributions if we are not in compliance with certain financial covenants or upon the occurrence of an event of default, or if the fair market value of our vessels is less than 125% of the aggregate amount outstanding under our credit facilities (120% for the 2015 credit facility).

Events of default under our credit facilities include:

- failure to pay principal or interest when due;
- breach of certain undertakings, negative covenants and financial covenants contained in the credit facility, any related security document or guarantee or the interest rate swap agreements, including failure to maintain unencumbered title to any of the vessel owning subsidiaries or any of the assets of the vessel-owning subsidiaries and failure to maintain proper insurance;
- any breach of the credit facility, any related security document or guarantee or the interest rate swap agreements (other than breaches described in the preceding two bullet points) if, in the opinion of the lenders, such default is capable of remedy and continues unremedied following prior written notice of the lenders (for a period of 14 days under our 2013 and 2015 credit facilities and 20 days under our other credit facilities);
- any representation, warranty or statement made by us in the credit facility or any drawdown notice thereunder or related security document or guarantee or the interest rate swap agreements is untrue or misleading when made;

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- a cross-default of our other indebtedness of \$5.0 million or greater, or of the indebtedness of our subsidiaries of \$750,000 or greater;
- we become, in the reasonable opinion of the lenders, unable to pay our debts when due;
- any of our or our subsidiaries' assets are subject to any form of execution, attachment, arrest, sequestration or distress in respect of a sum of \$5.0 million or more that is not discharged within 15 business days;
- an event of insolvency or bankruptcy;
- cessation or suspension of our business or of a material part thereof;
- unlawfulness, non-effectiveness or repudiation of any material provision of our credit facility, of any of the related finance and guarantee documents or of our interest rate swap agreements;
- failure of effectiveness of security documents or guarantee;
- our common units cease to be listed on the Nasdaq Global Select Market or on any other recognized securities exchange;
- any breach under any provisions contained in our interest rate swap agreements, if we decide to enter into such agreements in the future;
- termination of any interest rate swap agreements or an event of default thereunder that is not timely remedied, if we decide to enter into such agreements in the future;
- invalidity of a security document in any material respect or if any security document ceases to provide a perfected first priority security interest;
- failure by key charter parties, such as HMM, CMA CGM, Petróleo Brasileiro S.A. (“Petrobras”), Capital Maritime and BP Shipping Limited or other charterers we may have from time to time, to comply with the terms of their charters to the extent that we are unable to replace the charter in a manner that meets our obligations under the facilities; or
- any other event that occurs or circumstance that arises in light of which the lenders reasonably consider that there is a significant risk that we will be unable to discharge our liabilities under the credit facility, related security and guarantee documents or interest rate swap agreements.

We anticipate that any subsequent refinancing of our current debt or any new debt could have similar or more onerous restrictions. Please see “Item 5.B. Liquidity and Capital Resources—Borrowings—Our Credit Facilities” for further information on our existing facilities.

Risks arising from the political situation in Greece.

Following the national elections in Greece in September 2015, the previous government led by Greek political parties from the left and right wings has been kept in place. While the new government announced its commitment to the European Union and the Euro, it is required to implement in return a new Memorandum of Understanding between Greece and the “Troika”, comprised of the European Commission, the IMF and the ECB, which includes numerous austerity measures and could potentially result in increased taxation for shipping companies. These and related developments may have adverse effects on the Greek economy as well as the political and regulatory environment in Greece. While we believe that any resulting effects on managing our business and operations would be limited, it is possible that these developments could adversely affect our operations based in Greece.

RISKS INHERENT IN OUR OPERATIONS

We currently derive all of our revenues from a limited number of charterers and the loss of any charterer or charter or vessel could result in a significant loss of revenues and cash flow.

We have derived, and expect that we will continue to derive, all of our revenues and cash flow from a limited number of charterers. For the year ended December 31, 2016, our charterers who individually accounted for more than 10% of total revenues were HMM, Petrobras, CMA CGM and Capital Maritime who accounted for 19%, 18%, 17% and 15% of our revenues, respectively. For the year ended December 31, 2015, Capital Maritime and HMM accounted for 29% and 21% of our revenues, respectively. For the year ended December 31, 2014, Capital Maritime, HMM and Maersk Line accounted for 38%, 24% and 12% of our revenues, respectively.

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We could lose a charterer, including charterers who individually account for more than 10% of our total revenues or the benefits of some or all of our charters in the following circumstances:

- the charterer is unable or unwilling to perform its obligations under the charters, including the payment of the agreed rates in a timely manner;
- the charterer faces financial difficulties forcing it to declare bankruptcy or to restructure its operations or default under the charters;
- the charterer fails to make charter payments because of its financial inability or its inability to trade our and other vessels profitably or due to the occurrence of losses due to the weaker charter markets;
- the charterer fails to make charter payments due to distress, disagreements with us or otherwise;
- the charterer seeks to renegotiate the terms of the charter agreement due to prevailing economic and market conditions or due to its continued poor performance;
- the charterer exercises certain rights to terminate the charter or purchase the vessel;
- the charterer terminates the charter because we fail to comply with the terms of the charters, deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged periods of off-hire, or we default under the charter;
- a prolonged force majeure event affecting the charterer, including damage to or destruction of relevant production facilities, war or political unrest prevents us from performing services for that customer; or
- the charterer terminates the charters because we fail to comply with the safety and regulatory criteria of the charterer or the rules and regulations of various maritime organizations and bodies.

A number of our charterers, including Capital Maritime, are private companies and we may have limited access to their financial affairs, which may result in us having limited information on their financial strength and ability to meet their financial obligations. In addition, some of our charterers including HMM, Petrobras and CMA-CGM have been reported to be under significant financial pressure. Please read “Item 4B: Business Overview—Our Customers” and “—Our Charters” for further information on our customers. See also “—Risks Related to the Container Carrier Industry—*Many of our container vessels are under time charters at rates that are at a substantial premium to the spot and period markets, and our charterers’ failure to perform under our time charters could result in a significant loss of expected future revenues and cash flows.*”

If we lose a key charter, we may be unable to redeploy the related vessel on terms as favorable to us due to the long-term nature of most charters or at all. If we are unable to redeploy a vessel for which the charter has been terminated, we will not receive any revenues from that vessel, but we may be required to pay expenses necessary to maintain the vessel in proper operating condition and may also have to enter into costly and lengthy legal proceedings in order to reserve our rights. Until such time as the vessel is re-chartered, we may have to operate it in the spot market or for short periods at charter rates which may not be as favorable to us as our current charter rates.

If a customer exercises its right to purchase a vessel, we would not receive any further revenue from the vessel and may be unable to obtain a substitute vessel and charter. This may cause us to receive decreased revenue and cash flows from having fewer vessels operating in our fleet. Any replacement newbuilding would not generate revenues during its construction, and we may be unable to charter any replacement vessel on terms as favorable to us as those of the terminated charter. Any compensation under our charters for a purchase of the vessels may not adequately compensate us for the loss of the vessel and related time charter. The loss of any of our charterers, time or bareboat charters or vessels, or a decline in payments under our charters, could have a material adverse effect on our business, financial condition, results of operations, cash flow and our ability to make cash distributions and service or refinance our debt.

We depend on Capital Maritime and its affiliates to assist us in operating and expanding our business. If Capital Maritime is materially adversely affected by market fluctuations, and risks or suffers material damage to its reputation, its ability to comply with the terms of its charters with us or provide us with the necessary level of services to support and expand our business may be negatively affected.

As of December 31, 2016, seven of our 36 vessels were under charter or were expected to commence charters with Capital Maritime. In the future we may enter into additional contracts with Capital Maritime to charter our vessels as they become available for re-chartering. Capital Maritime is subject to the same risks and market fluctuations as all other charterers. In the event Capital Maritime is affected by a market downturn and limited availability of financing, it may default under its charters with us, which would materially adversely affect our operations and ability to make cash distributions.

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In addition, pursuant to our management and administrative services agreements between us and Capital Ship Management, Capital Ship Management provides significant commercial and technical management services (including the commercial and technical management of our vessels, class certifications, vessel maintenance and crewing, purchasing and insurance and shipyard supervision), as well as administrative, financial and other support services to us. Please read “Item 4B: Business Overview—Our Management Agreements” for a description of all our management agreements. Our operational success and ability to execute our growth strategy will depend significantly upon Capital Ship Management’s satisfactory performance of these services. In the event Capital Maritime is materially affected by a market downturn and cannot support Capital Ship Management, and Capital Ship Management fails to perform these services satisfactorily or cancels or materially amends either of these agreements, or if Capital Ship Management stops providing these services to us, our business will be materially harmed.

Our ability to enter into new charters and expand our customer relationships will depend largely on our ability to leverage our relationship with Capital Maritime and its reputation and relationships in the shipping industry, including its ability to qualify for long-term business with certain oil majors. If Capital Maritime suffers material damage to its reputation, justifiably or not, or relationships, it may harm our ability to:

- renew existing charters upon their expiration;
- obtain new charters;
- successfully interact with shipyards during periods of shipyard construction constraints;
- obtain financing on commercially acceptable terms; or
- maintain satisfactory relationships with suppliers and other third parties.

Finally, we may also contract with Capital Maritime for it to have newbuildings constructed on our behalf and to incur the construction-related financing, and we would purchase the vessels on or after delivery based on an agreed-upon price. If Capital Maritime is unable to meet the payments under any such contract we enter into, it could have a material adverse effect on our business, financial condition, results of operations and cash flow and our ability to make cash distributions or service or refinance our debt.

If our ability to do any of the things described above is impaired, our business, results of operations, financial condition and our ability to make cash distributions and service or refinance our debt could be materially and adversely affected.

Our tanker vessels’ present and future employment could be adversely affected by an inability to clear the oil majors’ risk assessment process.

Shipping, and especially crude oil, refined product and chemical tankers have been, and will remain, heavily regulated. The so-called “oil majors” companies, together with a number of commodities traders, represent a significant percentage of the production, trading and shipping logistics (terminals) of crude oil and refined products worldwide. Concerns for the environment have led the oil majors to develop and implement a strict ongoing due diligence process when selecting their commercial partners. This vetting process has evolved into a sophisticated and comprehensive risk assessment of both the vessel operator and the vessel, including physical ship inspections, completion of vessel inspection questionnaires performed by accredited inspectors and the production of comprehensive risk assessment reports. In the case of term charter relationships, additional factors are considered when awarding such contracts, including:

- office assessments and audits of the vessel operator;
- the operator’s environmental, health and safety record;
- compliance with the standards of the IMO;
- compliance with heightened industry standards that have been set by several oil companies;
- shipping industry relationships, reputation for customer service, technical and operating expertise;
- compliance with oil majors’ codes of conduct, policies and guidelines, including transparency, anti-bribery and ethical conduct requirements and relationships with third parties;
- shipping experience and quality of ship operations, including cost-effectiveness;
- quality, experience and technical capability of crews;
- the ability to finance vessels at competitive rates and overall financial stability;

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- relationships with shipyards and the ability to obtain suitable berths;
- construction management experience, including the ability to procure on-time delivery of new vessels according to customer specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

Should either Capital Maritime or Capital Ship Management not continue to successfully clear the oil majors' risk assessment processes on an ongoing basis, our vessels' present and future employment, as well as our relationship with our existing charterers and our ability to obtain new charterers, whether medium or long-term, could be adversely affected. Such a situation may lead to the oil majors' terminating existing charters and refusing to use our vessels in the future, which would adversely affect our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt. Please read "Item 4B: Business Overview—Major Oil Company Vetting Process" for more information regarding this process.

As our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters, refinance our debt and our ability to comply with debt covenants. In addition, if we purchase and operate secondhand vessels, we will be exposed to increased operating costs, which could adversely affect our earnings.

Our fleet had an average age of approximately 7.4 years as of December 31, 2016. In general, the costs of maintaining a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel efficient than more recently constructed vessels due to improvements in engine technology. In addition, cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Older vessels might also require higher capital expenditure to comply with regulations that came into force after their construction and their values might depreciate faster than more modern vessels. As a result, an ageing fleet might affect our ability to remain in compliance with bank covenants and/or refinance our debt.

If we purchase secondhand vessels, we will not have the same knowledge about their condition as the knowledge we have about the condition of the vessels that are built for and operated solely by us. Generally, we will not receive the benefit of warranties from the builder for any secondhand vessel that we may acquire.

If we are unable to obtain profitable charters due to an aging fleet, this could adversely affect our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

We may not be able to expand the size of our fleet or replace aging vessels in the future, which may affect our ability to pay distributions.

Our ability to expand the size of our fleet or maintain our asset base by replacing aging vessels in the future will depend on our ability to acquire new vessels on favorable terms. Depending on our ability to obtain required finance and access financial markets, we expect to enter into agreements with Capital Maritime or other third parties to purchase newly built vessels or other modern vessels (or interests in vessel owning companies). See "—Risks Related to Our Financing Activities— *"We are reliant on our ability to obtain required financing and access the financial markets. Therefore, we may be harmed by any limitation in the availability of external funding, as a result of a contraction or volatility in bank debt or financial markets or for any other reason. If we are unable to obtain required financing or access the capital markets, we may be unable to grow or maintain our asset base, pursue other potential growth opportunities or refinance our existing indebtedness."* and "—Risk Related to Our Business and Operations—*Since 2011, our board of directors has elected not to deduct any replacement capital expenditures from our operating surplus. If this practice continues in the future, our asset base and income generating capacity of our fleet may be significantly affected.*"

If Capital Maritime or any third-party seller we may contract with in the future for the purchase of newbuildings fails to make construction payments for such vessels, the shipyard may rescind the purchase contract and we may lose access to such vessels or need to finance such vessels before they begin operating and generating voyage revenues, which could harm our business and our ability to make cash distributions. In addition, the market value of modern vessels or newbuildings is influenced by the ability of buyers to access debt and bank financing and equity capital, and any disruptions to the market and the possible lack of adequate available financing may negatively affect such market values. The failure to effectively identify, purchase, develop, employ and integrate any vessels or businesses could adversely affect our business, financial condition, results of operations, cash flow and our ability to make cash distributions and service or refinance our debt.

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If we finance the purchase of any additional vessels or businesses we acquire in the future through cash from operations, by increasing our indebtedness or by issuing debt or equity securities, our ability to make or increase our cash distributions may be diminished, our financial leverage could increase or our unitholders could be diluted. In addition, if we expand the size of our fleet by directly contracting newbuildings in the future, we will generally be required to make significant installment payments for such acquisitions prior to their delivery and generation of any revenue.

The actual cost of a new vessel varies significantly depending on the market price charged by shipyards, the size and specifications of the vessel, whether a charter is attached to the vessel and the terms of such charter, governmental regulations and maritime self-regulatory organization standards. The total delivered cost of a vessel will be higher and include financing, construction supervision, vessel start-up and other costs.

As of December 31, 2016, our fleet consisted of 36 vessels, only eight of which had been part of our initial fleet at the time of our initial public offering (“IPO”). We have financed the purchase of the additional vessels with debt, or partly with debt, cash and/or by issuing additional equity securities. We also acquired additional vessels through the acquisition of Crude Carriers in 2011. If we issue additional common units, Class B Units or other equity securities to finance the acquisition of a vessel or business, your ownership interest in us may be diluted. Please read “Item 3.D: Risk Factors—Risks Inherent in an Investment in Us—We may issue additional equity securities without your approval, which would dilute your ownership interests.”

If, depending on our ability to obtain required financing and access the financial markets, we determine to expand our fleet by entering into contracts for newbuildings directly with shipyards, we generally will be required to make installment payments prior to their delivery. We typically must pay between 5% and 25% of the purchase price of a vessel upon signing the purchase contract, even though delivery of the completed vessel will not occur until much later (approximately 18–36 months later for current orders), which could reduce cash available for distributions to unitholders. If we finance these acquisitions by issuing debt or equity securities, we will increase the aggregate amount of interest payments or quarterly distributions we must make prior to generating cash from the operation of the newbuilding.

To fund the acquisition price of a business or of any additional vessels we may contract to purchase from Capital Maritime or other third parties and other related capital expenditures, we will be required to use cash from operations or incur borrowings or raise capital through the sale of debt or additional equity securities. Use of cash from operations will reduce cash available for distributions to unitholders. Even if we are successful in obtaining necessary funds, the terms of such financings could limit our ability to pay cash distributions to unitholders. Incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant unitholder dilution and would increase the aggregate amount of cash required to fund our quarterly distributions to unitholders, which could have a material adverse effect on our ability to grow or make cash distributions. See also “—Risks Related to Financing Activities—We rely on the master limited partnership (“MLP”) structure and its appeal to investors for accessing debt and equity markets to finance our growth and repay or refinance our debt.”

Political and government instability, terrorist or other attacks, war or international hostilities can affect the industries in which we operate, which may adversely affect our business.

We conduct most of our operations outside of the United States. In particular, we derive a portion of our revenues from shipping oil and oil products from politically unstable regions, and our business, results of operations, cash flows, financial condition and ability to make cash distributions may be adversely affected by the effects of political instability, terrorist or other attacks, war or international hostilities. Terrorist attacks, such as the attacks on the United States on September 11, 2001 and recently in Europe, the recent conflicts in Iraq, Afghanistan, Syria and Ukraine, other current and future conflicts, and the continuing response of the Western countries to these attacks, as well as the threat of future terrorist attacks, continue to contribute to world economic instability and uncertainty in global financial markets. Future terrorist attacks could result in increased volatility of the financial markets in the United States and globally, and could negatively impact the U.S. and world economy, potentially leading to an economic recession. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all.

In the past, political instability has also resulted in attacks on vessels, such as the attack on the M/T Limburg in October 2002, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. In addition, oil facilities, shipyards, vessels, pipelines and oil and gas fields could be targets of future terrorist attacks. Any such attacks could lead to, among other things, bodily injury or loss of life, vessel or other property damage, increased vessel operational costs, including insurance costs, and the inability to transport oil and other refined products to or from certain locations. Any of these occurrences or other events beyond our control that adversely affect the distribution, production or transportation of oil and other refined products to be shipped by us could entitle our customers to terminate our charter contracts and could have a material adverse impact on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

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Furthermore, our operations may be adversely affected by changing or adverse political and governmental conditions in the countries where our vessels are flagged or registered and in the regions where we otherwise engage in business. Any disruption caused by these factors may interfere with the operation of our vessels, which could harm our business, financial condition and results of operations. Our operations may also be adversely affected by expropriation of vessels, taxes, regulation, tariffs, trade embargoes, economic sanctions or a disruption of, or limit to trading activities, or other adverse events or circumstances in or affecting the countries and regions where we operate or where we may operate in the future.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and anti-corruption laws in other applicable jurisdictions.

As an international shipping company, we may operate in countries known to have a reputation for corruption. The U.S. Foreign Corrupt Practices Act of 1977 (the “FCPA”) and other anti-corruption laws and regulations in applicable jurisdictions generally prohibit companies registered with the SEC and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Under the FCPA, U.S. companies may be held liable for some actions taken by strategic or local partners or representatives. Legislation in other countries includes the U.K. Bribery Act, which became effective on July 1, 2011. The U.K. Bribery Act is broader in scope than the FCPA because it does not contain an exception for facilitating payments (i.e., payments to secure or expedite the performance of a “routine governmental action”) and covers bribes and payments to private businesses as well as foreign public officials. We and our customers may be subject to these and similar anti-corruption laws in other applicable jurisdictions. Failure to comply with such legal requirements could expose us to civil and/or criminal penalties, including fines, prosecution and significant reputational damage, all of which could materially and adversely affect our business and results of operations, including our relationships with our customers, and our financial results. Compliance with the FCPA, the U.K. Bribery Act and other applicable anti-corruption laws and related regulations and policies imposes potentially significant costs and operational burdens. Moreover, the compliance and monitoring mechanisms that we have in place, including our Code of Business Conduct and Ethics, which incorporates our anti-bribery and corruption policy, may not adequately prevent or detect possible violations under applicable anti-bribery and anti-corruption legislation.

Our vessels maybe chartered or sub-chartered to parties, or call on ports, located in countries that are subject to restrictions and sanctions imposed by the United States, the European Union and other jurisdictions.

Certain countries (including the Crimea region of Ukraine, Cuba, Iran, North Korea, Sudan and Syria), entities and persons are targeted by economic sanctions and embargoes imposed by the United States, the European Union and other jurisdictions, and a number of those countries, currently Iran, Sudan and Syria, have been identified as state sponsors of terrorism by the U.S. Department of State. Such economic sanctions and embargo laws and regulations vary in their application with regard to countries, entities or persons and the scope of activities they subject to sanctions. These sanctions and embargo laws and regulations may be strengthened, relaxed or otherwise modified over time.

With regard to Iran, significant sanctions relief was implemented in January 2016 in accordance with the agreement among the permanent members of the United Nations Security Council (China, France, Russia, the United Kingdom and the United States), plus Germany, the High Representative of the European Union for Foreign Affairs and Security Policy and Iran on the final text of a Joint Comprehensive Plan of Action (“JCPOA”) in exchange for Iran’s implementation of certain measures intended to ensure that Iran’s nuclear program is used for peaceful purposes. Nevertheless, certain transactions and dealings, including transactions involving targeted Iran-related persons and entities and transactions that implicate U.S. jurisdiction remain subject to sanctions.

Activities permissible under the JCPOA have not actually been repealed or permanently terminated at this time. Rather, the U.S. government has implemented changes to the sanctions regime by: (1) issuing waivers of certain statutory sanctions provisions; (2) committing to refrain from exercising certain discretionary sanctions authorities; (3) removing certain individuals and entities from sanctions lists; and (4) revoking certain Executive Orders and specified sections of Executive Orders. These sanctions will not be permanently “lifted” until the earlier of October 18, 2023, and a report from the International Atomic Energy Agency stating that all nuclear material in Iran is being used for peaceful activities. Therefore, while non-U.S. companies are allowed to engage in certain business or trade with Iran that was previously prohibited, the United States has the ability to re-impose sanctions against Iran if Iran does not comply with its obligations under the nuclear agreement.

We are mindful of the restrictions contained in the various economic sanctions programs and embargo laws administered by the United States, the European Union and other jurisdictions that limit the ability of companies and persons from doing business or trading with targeted countries and persons and entities. We believe that we are currently in compliance with all applicable economic sanctions laws and regulations.

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We generally do not do business in sanctions-targeted jurisdictions unless an activity is authorized by the appropriate governmental or other sanctions authority. Except as otherwise described below, we and our general partner and its affiliates have not entered into agreements or other arrangements with the governments or any governmental entities of sanctioned countries, and we and our general partner and its affiliates do not have any direct business dealings with officials or representatives of any sanctioned governments or entities. In addition, our charter agreements include provisions that restrict trades of our vessels to countries or to sub-charterers targeted by economic sanctions unless such trades involving sanctioned countries or persons are permitted under applicable economic sanctions and embargo regimes. Although we have various policies and controls designed to help ensure our compliance with these economic sanctions and embargo laws, it is nevertheless possible that third-party charterers of our vessels, or their sub-charterers, may arrange for vessels in our fleet to call on ports located in one or more sanctioned countries.

In order to help maintain our compliance with applicable sanctions and embargo laws and regulations, we monitor and review the movement of our vessels, as well as the cargo being transported by our vessels, on a continuing basis. In 2016, our vessels under time charter contracts made approximately 1,642 total calls on worldwide ports. None of the vessels in our fleet made any port calls in Cuba or Syria.

In 2016, vessels owned by CPLP and chartered under time charter parties to Product & Crude Tanker Chartering Inc. (“PCTC”), a subsidiary of CMTC, our sponsor and the sole member of our general partner, made the following port calls to Iran: five port calls to load crude oil, gas condensate or naphtha, three port calls to discharge gasoline and one port call to discharge vegetable oils. These port calls represented approximately 0.5% of the total port calls made by all the vessels owned by CPLP in 2016, and each of them occurred while the respective vessel was sublet under voyage charter by PCTC to a third-party sub-charterer under the instructions of such sub-charterer. In one instance, the sub-charterer of a vessel was the National Iranian Oil Company, a government-owned corporation under the direction of the Ministry of Petroleum of Iran. As the vessel owner, we earned revenues at the agreed daily charter rates from PCTC. PCTC in turn earned revenues at the agreed freight rate from the sub-charterers that employed the vessels.

Further, in 2016, vessels owned by CMTC and chartered under voyage charter contracts by third-party charterers made the following port calls to Iran: ten port calls to load crude oil and ten port calls to load steel or sulphur products. These port calls represented 3.6% of the total port calls made by all the vessels owned by CMTC in 2016, and each of them occurred while the respective vessel was chartered out to a third-party charterer under the instructions of such charterer. As the vessel owner, CMTC earned revenues at the agreed freight rate from the charterers that employed the vessels.

As part of the voyage charter arrangements between CMTC and third-party charterers or sub-charterers, CMTC or its manager may pay fees and expenses related to the port calls made in Iran through a private third-party agent in Iran appointed by the third-party charterer or sub-charterer, which in 2016 did not include any payments for refueling or bunkers for the vessels making such port calls.

We believe all such port calls were made in full compliance with applicable economic sanctions laws and regulations, including those of the United States, the European Union and other relevant jurisdictions. See also “*Item 4B: Business Overview—Regulation*” for information on the port calls made by certain our vessels and those of our affiliates to Iran.

Our charter agreements include provisions that restrict trades of our vessels to countries targeted by economic sanctions unless such transportation activities involving sanctioned countries are permitted under applicable economic sanctions and embargo regimes. Our ordinary chartering policy is to seek to include similar provisions in all of our period charters. Prior to agreeing to waive existing charter party restrictions on carrying cargoes to or from ports that may implicate sanctions risks, we ensure that the charterers have proof of compliance with international and U.S. sanctions requirements, or applicable licenses or other exemptions.

Should one of our charterers engage in actions that involve us or our vessels and that may, if completed, represent material violations of economic sanctions and embargo laws or regulations, we would rely on our monitoring and control systems, including documentation, such as bills of lading, regular check-ins with the crews of our vessels and electronic tracking systems on our vessels to detect such actions on a prompt basis and seek to prevent them from occurring.

Notwithstanding the above, it is possible that new, or changes to existing, sanctions-related legislation or agreements may impact our business. In addition, it is possible that the charterers of our vessels may violate applicable sanctions, laws and regulations, using our vessels or otherwise, and the applicable authorities may seek to review our activities as the vessel owner. Although we do not believe that current sanctions and embargoes prevent our vessels from making all calls to ports in the sanctioned countries,

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potential investors could view such port calls negatively, which could adversely affect our reputation and the market for our common units. Moreover, although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, the scope of certain laws may be unclear, may be subject to changing interpretations or may be strengthened or otherwise amended. Any violation of sanctions or engagement in sanctionable conduct could result in fines, sanctions or other penalties, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in our common units.

Additionally, some investors, including U.S. state pension funds, may decide, or be required, to divest their interest, or not to invest, in our common units simply because we or our affiliates may do business with charterers or sub-charterers that do business in sanctioned countries, or because of port calls of our vessels to ports of sanctioned countries, which could have a negative effect on the price of our common units or our ability to make distributions on our common units. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. Investor perception of the value of our common units may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries. Finally, future expansion of sanctions against these or other countries could prevent our vessels from making any calls at certain ports, which potentially could have a negative impact on our business and results of operations.

Marine transportation is inherently risky, and an incident involving significant loss of, or environmental contamination by, any of our vessels could harm our reputation and business.

Our vessels and their cargoes are at risk of being damaged or lost because of events such as:

- marine disasters;
- bad weather;
- mechanical failures;
- grounding, fire, explosions and collisions;
- piracy;
- human error; and
- war and terrorism.

An accident involving any of our vessels could result in any of the following:

- environmental damage, including liabilities and costs to recover spilled oil or other petroleum products, and to pay for environmental damage and ecosystem restoration where the spill occurred;
- death or injury to persons, or loss of property;
- delays in the delivery of cargo;
- loss of revenues from, or termination of, charter contracts;
- governmental fines, penalties or restrictions on conducting business;
- higher insurance rates; and
- damage to our reputation and customer relationships generally.

Any of these results could have a material adverse effect on our business, financial condition, operating results and ability to make cash distributions and to service or refinance our debt.

Compliance with safety and other vessel requirements imposed by classification societies may be costly and could reduce our net cash flows and net income.

The hull and machinery of every commercial vessel must be certified as being “in class” by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel’s machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. We expect our vessels to be on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be drydocked every two to three years for inspection of its underwater parts.

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If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to make cash distributions.

Our insurance may be insufficient to cover losses that may occur to our property or result from our commercial operations.

The operation of ocean-going vessels in international trade is inherently risky. Not all risks can be adequately insured against, and any particular claim upon our insurance may not be paid for any number of reasons. We have contracted revenue protection insurance for the MV 'Cape Agamemnon' but we otherwise do not currently maintain off-hire insurance covering loss of revenue during extended vessel off-hire periods such as may occur while a vessel is under repair. Accordingly, any extended vessel off-hire due to an accident or otherwise could have a materially adverse effect on our business and our ability to pay distributions to our unitholders. Claims covered by insurance are subject to deductibles and since it is possible that a large number of claims may arise, the aggregate amount of these deductibles could be material. Our third-party liability insurance coverage is maintained through mutual protection and indemnity associations. As a member of such associations we may be required to make additional payments over and above budgeted premiums if member claims exceed association reserves. Please read "Item 3.D: Risk Factors—Risks Inherent in Our Operations—*We will be subject to funding calls by our protection and indemnity associations, and our associations may not have enough resources to cover claims made against them, resulting in potential unbudgeted supplementary liability to fund claims made upon them and unbudgeted cash-calls made upon us by the associations.*"

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could harm our business, results of operations, cash flows, financial condition and ability to make cash distributions. In addition, certain of our vessels are under bareboat charters with BP Shipping Limited and subsidiaries of International Seaways, Inc. ("INSW"), the international business arm of Overseas Shipholding Group Inc. ("OSG") separated from OSG on November 30, 2016. Under the terms of these charters, the charterer provides for the insurance of the vessel, and, as a result these vessels may not be adequately insured and/or in some cases may be self-insured. Any uninsured or underinsured loss could harm our business, financial condition, results of operations, cash flows, and ability to make cash distributions and service or refinance our debt. In addition, our insurance may be avoidable by the insurers as a result of certain of our actions, such as our ships failing to maintain certification with applicable maritime self-regulatory organizations.

Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain. In addition, the insurance that may be available to us may be significantly more expensive than our existing coverage.

We will be subject to funding calls by our protection and indemnity associations, and our associations may not have enough resources to cover claims made against them, resulting in potential unbudgeted supplementary liability to fund claims made upon them and unbudgeted cash-calls made upon us by the associations.

Cover for legal liabilities incurred in consequence of commercial operations is provided through membership in P&I Associations. P&I Associations are mutual insurance associations whose members must contribute proportionately to cover losses sustained by all the association's members who remain subject to calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the association. Claims submitted to the associations include those incurred by its members but also claims submitted by other P&I Associations under claims pooling agreements. The P&I Associations to which we belong may not remain viable, and we may become subject to additional funding calls which could adversely affect us.

The maritime transportation industry is subject to substantial environmental and other regulations and international standards, which may significantly limit our operations or increase our expenses.

Our operations are affected by extensive and changing international, national and local environmental protection laws, regulations, treaties, conventions and standards in force in international waters, the jurisdictional waters of the countries in which our vessels operate, as well as the countries of our vessels' registration. Many of these requirements are designed to reduce the risk of oil spills, limit air emissions and other pollution, and to reduce potential negative environmental effects associated with the maritime industry in general.

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These requirements can affect the resale value or useful lives of our vessels, increase operational costs, require a reduction in cargo capacity, ship modifications or operational changes or restrictions, decrease profitability, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in certain ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations and natural resource damages, in the event that there is a release of petroleum or other hazardous substances from our vessels or otherwise in connection with our operations. We could also become subject to personal injury and property damage claims and natural resource damages relating to the release of, or exposure to, hazardous materials associated with our current or historic operations. Violations of or liabilities under environmental requirements also can result in substantial penalties, fines and other sanctions including, in certain instances, seizure or detention of our vessels.

Under the MARPOL Annex VI requirements, all ships trading in designated emission control areas are using fuel oil on board with a sulfur content of no more than 0.10% after January 1, 2015. Outside the emission control areas, the current limit for sulfur content of fuel oil is 3.50%. The IMO confirmed in October 2016 that a global 0.5% sulphur cap on marine fuels will come into force on 1 January 2020, as agreed in amendments adopted in 2008 for Annex VI to MARPOL. Annex VI sets progressively stricter regulations to control sulphur oxides (SO_x) and nitrous oxides (NO_x) emissions from ships, which present both environmental and health risks. The 0.5% sulphur cap marks a significant reduction from the current global sulphur cap of 3.5%, which had been implemented since 1 January 2012. When the 2020 sulphur cap was decided upon in 2008, it was also agreed that a review should be undertaken by 2018 to assess whether there was sufficient compliant fuel available to meet the 2020 date, failing which, the date could be deferred to 2025. That review was completed in July 2016 by a consortium of consultants led by CE Delft, and submitted to the IMO's Marine Environment Protection Committee (MEPC) during their 70th session. The review concluded that sufficient compliant fuel would be available to meet the new requirement. However, there have been competing studies, that hold the opposing view that refining capacity will not be sufficient in 2020, with an estimated 60-70% additional sulphur plant capacity required by 2020. There have also been questions as to how the sulphur cap will be enforced, as it is up to individual parties to MARPOL to enforce fines and sanctions.

Shipowners can meet the new requirements by continuing to use fuel types which exceed the 0.5% sulphur limit and retrofitting an approved Exhaust Gas Cleaning System (also known as scrubbers) to remove sulphur from exhaust, which might require a substantial capital expenditure and prolonged offhire of the vessel during installation; or use petroleum fuels such as marine gasoil ("MGO"), which meet the 0.5% sulphur limit. According to Platts, the premium of MGO over 380 CST 3.5% bunker fuel in Rotterdam has averaged \$270/mt over the last five years. Depending on the vessel type and size, this could mean a substantial increase in the cost of bunkers for the vessel. This cost could increase further if the refining sector is unable to cope with the higher distillate demand, resulting in a tight distillate market and wider spread between high sulfur fuel oil and MGO; or by retrofitting the vessel to handle alternative fuels, such as LNG, methanol, biofuels, liquefied petroleum gas ("LPG") etc. Retrofitting vessels for the consumption of these type of alternative fuels would involve a substantial capital expenditure and might be uneconomical for most conventional vessel types in light of current technology and design challenges. Similarly MARPOL Annex VI requires Tier III standards for NO_x emissions to be applied to ships constructed and engines installed in ships operating in NO_x emission control areas from January 1, 2016.

The IMO ballast water management ("BWM") convention requires vessels to install expensive ballast water treatment systems ("BWTS") before the first MARPOL renewal survey conducted after September 8, 2017, however all vessels need to be certified in accordance with the BWM convention by September 8, 2017. This certification entails ballast water management plans to be approved by the flag state and surveyors in attendance onboard for survey and issuance of BWM certificate. Additional expenditure for such certification will be incurred.

Additionally to IMO requirements, installation of expensive BWTS will be required for ships entering U.S. jurisdictions as the U.S. Coast Guard ("USCG") requires installation of BWTS at the first bottom survey conducted after January 1, 2016. Nevertheless as USCG approved BWTS are not available as yet, we have obtained extensions for all vessels with due date of docking up to and including 2018 to carry out installation of BWTS at the next docking survey after December 31, 2018.

Currently only 12 out of our 36 vessels are equipped with BWTS.

Significant expenditures for the installation of additional equipment or new systems on board our vessels may be required in order to comply with existing or future environmental regulations.

We could incur significant costs, including cleanup costs, fines, penalties, third-party claims and natural resource damages, as the result of an oil spill or other liabilities under environmental laws. OPA 90 affects all vessel owners shipping oil or petroleum products to, from or within United States territorial waters. OPA 90 allows for potentially unlimited cleanup liability without regard to fault by owners, operators and bareboat charterers of vessels for oil pollution in U.S. waters. Similarly, the

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International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, which has been adopted by most countries outside of the United States, imposes liability for oil pollution in international waters. OPA 90 expressly permits individual U.S. states to impose their own stricter liability regimes with regard to hazardous materials and oil pollution incidents occurring within their boundaries. Certain coastal states in the United States, especially on the Pacific coast, have enacted their own stricter pollution prevention, liability and response laws, many providing for strict or unlimited liability.

In addition to complying with existing laws and regulations and those that may be adopted, ship-owners may incur significant additional costs in meeting new maintenance, training and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future and require us to incur significant capital expenditure on our vessels to keep them in compliance, or even to scrap or sell certain vessels altogether.

Further legislation, or amendments to existing legislation, applicable to international and national maritime trade is expected over the coming years relating to environmental matters, such as ship recycling, sewage systems, emission control (including emissions of greenhouse gases), cold-ironing while docked and ballast treatment and handling.

In addition, the U.S. Environmental Protection Agency has also adopted a rule which requires commercial vessels to obtain a Vessel General Permit (“VGP”) from the USCG in compliance with the Federal Water Pollution Control Act (the “Clean Water Act”) regulating, among other things, the discharge of ballast water and other discharges into U.S. waters. Permit holders must also comply with detailed operational, maintenance and recordkeeping permit requirements.

Other requirements may also come into force regarding the protection of threatened and endangered species, which could lead to changes in the routes our vessels follow or in trading patterns generally, and thus to additional operating expenditures. Additionally, new environmental regulations with respect to greenhouse gas emissions and preservation of biodiversity among others, may arise out of commitments made at international conferences such as periodic G8 and G20 summits through international environmental agreements and United Nations Climate Change Conferences and through other multilateral or bilateral agreements.

Furthermore, as a result of marine accidents we believe that regulation of the shipping industry will continue to become more stringent and more expensive for us and our competitors. Future incidents may result in the adoption of even stricter laws and regulations, which could limit our operations or our ability to do business and which could have a material adverse effect on our business and financial results.

Please read “Item 4B: Business Overview—Regulation” for more information on the regulations applicable to our vessels.

The crew employment agreements that manning agents enter into on behalf of Capital Maritime or any of its affiliates, including our Manager, may not prevent labor interruptions, and the failure to renegotiate these agreements or to successfully attract and retain qualified personnel in the future may disrupt our operations and adversely affect our cash flows.

The collective bargaining agreement between our Manager and the Pan-Hellenic Seamen’s Federation, effective August 1, 2016, expires on July 31, 2017. This collective bargaining agreement may not prevent labor interruptions and it is subject to renegotiation in the future. Although we believe that our relations with our employees are satisfactory, no assurance can be given that we will be able to successfully extend or renegotiate our collective bargaining agreement when it expires. If we fail to extend or renegotiate our collective bargaining agreement, if disputes with our union arise, or if our unionized workers engage in a strike or other work stoppage or interruption, we could experience a significant disruption of our operations, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Also, our success depends in part on our ability to attract and retain qualified personnel. In crewing our vessels, we employ certain employees with specialized training who can perform physically demanding work. Competition to attract and retain qualified crew members is intense. If we are not able to attract and retain qualified personnel, it could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay cash distributions and service or refinance our debt.

If a more active short-term or spot containership market develops, we may have more difficulty entering into medium- to long-term, fixed-rate time charters and our existing customers may begin to pressure us to reduce our charter rates.

One of our principal strategies is to enter into medium- to long-term, fixed-rate time charters. As more containerships become available for the short-term or spot market, we may have difficulty entering into additional medium- to long-term, fixed-rate time charters for our vessels due to the increased supply of vessels and possibly lower rates in the spot market. As a result, our cash

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flow may be subject to instability in the long term. Currently, two of our container vessels are chartered for less than two years. A more active short-term or spot containership market may require us to enter into charters based on changing market prices, as opposed to contracts based on a fixed rate, which could result in a decrease in our cash flow in periods when the market price for vessels is depressed or insufficient funds to cover our financing costs for related vessels. In addition, the development of an active short-term or spot containership market could affect rates under our existing time charters as our current customers may begin to pressure us to reduce our rates.

Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and trans-shipment points. Inspection procedures may result in the seizure of contents of our vessels, delays in the loading, offloading, trans-shipment or delivery and the levying of customs duties, fines or other penalties against us.

It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

Our vessels call in ports throughout the world, and smugglers may attempt to hide drugs and other contraband on our vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessels, and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims or penalties, which could have an adverse effect on our business, financial condition, results of operations, cash flows and ability to make distributions and service or refinance our debt.

RISKS INHERENT IN AN INVESTMENT IN US

Capital Maritime and its affiliates may engage in competition with us.

Pursuant to the amended and restated omnibus agreement that we and Capital Maritime have entered into, Capital Maritime and its controlled affiliates (other than us, our General Partner and our subsidiaries) have agreed not to acquire, own or operate product or crude oil tankers with carrying capacity greater than or equal to 30,000 dwt under time or bareboat charters with a remaining duration, excluding any extension options, of at least 12 months without the consent of our General Partner or our board of directors or without first offering such tanker vessel to us. Similarly, we may not acquire, own or operate product or crude oil tankers with carrying capacity under 30,000 dwt, other than vessels we had owned prior to the date of the amended and restated omnibus agreement, without first offering such tanker vessel to Capital Maritime.

Furthermore, we granted Capital Maritime a right of first offer on the disposal of product and crude oil tankers with a carrying capacity under 30,000 dwt, whereas Capital Maritime granted us a right of first offer on any disposal or re-chartering of any product and crude oil tanker with a carrying capacity greater than or equal to 30,000 dwt owned or acquired by Capital Maritime or any of its controlled affiliates (other than us).

The omnibus agreement contains significant exceptions that may allow Capital Maritime and its controlled affiliates to compete with us, which could harm our business. It also does not apply to container and drybulk vessels. Please read “Item 7B: Related-Party Transactions” for further information.

Capital Maritime is a privately held company and there is little publicly available information about it.

Capital Maritime, the sole member of our General Partner, is one of our largest charterers in revenue terms, with seven of our 36 vessels chartered or expected to commence charters to Capital Maritime as of December 31, 2016. In addition, our Manager is a subsidiary of Capital Maritime. The ability of Capital Maritime to continue providing services for our benefit will depend in part on its own financial strength and reputation in the industry.

Circumstances beyond our control could impair Capital Maritime’s financial strength and also affect its relationships and reputations within the industry, and because it is a privately held company, little or no information about its financial strength is publicly available. As a result, an investor in our common units might have little advance warning of problems Capital Maritime may experience, even though these problems could have a material adverse effect on us.

Unitholders have limited voting rights and our partnership agreement restricts the voting rights of unitholders owning 5% or more of our units.

Holders of 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 meeting. Common unitholders (excluding Capital Maritime and its affiliates) elect five of the eight members of our board of directors. The elected directors are elected on a staggered basis and serve for three-year terms. Our General Partner in its sole discretion has the right to appoint the remaining three directors, who also serve for three-year terms. Any and all elected directors may be removed with cause only by the affirmative vote of a majority of the other elected directors or at a properly called meeting of the common unit holders by the affirmative vote of the holders of a majority of the outstanding common units.

The holders of the Class B Units have voting rights that are identical to the voting rights of the common units on an as converted basis and will vote with the common units as a single class on all matters with respect to which each common unit is entitled to vote, provided, however, that except in the circumstances where we are in arrears in the payment of the minimum quarterly distribution on the Class B Units, holders of Class B Units have no right to vote for, elect or appoint any director, or to nominate any individual to stand for election or appointment as a director. If we fail to pay the minimum Class B Unit distribution for six or more quarters, the holders of the Class B Units will have the right to appoint a director to our board and, if and as long as such arrears exists after March 1, 2018, to replace the directors appointed by our General Partner, in each case by the affirmative vote of the holders of a majority of the Class B Units, subject to exceptions and conditions contained in our partnership agreement.

Furthermore, the partnership agreement contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the 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 66²/₃% of the outstanding units, including any units owned by our General Partner and its affiliates, our Class B unitholders voting together as a single class and a majority vote of our board of directors. Currently, 101,767,728 common units are owned by non-affiliated public unitholders, representing 83.2% of our common units and 73.9% of the partnership interests in us (on an as converted basis).

Our partnership agreement further restricts unitholders' voting rights by providing that if any person or group, other than our General Partner, its affiliates, their transferees and persons who acquired such units with the prior approval of our board of directors, beneficially owns 5% or more of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be 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, determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other unitholders of the same class holding less than 4.9% of the voting power of that class. As affiliates of our General Partner, Capital Maritime and Crude Carriers Investments Corp. ("Crude Carriers Investments") are not subject to such limitation and will be attributed their pro rata share of any units reallocated as a result of such limitation.

As of December 31, 2016, the Marinakis family, including Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.7% interest in us (18.5% on a non-fully converted basis), through, among others, Capital Maritime, which may be deemed to beneficially own a 14.3% interest in us, including 17,291,768 common units and a 1.8% interest in us (2% on a non-fully converted basis) through its ownership of our General Partner, and Crude Carriers Investments, which may be deemed to beneficially own a 2.4% interest in us.

Our General Partner and its affiliates own a significant interest in us and have conflicts of interest and limited fiduciary and contractual duties, which may permit them to favor their own interests to your detriment.

Our general partner is in charge of our day-to-day affairs consistent with policies and procedures adopted by and subject to the direction of our board of directors. Our General Partner and its affiliates and our directors have a fiduciary duty to manage us in a manner beneficial to us and our unitholders. Units owned by affiliates of our General Partner have the same rights as our other outstanding units of the same class (other than the 5% limit on voting rights, which does not apply to our General Partner and its affiliates; see "*Unitholders have limited voting rights and our partnership agreement restricts the voting rights of unitholders*")

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owning 5% or more of our units.”). However, the officers of our General Partner have a fiduciary duty to manage our General Partner in a manner beneficial to Capital Maritime. Furthermore, all of the officers of our General Partner and certain of our directors are directors or officers of Capital Maritime and its affiliates, and as such they have fiduciary duties to Capital Maritime that may cause them to pursue business strategies that disproportionately benefit Capital Maritime or which otherwise are not in the best interests of us or our unitholders. Conflicts of interest may arise between Capital Maritime and its affiliates, including our General Partner and its officers, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our General Partner and its affiliates may favor their own interests over the interests of our unitholders. Please read “Item 3.D: Risk Factors—*Risks Inherent in an Investment in Us—Our partnership agreement limits our General Partner’s and our directors’ fiduciary duties to our unitholders and restricts the remedies available to unitholders for actions taken by our General Partner or our directors.*” These conflicts include, among others, the following situations:

- neither our partnership agreement nor any other agreement requires our General Partner or Capital Maritime or its affiliates to pursue a business strategy that favors us or utilizes our assets, and Capital Maritime’s officers and directors have a fiduciary duty to make decisions in the best interests of the shareholders of Capital Maritime, which may be contrary to our interests;
- the executive officers of our General Partner and three of our directors also serve as executive officers and/or directors of Capital Maritime;
- our General Partner and our board of directors are allowed to take into account the interests of parties other than us, such as Capital Maritime, in resolving conflicts of interest, which has the effect of limiting their fiduciary duties to our unitholders;
- our General Partner and our directors have limited their liabilities and reduced their fiduciary duties under the laws of the Republic of the Marshall Islands, while also restricting the remedies available to our unitholders, and, as a result of purchasing our units, unitholders are treated as having agreed to the modified standard of fiduciary duties and to certain actions that may be taken by our General Partner and our directors, all as set forth in the partnership agreement;
- our General Partner and our board of directors will be involved in determining the amount and timing of our asset purchases and sales, capital expenditures, borrowings, and issuances of additional partnership securities and reserves, each of which can affect the amount of cash that is available for distribution to our unitholders;
- our General Partner may have substantial influence over our board of directors’ decision to cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make incentive distributions;
- our General Partner is entitled to reimbursement of all reasonable costs incurred by it and its affiliates for our benefit;
- our partnership agreement does not restrict us from paying our General Partner or its affiliates for any services rendered to us on terms that are fair and reasonable or entering into additional contractual arrangements with any of these entities on our behalf; and
- our General Partner may exercise its right to call and purchase our outstanding units if it and its affiliates own more than 90% of our common units.

Although a majority of our directors are elected by common unitholders, our General Partner has a substantial influence on decisions made by our board of directors. Please read “Item 6: Directors, Senior Management and Employees”.

Generally, the vote of a majority of our common unitholders, including affiliates of our General Partner, is required to amend the terms of our partnership agreement. Affiliates of our General Partner may favor their own interests in any vote by our unitholders.

Under the terms of our partnership agreement, the affirmative vote of a majority of common units (including, subject to certain exceptions, the votes of holders of Class B Units voting on an as-converted basis) is required in order to reach certain decisions or actions, including:

- amendments to the definition of available cash, operating surplus and adjusted operating surplus;
- elimination of the obligation to hold an annual general meeting;
- removal of any appointed director for cause;
- transfer of the general partner interest prior to March 31, 2017;

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- transfer of our incentive distribution rights (“IDRs”) prior to March 31, 2017;
- the ability of the board of directors to cause us to sell, exchange or otherwise dispose of all or substantially all of our assets;
- withdrawal of the General Partner;
- removal of the General Partner;
- dissolution of the partnership;
- change to the quorum requirements;
- approval of merger or consolidation; and
- any other amendment to the partnership agreement, except for certain amendments related to the day-to-day management of the Partnership and amendments necessary or appropriate to carrying on our business consistent with historical practice, including any change that our board of directors determines to be necessary or appropriate to qualify or continue our qualification as a limited partnership, or any amendment that our board of directors, and, if required, our General Partner, determines to be necessary or appropriate in connection with the authorization and issuance of any class or series of our securities.

Furthermore, our partnership agreement provides that any changes to the rights of the Class B unitholders, whose rights rank senior to those of our common unitholders in many respects, must be approved by at least 75% of the holders of such units, excluding units held by Capital Maritime and its affiliates (if any).

As of December 31, 2016, the Marinakis family, including Mr. Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.7% interest in us (18.5% on a non-fully converted basis), through, among others, Capital Maritime, which may be deemed to beneficially own a 14.3% interest in us, consisting of 17,291,768 common units and our General Partner’s 1.8% interest, and Crude Carriers Investments, which may be deemed to beneficially own a 2.4% interest in us.

Affiliates of our General Partner are not subject to the limitations on voting rights imposed on our other limited partners and would be attributed their pro rata share of any units reallocated as a result of such limitations.

Affiliates of our General Partner may favor their own interests in any vote by our unitholders. These considerations may significantly impact any vote under the terms of our partnership agreement and may significantly affect your rights under our partnership agreement.

Please also read “Item 3.D: Risk Factors—Risks Inherent in an Investment in Us—*Unitholders have limited voting rights and our partnership agreement restricts the voting rights of unitholders owning 5% or more of our units*” for information on additional restrictions imposed by our partnership agreement.

We currently do not have any officers and rely, and expect to continue to rely, solely on officers of our General Partner, who face conflicts in the allocation of their time to our business.

Our board of directors has not exercised its power to appoint officers of CPLP to date, and, as a result, we rely, and expect to continue to rely, solely on the officers of our General Partner, who are not required to work full-time on our affairs and who also work for affiliates of our General Partner, including Capital Maritime. For example, our General Partner’s Chief Executive Officer and Chief Financial Officer and its Chief Operating Officer are also executive officers of Capital Maritime. The affiliates of our General Partner conduct substantial businesses and activities of their own in which we have no economic interest. As a result, there could be material competition for the time and effort of the officers of our General Partner who also provide services to our General Partner’s affiliates, which could have a material adverse effect on our business, financial condition, results of operations, cash flow and ability to make cash distributions and service or refinance our debt.

Our partnership agreement limits our General Partner's and our directors' fiduciary duties to our unitholders and restricts the remedies available to unitholders for actions taken by our General Partner or our directors.

Our partnership agreement contains provisions that reduce the standards and fiduciary duties to which our General Partner and directors may otherwise be held by or owed to you pursuant to Marshall Islands law. For example, our partnership agreement:

- permits our General Partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our General Partner. Where our partnership agreement permits, our General Partner may consider only the interests and factors that it desires, and in such cases, it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our unitholders. Decisions made by our General Partner in its individual capacity will be made by its sole owner, Capital Maritime. Specifically, pursuant to our partnership agreement, our General Partner will be considered to be acting in its individual capacity if it exercises its right to call and purchase limited partner interests, including common units, preemptive rights or registration rights, consents or withholds consent to any merger or consolidation of the partnership, appoints any directors or votes for the election of any director, votes or refrains from voting on amendments to our partnership agreement that require a vote of the outstanding units, voluntarily withdraws from the partnership, transfers (to the extent permitted under our partnership agreement) or refrains from transferring its units, General Partner interest or IDRs, or votes upon the dissolution of the partnership;
- provides that our General Partner and our directors are entitled to make other decisions in "good faith" if they reasonably believe that the decision is in our best interests;
- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of our board of directors and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be "fair and reasonable" to us and that, in determining whether a transaction or resolution is "fair and reasonable", our board of directors may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and
- provides that neither our General Partner and its officers nor our directors will be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our General Partner or directors or its officers or directors or those other persons engaged in actual fraud or willful misconduct.

In order to become a limited partner of our partnership, a unitholder is required to agree to be bound by the provisions in the partnership agreement, including the provisions discussed above. Please read "Conflicts of Interest and Fiduciary Duties".

Our partnership agreement contains provisions that may have the effect of discouraging a person or group from attempting to remove our current management or our General Partner, and even if public unitholders are dissatisfied, they will be unable to remove our General Partner without Capital Maritime's consent unless Capital Maritime's ownership share in us is below a specified threshold, all of which could diminish the trading price of our units.

Our partnership agreement contains provisions that may have the effect of discouraging a person or group from attempting to remove our current management or our General Partner:

- the unitholders will be unable to remove our General Partner without its consent so long as our General Partner and its affiliates own sufficient units to be able to prevent such removal. The vote of the holders of at least 66²/₃% of all outstanding units voting together as a single class and a majority vote of our board of directors is required to remove the General Partner. As of December 31, 2016, the Marinakis family, including Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.7% interest in us (18.5% on a non-fully converted basis), through, among others, Capital Maritime.
- common unitholders elect five of the eight members of our board of directors. Our General Partner in its sole discretion has the right to appoint the remaining three directors.
- election of the five directors elected by common unitholders is staggered, meaning that the members of only one of three classes of our elected directors are selected each year. In addition, the directors appointed by our General Partner will serve for terms determined by our General Partner.
- our partnership agreement contains provisions limiting the ability of unitholders to call meetings of unitholders, to nominate directors and to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.
- unitholders' voting rights are further restricted by the partnership agreement provision providing that if any person or group, other than our General Partner, its affiliates, their transferees and persons who acquired such units with the prior approval of our board of directors, owns beneficially 5% or more of any class of units then outstanding,

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any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be 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, determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the unitholders of the same class holding less than 4.9% of the voting power of that class.

- we have substantial latitude in issuing equity securities without unitholder approval.

One effect of these provisions may be to diminish the price at which our units will trade.

The control of our General Partner may be transferred to a third party without unitholder consent.

Our General Partner may transfer its General Partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. After March 31, 2017, our General Partner may transfer all or any of its General Partner interest without unitholder approval. In addition, our partnership agreement does not restrict the ability of the members of our General Partner from transferring their respective membership interests in our General Partner to a third party. Any such change in control of our General Partner may affect the way we and our operations are managed, which could have a material adverse effect on our business, financial condition, results of operations, cash flow and our ability to make cash distributions and service or refinance our debt.

Future sales of our common units, or the issuance of additional preferred units, debt securities or warrants, could cause the market price of our common units to decline.

The market price of our common units could decline due to sales of a large number of units, or the issuance of debt securities or warrants, in the market, or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate to raise funds through future offerings of common units.

In addition, pursuant to the terms of our partnership agreement, holders of our Class B Units may convert all or a portion of their Class B Units into common units at any time, and from time to time, at a ratio of one-for-one, such conversion ratio to be adjusted in the event that, among other anti-dilution protection provisions, we declare, order, pay or make a distribution (including any distribution of units or other securities or property or rights or warrants to subscribe for our securities at a price per unit less than the fair market value of such securities, by way of distribution or spin-off) on our common units, other than regular and customary quarterly distributions of available cash. As of December 31, 2016, there were 12,983,333 Class B Units outstanding.

For more information on the rights and privileges of our Class B Units, read “Item 10B: Memorandum and Articles of Association—The Partnership Agreement”.

We may issue additional equity securities without your approval, which would dilute your ownership interests.

Except for consent rights of the Class B Unit holders with respect to the issuance of interests senior to the Class B Units, we may, without the approval of our unitholders, issue an unlimited number of additional units or other equity securities, including to Capital Maritime or its affiliates.

Since our initial public offering, we conducted a number of issuances:

- We have issued Class B Units, which are convertible into common units. As of December 31, 2016, there were 12,983,333 Class B Units outstanding.
- We conducted multiple issuances of common units, including in the unit-for-share acquisition of Crude Carriers in 2011, in public offerings on an SEC-registered basis or to our General Partner or Capital Maritime in private placements.
- In August 2014, following approval obtained from our limited partners at our 2014 annual meeting, we amended and restated our Omnibus Incentive Compensation Plan, adopted in April 2008 (the “Plan”), to increase the maximum number of restricted units authorized for issuance thereunder from 800,000 to 1,650,000. 850,000 restricted units were issued under the Plan in December 2015 and 699,168 remained unvested as of December 31, 2016.

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- In September 2016, we entered into an equity distribution agreement under which we may sell, from time to time, new common units having an aggregate offering amount of up to \$50.0 million. As of December 31, 2016, we have issued an aggregate of 1.4 million new common units in this ATM offering translating into net proceeds of \$4.5 million (before offering expenses). We may make additional such issuances in the future.

The issuance by us of additional units or other equity securities of equal or senior rank may have the following effects:

- our unitholders' proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- the relative voting power of each previously outstanding unit may be diminished; and
- the market price of the units may decline.

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

If at any time our General Partner and its affiliates own more than 90% of the units of a class, our General Partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the units of such class held by unaffiliated persons at a price not less than their then-current market price. As a result, you may be required to sell your units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your units.

You may not have limited liability if a court finds that unitholder action constitutes control of our business.

As a limited partner in a partnership organized under the laws of the Republic of the Marshall Islands, you could be held liable for our obligations to the same extent as a General Partner if a court determines that you "participated in the control" of our business (and the person who transacts business with us reasonably believes, based on the limited partner's conduct, that the limited partner is a general partner). Our General Partner generally has unlimited liability for the obligations of the partnership, such as its debts and environmental liabilities. In addition, the limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some jurisdictions in which we do business. Please read "Item 10B: Memorandum and Articles of Association—The Partnership Agreement—Limited Liability" for a more detailed discussion of the implications of the limitations on liability to a unitholder.

We can borrow money to pay distributions or buy back our units, which would reduce the amount of credit available to operate our business.

Our partnership agreement allows us to make working capital borrowings to pay distributions. Accordingly, we can make distributions on all our units even though cash generated by our operations may not be sufficient to pay such distributions. Any working capital borrowings by us to make distributions will reduce the amount of working capital borrowings we can make for operating our business. For more information, please read "Item 5B: Liquidity and Capital Resources—Borrowings".

Increases in interest rates may cause the market price of our units to decline.

An increase in interest rates may cause a corresponding decline in demand for equity investments in general, and in particular, for yield based equity investments such as our units. Any such increase in interest rates or reduction in demand for our units resulting from other relatively more attractive investment opportunities may cause the trading price or the market value of our units to decline.

Unitholders may have liability to repay distributions.

Under some circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under the Marshall Islands Limited Partnership Act (the "MILPA"), we may not make a distribution if the distribution would cause our liabilities (other than liabilities to partners on account of their partnership interest and liabilities for which the recourse of creditors is limited to specified property of ours) to exceed the fair value of our assets, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in our assets only to the extent that the fair value of that

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property exceeds that liability. The MILPA provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated the MILPA will be liable to the limited partnership for the distribution amount. Assignees who become substituted limited partners are liable for the obligations of the assignor to make contributions to the partnership that are known to the assignee at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement.

We have incurred, and may continue to incur significant costs in complying with the requirements of the U.S. Sarbanes-Oxley Act of 2002. If management is unable to continue to provide reports as to the effectiveness of our internal control over financial reporting or our independent registered public accounting firm is unable to continue to provide us with unqualified attestation reports as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common units.

We completed our IPO on the Nasdaq Global Select Market on April 3, 2007. As a publicly traded limited partnership, we are required to comply with the SEC's reporting requirements and with corporate governance and related requirements of the U.S. Sarbanes-Oxley Act of 2002, the SEC and the Nasdaq Global Select Market, on which our common units are listed. Section 404 of the U.S. Sarbanes-Oxley Act of 2002 ("SOX 404") requires that we evaluate and determine the effectiveness of our internal control over financial reporting on an annual basis and include in our reports filed with the SEC our management's assessment of the effectiveness of our internal control over financial reporting and a related attestation of our independent registered public accounting firm. Our sponsor, Capital Maritime, provides substantially all of our financial reporting and we depend on the procedures they have in place. If, in such future annual reports on Form 20-F, our management cannot provide a report as to the effectiveness of our internal control over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified attestation report as to the effectiveness of our internal control over financial reporting as required by SOX 404, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common units.

We have and expect we will continue to have to dedicate a significant amount of time and resources to ensure compliance with the regulatory requirements of SOX 404. We will continue to work with our legal, accounting and financial advisors to identify any areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public company. However, these and other measures we may take may not be sufficient to allow us to satisfy our obligations as a public company on a timely and reliable basis. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We have incurred and will continue to incur legal, accounting and other expenses in complying with these and other applicable regulations. We anticipate that our incremental general and administrative expenses as a publicly traded limited partnership taxed as a corporation for U.S. federal income tax purposes will include costs associated with annual reports to unitholders, tax returns, investor relations, registrar and transfer agent's fees, incremental director and officer liability insurance costs and director compensation.

Our organization as a limited partnership under the laws of the Republic of the Marshall Islands may limit the ability of our unitholders to protect their interests.

Our affairs are governed by our partnership agreement and the MILPA. The provisions of the MILPA resemble provisions of the limited partnership laws of a number of states in the United States, most notably Delaware. The MILPA also provides that it is to be applied and construed to make the laws of the Marshall Islands, with respect to the subject matter of the MILPA, as it relates to nonresident limited partnerships, such as us, uniform with the laws of the State of Delaware and, so long as it does not conflict with the MILPA or decisions of the High and Supreme Courts of the Republic of the Marshall Islands, the non-statutory law (or case law) of the State of Delaware is adopted as the law of the Marshall Islands. However, there have been few, if any, judicial cases in the Republic of the Marshall Islands interpreting the MILPA. For example, the rights and fiduciary responsibilities of directors under the laws of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Although the MILPA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware, our public unitholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling unitholders than would shareholders of a limited partnership organized in a U.S. jurisdiction.

It may not be possible for investors to enforce U.S. judgments against us.

We are organized under the laws of the Republic of the Marshall Islands, as is our General Partner and most of our subsidiaries. Most of our directors and the directors and officers of our General Partner and those of our subsidiaries are residents of countries other than the United States. Substantially all of our assets and those of our subsidiaries are located outside the United States. As a result, it may be difficult or impossible for U.S. investors to serve process within the United States upon us or to enforce judgment upon us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or organized or where our assets or the assets of our subsidiaries are located (1) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries based upon the civil liability provisions of applicable U.S. federal and state securities laws or (2) would impose, in original actions, liabilities against us or our subsidiaries based upon these laws.

TAX RISKS

In addition to the following risk factors, you should read “Item 10E: Taxation” below for a more complete discussion of the expected material U.S. federal and non-U.S. income tax considerations relating to us and the ownership and disposition of our units.

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

A foreign entity taxed 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 (x) at least 75% of its gross income for any taxable year consists of certain types of “passive income”, or (y) at least 50% of the average value of the entity’s assets produce or are held for the production of those types 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. persons who own shares 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 shares in the PFIC.

Based on our current and projected method of operation, we believe that we are not currently a PFIC and we do not expect to become a PFIC in the future. We intend to treat our income from spot and time chartering activities as non-passive income, and the vessels engaged in those activities as non-passive assets, for PFIC purposes. However, no assurance can be given that the Internal Revenue Service (the “IRS”) or a United States court will accept this position, and there is accordingly a risk that the IRS or a United States court could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in our assets, income or operations. See “Item 10E: Taxation—Material U.S. Federal Income Tax Considerations—U.S. Federal Income Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences”.

We may have to pay tax on United States source income, which would reduce our earnings.

Under the Internal Revenue Code of 1986, as amended (the “Code”), 50% of the gross shipping income of a vessel owning or chartering corporation that is attributable to transportation that either begins or ends, but that does not both begin and end, in the United States is characterized as U.S. source shipping income and such income generally is subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code. We believe that we and each of our subsidiaries will qualify for this statutory tax exemption, and we will take this position for U.S. federal income tax return reporting purposes. See “Item 10E: Taxation—Material U.S. Federal Income Tax Considerations—The Section 883 Exemption”. However, there are factual circumstances, including some that may be beyond our control, which could cause us to lose the benefit of this tax exemption. In addition, our conclusion that we currently qualify for this exemption is based upon legal authorities that do not expressly contemplate an organizational structure such as ours. Although we have elected to be treated as a corporation for U.S. federal income tax purposes, for corporate law purposes we are organized as a limited partnership under Marshall Islands law. Our General Partner will be responsible for managing our business and affairs and has been granted certain veto rights over decisions of our board of directors. Therefore, we can give no assurances that the IRS will not take a different position regarding our qualification, or the qualification of any of our subsidiaries, for this tax exemption.

If we or our subsidiaries are not entitled to this exemption under Section 883 of the Code for any taxable year, we or our subsidiaries generally would be subject for those years to a 4% U.S. federal gross income tax on our U.S. source shipping income. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings available for distribution to our unitholders.

You may be subject to income tax in one or more non-U.S. countries, including Greece, as a result of owning our units if, under the laws of any such country, we are considered to be carrying on business there. Such laws may require you to file a tax return with and pay taxes to those countries.

We intend that our affairs and the business of each of our subsidiaries will be conducted and operated in a manner that minimizes income taxes imposed upon us and these subsidiaries or which may be imposed upon you as a result of owning our units. However, because we are organized as a partnership, there is a risk in some jurisdictions that our activities and the activities of our

subsidiaries may be attributed to our unitholders for tax purposes and, thus, that you will be subject to tax in one or more non-U.S. countries, including Greece, as a result of owning our units if, under the laws of any such country, we are considered to be carrying on business there. If you are subject to tax in any such country, you may be required to file a tax return with and pay tax in that country based on your allocable share of our income. We may be required to reduce distributions to you on account of any withholding obligations imposed upon us by that country in respect of such allocation to you. The United States may not allow a tax credit for any foreign income taxes that you directly or indirectly incur.

We believe we can conduct our activities in a manner so that our unitholders should not be considered to be carrying on business in Greece solely as a consequence of acquiring, holding, disposing of or participating in the redemption of our units. However, the question of whether either we or any of our subsidiaries will be treated as carrying on business in any country, including Greece, will largely be a question of fact determined through an analysis of contractual arrangements, including the management and the administrative services agreements we have entered into with Capital Ship Management, and the way we conduct business or operations, all of which may change over time. The laws of Greece or any other foreign country may also change, which could cause the country's taxing authorities to determine that we are carrying on business in such country and are subject to its taxation laws. See also "Item 3.D: Risk Factors—Risks Relating to Financing Activities—Risks arising from the political situation in Greece". Any foreign taxes imposed on us or any subsidiaries or the increase of any tonnage tax will reduce our cash available for distribution.

Item 4. Information on the Partnership.

A. History and Development of the Partnership

We are a master limited partnership organized as Capital Product Partners L.P. under the laws of the Marshall Islands on January 16, 2007. We maintain our principal executive headquarters at 3 Iassonos Street, Piraeus, 18537 Greece and our telephone number is +30 210 4584 950. Our registered address in the Marshall Islands is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The name of our registered agent at such address is The Trust Company of the Marshall Islands, Inc.

We completed our IPO in April 2007. Upon our IPO, our fleet consisted of eight vessels, as compared to the 36 vessels currently in our fleet.

In February 2010, we completed the issuance of 5,800,000 common units at a public offering price of \$8.85 per common unit. An additional 481,578 common units were subsequently sold at the same price following the partial exercise of the over-allotment option granted to the underwriters for the offering. The net proceeds from the offering were used to acquire one MR tanker at an acquisition price of \$43.0 million and for general partnership purposes.

In August 2010, we completed the issuance of 5,500,000 common units at a public offering price of \$8.63 per common unit. An additional 552,254 common units were subsequently sold at the same price following the partial exercise of the over-allotment option granted to the underwriters. The net proceeds from the offering were used to acquire one MR tanker at an acquisition price of \$43.5 million and for general partnership purposes.

In May 2011, we entered into a definitive agreement to merge with Crude Carriers Corp. ("Crude Carrier"), a corporation organized under the laws of the Republic of Marshall Islands and managed by Capital Maritime, in a unit-for-share transaction. In September 2011, we completed the merger, as a result of which Crude Carrier became our wholly owned subsidiary. In connection with the merger, we issued 24,967,240 common units to holders of Crude Carriers' shares.

In June 2011, we completed the acquisition of the company owning the M/V Cape Agamemnon and the attached charter from Capital Maritime. The vessel is under a charter with Cosco for a ten-year period, which commenced in July 2010. The acquisition was funded through \$1.5 million from available cash and the incurrence of \$25.0 million of debt under our 2011 credit facility. We also issued 6,958,000 common units to Capital Maritime.

In September 2011, pursuant to the terms of our merger agreement with Crude Carriers, we amended and restated the omnibus agreement with Capital Maritime. Please read "Item 7.B: Related-Party Transactions—Omnibus Agreement with Capital Maritime".

In June 2012, we issued 15,555,554 Class B Units to a group of investors, including Capital Maritime, at price of \$9.00 per unit. The Class B Units pay fixed quarterly cash distribution of \$0.21375 per unit representing an annualized distribution yield of 9.5%. The net proceeds of the transaction, together with part of our cash balances, were used to prepay debt in the amount of \$149.6 million.

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In connection with the issuance and sale of the Class B Units, we adopted an amendment to our partnership agreement, dated as of May 22, 2012 (the “Second Amendment to the Partnership Agreement”), which established and set forth the rights, preferences, privileges, duties and obligations of the Class B Units. The Class B Units have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent a registration statement or exemption from registration.

In March 2013, we issued 9,100,000 Class B Units to a group of investors, including Capital Maritime, at a price of \$8.25 per unit. In this connection, we adopted a further amendment to our limited partnership agreement, dated as of March 19, 2013 (the “Third Amendment to the Partnership Agreement”), which amends some of the rights, preferences and privileges of the Class B Units.

The net proceeds of the transaction, together with approximately \$54.0 million from our existing 2008 credit facility and part of our cash balances, were used for the acquisition of two 5,023 TEU container vessels, the M/V ‘Hyundai Premium’ and M/V ‘Hyundai Paramount’, for a total consideration of \$130.0 million. The vessels were originally ordered by Capital Maritime and secured a 12-year time charter employment (+/- 60 days) with HMM.

Certain holders of Class B Units, including Capital Maritime, have since converted an aggregate of 11,672,221 Class B Units.

In November 2012, one of our charterers, OSG, and certain of its subsidiaries made a voluntary filing for relief under Chapter 11 of the U.S. Bankruptcy Code. At the date of the filing, we had three IMO II/III Chemical/Product tankers (the M/T Alexandros II, the M/T Aristotelis II and the M/T Aris II) on long term bareboat charter to OSG subsidiaries. These charters were scheduled to terminate, approximately, in November 2017, April 2018 and June of 2018, respectively. We agreed to enter into new charters with OSG on substantially the same terms as the prior charters, but at reduced bareboat charter rate. In May 2013, we filed six claims for a total of \$54.1 million against each of the three charterers and their respective three guarantors for damages resulting from the rejection of each of the prior charters. We sold our rights under these claims to Deutsche Bank Securities Inc.

In August 2013, we issued 11,900,000 common units at a public offering price of \$9.25 per common unit. An additional 1,785,000 common units were subsequently sold at the same price following the full exercise of the over-allotment option granted to the underwriters. Capital GP L.L.C., our General Partner, participated in both the offering and the exercise of the over-allotment option and purchased 279,286 units at the public offering price. The net proceeds from the offering, together with \$75.0 million from our 2013 credit facility and part of our cash balances, were used to acquire three 5,023 TEU container vessels, the M/V Hyundai Prestige, the M/V Hyundai Privilege and the M/V Hyundai Platinum, from Capital Maritime for an aggregate purchase price of \$195.0 million.

2016 Developments

Acquisition of the M/T Amor

On October 24, 2016, we acquired from Capital Maritime the shares of the company owning the M/T Amor for a total consideration of \$16.9 million comprising \$16.0 million in cash and the issuance of 283,696 new common units to Capital Maritime, reflecting the fair value of M/T Amor of \$31.6 million and the fair value of the time charter attached to the vessel of \$1.1 million, less the assumption of a \$15.8 million term loan under a credit facility previously arranged by Capital Maritime. The term loan is non-amortizing for a period of two years from the anniversary of the delivery of the M/T Amor with an expected final maturity date in November 2022 and has an interest margin of 2.50%. For further information on our existing facilities, please see “Item 5.B. Liquidity and Capital Resources—Borrowings—Our Credit Facilities”.

At-the-market Offering

In September 2016, the Partnership entered into an equity distribution agreement with UBS Securities LLC (“UBS”) under which the Partnership may sell, from time to time through UBS, as its sales agent, new common units having an aggregate offering amount of up to \$50.0 million. We intend to use the net proceeds from the sales of new common units, after deducting the sales agent’s commissions and our offering expenses, for general partnership purposes, which may include, among other things, the acquisition of new vessels, the repayment or refinancing of all or a portion of our outstanding indebtedness and funding of working capital requirements or capital expenditures. For the period between the launch of the ATM offering and December 31, 2016, we issued an aggregate of 1.4 million new common units translating into net proceeds of \$4.5 million (before offering expenses).

HMM restructuring agreement & disposal of HMM Shares

HMM, the charterer of five of our container vessels and one of our largest counterparties in terms of revenue, completed a financial restructuring in July 2016. In this connection, our subsidiaries owning vessels under charter with HMM entered into a charter restructuring agreement with HMM on July 15, 2016. This agreement provides for the reduction of the charter rate payable under the

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respective charter parties by 20% to \$23,480 per day (from a gross daily rate of \$29,350) for a three and a half year period starting in July 2016 and ending in December 2019. The total charter rate reduction for the Charter Reduction Period is approximately \$37.0 million. The charter restructuring agreement further provides that at the end of the Charter Reduction Period, the charter rate under the respective charter parties will be restored to the original gross daily rate of \$29,350 until the expiry of each charter in 2024 and 2025. As compensation for the charter rate reduction, we received approximately 4.4 million HMM common shares, which we sold on the Stock Market Division of the Korean Exchange for aggregate consideration of \$29.7 million in August 2016.

Delivery of M/V CMA CGM Magdalena

Pursuant to the Master Vessel Acquisition Agreement we entered into on July 24, 2014, the Partnership acquired on February 26, 2016 the shares of the company owning the M/V CMA CGM Magdalena, the last of five Dropdown Vessels that we agreed to acquire from Capital Maritime for a total consideration of \$81.5 million. The M/V 'CMA CGM Magdalena' is chartered to CMA-CGM S.A. for five years at a gross daily charter rate of \$39,250.

2015 Developments

Issuance and Sale of Common Units

In April 2015, we completed the issuance of 14,555,000 common units at an offering price of \$9.53 per unit. This total includes 1,100,000 common units sold to our sponsor and 1,755,000 common units sold to the underwriters following partial exercise of the overallotment option. Also in May 2015, our sponsor converted an aggregate of 315,908 common units into general partner units and delivered such units to our General Partner in order for it to maintain its 2% interest in us. Net proceeds, after the deduction of the underwriters' commission but before expenses, relating to the offering were \$133.3 million. The proceeds were used to prepay the quarterly amortization installments scheduled for 2016 and the first quarter of 2017 under our 2007, 2008 and 2011 credit facilities and to pay related fees and expenses and for general partnership purposes.

Amendments to Certain of Our Credit Facilities

In April 2015, upon the completion of the issuance and sale of the 14,555,000 common units, we entered into three amendments to our 2007, 2008 and 2011 credit facilities providing for: (i) the prepayments made on April 30, 2015, and funded by the proceeds of the April 2015 offering of common units, of the scheduled four quarterly amortization payments in 2016 and the first quarter of 2017 in the respective aggregate amounts of \$64.9 million, \$46.0 million and \$5.0 million; (ii) the deferral, following the prepayments, of any further scheduled amortization payments until November 2017 for the 2007 and 2008 credit facilities and until December 2017 for the 2011 credit facility; (iii) an extension of the final maturity date to December 31, 2019 for the 2007 and 2008 credit facilities; and (iv) an increase of the interest rate under the 2007 credit facility to 3.0% over LIBOR from 2.0% over LIBOR. All other terms in our existing credit facilities remained unchanged.

Delivery of Dropdown Vessels

On July 24, 2014, we entered into a Master Vessel Acquisition Agreement with our sponsor, Capital Maritime (the "Master Vessel Acquisition Agreement"), pursuant to which we agreed to acquire the Dropdown Vessels for an aggregate purchase price of \$311.5 million. Between March and September 2015, we took delivery of the M/T Active, the M/V CMA CGM Amazon, the M/T Amadeus and the M/V CMA CGM Uruguay. Further to the Master Vessel Acquisition Agreement, the Partnership has a right of first refusal over six newbuild eco medium range product tankers built by Samsung Heavy Industries (Ningbo) Co. Ltd. including M/T Amor which was delivered in October 2016.

Management Transition

On June 30, 2015, Mr. Gerasimos (Jerry) Kalogiratos was appointed as Chief Executive Officer and Chief Financial Officer, succeeding Mr. Petros Christodoulou, who served as the Chief Executive Officer and Chief Financial Officer of the Partnership's General Partner between September 2014 and June 2015, and Mr. Gerasimos (Gerry) Ventouris was appointed as Chief Operating Officer. Mr. Christodoulou resigned as a director of our board of directors and was replaced by Mr. Nikolaos Syntychakis.

During 2015, various holders of our Class B Units converted an aggregate of 1,240,404 Class B Units into common units in accordance with the terms of the partnership agreement.

2014 Developments

Amendment to the Partnership Agreement

As consideration for the acquisitions of the Dropdown Vessels at prices below current market value, we agreed, subject to, among other things, the approval of our unitholders, to amend the partnership agreement to revise the target distributions to holders of our IDRs. Prior to this amendment to the partnership agreement, our General Partner had the right to receive, subject to the rights of holders of the Class B Units and assuming our General Partner maintained a 2% general partner interest in us and had not transferred the IDRs:

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- 2% of all quarterly distributions until the holders of our common units had received \$0.3750 per unit (the “Minimum Quarterly Distribution”);
- 2% of all quarterly distributions until the holders of our common units had received \$0.4313 per unit (the “First Target Distribution”);
- 15% of all quarterly distributions until the holders of our common units had received \$0.4688 per unit (the “Second Target Distribution”);
- 25% of all quarterly distributions until the holders of our common units had received \$0.5625 per unit (the “Third Target Distribution”); and
- 50% of all quarterly distributions in excess of \$0.5625 per unit.

Under the amendment to the partnership agreement proposed for unitholder approval, each of the Minimum Quarterly Distribution, the First Target Distribution, the Second Target Distribution and the Third Target Distribution would be reduced to \$0.2325, \$0.2425, \$0.2675 and \$0.2925, respectively, while our General Partner’s right to receive 50% of quarterly cash distributions in excess of the Third Target Distribution would be reduced to a right to receive 35% of such cash distributions. As a result, our General Partner would receive:

- 2% of all quarterly distributions until the holders of our common units had received \$0.2325 per unit;
- 2% of all quarterly distributions until the holders of our common units had received \$0.2425 per unit;
- 15% of all quarterly distributions until the holders of our common units had received \$0.2675 per unit;
- 25% of all quarterly distributions until the holders of our common units had received \$0.2925 per unit; and
- 35% of all quarterly distributions in excess of \$0.2925 per unit.

On August 21, 2014, our unitholders approved, among other things, the amendment to the partnership agreement outlined above. As a result, we adopted the fourth amendment to the partnership agreement, dated as of August 25, 2014 (the “Fourth Amendment to the Partnership Agreement”), to reflect the approval of such amendment.

Thereafter, Capital Maritime, after discussion with, and with the unanimous support of, the conflicts committee of our board of directors, unilaterally notified us that it decided to waive its rights to receive quarterly incentive distributions between \$0.2425 and \$0.25. This waiver effectively has increased the First Target Distribution from \$0.2425 to \$0.25.

Issuance and Sale of Common Units

In September 2014, we completed the issuance of 15,000,000 common units at a public offering price of \$10.53 per common unit. An additional 2,250,000 common units were subsequently sold on the same terms following the full exercise of the overallotment option granted to the underwriters. Also in September 2014, our sponsor converted an aggregate of 358,624 common units into general partner units and delivered such units to our General Partner in order for it to maintain its 2% interest in us. Net proceeds, after the deduction of the underwriters’ commission but before expenses, relating to the offering were \$173.9 million. The net proceeds from the offering were used to repurchase from Capital Maritime 5,950,610 common units at an aggregate price of \$60.0 million, and to cancel such common units. The remaining proceeds were used to partially fund the \$311.5 million aggregate purchase price for the Dropdown Vessels and for general partnership purposes.

Amendment to our Omnibus Incentive Compensation Plan

At our annual general meeting of unitholders held on August 21, 2014, the Plan was amended and restated to increase the maximum number of restricted units authorized for issuance thereunder from 800,000 to 1,650,000, of which 795,200 have been previously issued and have vested. No other actions were taken at the meeting.

During 2014, certain holders of our Class B Units, including Capital Maritime, converted an aggregate of 4,698,484 Class B Units into common units in accordance with the terms of the partnership agreement.

B. Business Overview

We are an international owner of tanker, container and drybulk vessels. Our fleet of 36 modern high specification vessels (2.6 million dwt) with an average age of approximately 7.4 years as of December 31, 2016, consists of four Suezmax crude oil tankers, twenty one modern MR tankers, all of which are classed as IMO II/III vessels, ten post-panamax container carrier vessels and one Capesize bulk carrier. Our vessels are capable of carrying a wide range of cargoes, including crude oil, refined oil products such as gasoline, diesel, fuel oil and jet fuel, edible oils and certain chemicals, such as ethanol, as well as dry cargo and containerized goods. As of December 31, 2016, all our vessels were chartered under medium- to long-term time and bareboat charters with a revenue weighted average remaining term of approximately 5.6 years to large charterers such as BP Shipping Limited, CMA CGM, Petrobras, Pacific International Lines (Pte) Ltd, Cargill International S.A. (“Cargill”) subsidiaries of INSW, HMM, CSSA S.A. (Total S.A.), Empresa Publica Flota Petrolera Ecuatoriana EP Flopec (“Flopec”), Cosco, Repsol Trading S.A. (“Repsol”), Stena Bulk A.B. (“Stena Bulk”) and Capital Maritime. All our time and bareboat charters provide for the receipt of a fixed base rate for the life of the charter, and in the case of two of our time charters, also provide for profit sharing arrangements in excess of the base rate. Please see “Item 4B: Business Overview—Our Charters—Profit Sharing Arrangements” for a detailed description of how profit sharing is calculated. As of December 31, 2016, the Marinakis family, including Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.7% interest in us (18.5% on a non-fully converted basis), through, among others, Capital Maritime.

Business Strategies

Our primary business objective is to pay a sustainable quarterly distribution for our common units and Class B Units and to increase our distributions on our common units over time while maintaining a strong financial position and an appropriate level of liquidity for the proper conduct of our business. Our objective involves the following business strategies:

- **Maintain medium- to long-term fixed charters.** We believe that the medium- to long-term, fixed-rate nature of our charters and our cost efficient ship management operations under our agreements with Capital Ship Management contribute to providing visibility of revenues and cash flows in the medium- to long-term. As of December 31, 2016, all vessels were chartered under medium- to long-term time and bareboat charters with a revenue weighted average remaining term of approximately 5.6 years. As these vessels come up for re-chartering, we will seek to redeploy them under period contracts that reflect our expectations of prevailing market conditions. We will continue to evaluate growth opportunities across all shipping sectors. We believe that the overall young age and diversified profile of our fleet, the high specifications of our vessels and our Manager’s ability to meet the rigorous vetting requirements of some of the world’s most selective major international oil companies and major charterers in the tanker, drybulk and container sectors will position us favorably to continue to secure medium- to long-term charters for our vessels.
- **Expand our relationships with both current and new charterers and capitalize on our relationship with Capital Maritime.** We aim to expand our relationships with current and new charterers and to take advantage of our charterers’ diverse shipping requirements. We also believe that we can leverage our relationship with Capital Maritime and its ability to meet the rigorous vetting and selection processes of leading oil companies, as well as other charterers in the tanker, drybulk and container sectors, in order to attract new charterers for our fleet and increase the product, customer, geography and maturity diversity of our portfolio. We also believe that Capital Maritime will remain a strong chartering option.
- **Expand our fleet through opportunistic and accretive acquisitions.** Our fleet currently consists of 36 vessels with an aggregate of 2.6 million deadweight tonnage, as compared to eight vessels with 0.3 million deadweight tonnage at the time of our IPO in 2007. Subject to our ability to obtain required financing and access financial markets, we intend to continue to evaluate potential acquisitions of both newbuilds and second-hand vessels in order to make opportunistic acquisitions for our fleet while maintaining a strong balance sheet. We also intend to take advantage of opportunities afforded to us by our relationship with our sponsor, Capital Maritime. As of the date hereof, Capital Maritime controls a total of 19 vessels in the water and on order, including five additional product tanker vessels for which we have a right of first refusal pursuant to the Master Vessel Acquisition Agreement. For future acquisitions, we may consider moderate increases in our overall leverage, either through debt or equity financing, provided that we are able to maintain low breakeven rates and deliver steady distributions to our unitholders. In addition, we may pursue opportunities for acquisitions of, or combinations with, other shipping businesses.
- **Maintain a strong balance sheet.** While we seek to finance our vessels and future vessel acquisitions through a mix of debt, equity financing and current cash balances, we intend to maintain a moderate level of leverage over time. We have taken measures aiming to fund the amortization of our external debt through internally generated cash flow through the end of 2018. By maintaining moderate levels of leverage and pre-funding amortization requirements through the end of 2018, we aim to retain greater flexibility than more leveraged competitors, maintain lower breakeven rates and deliver sustainable distributions to our unitholders. In addition, charterers have increasingly favored financially solid vessel owners, and we believe that maintaining a strong balance sheet will help us access more favorable chartering opportunities, as well as give us a competitive advantage in pursuing vessel acquisitions.

- **Maintain and build on our ability to meet rigorous industry and regulatory safety standards.** We believe that in order for us to be successful in growing our business, we need to maintain our vessel safety record and build on our high level of customer service and support. Our Manager, Capital Ship Management, has a strong record of vessel safety and compliance with rigorous health, safety and environmental protection standards, and is also committed to providing our customers with a high level of customer service and support.

Competitive Strengths

We believe that we are well-positioned to execute our business strategies because of the following competitive strengths:

- **Well-established relationships with our counterparties and with Capital Maritime.** We believe our strong relationships with our counterparties, some of which have chartered vessels from us since our IPO in 2007, provide a platform for the growth of our business and operating cash flow. We have established longstanding relationships with large well-known charterers, such as CMA CGM, Petrobras, HMM, BP, Total S.A., and Repsol. Because of our existing relationships, we believe that we are well situated to further develop our medium- to long-term charter relationships with leading charterers in the shipping industry. Our business also benefits from our unique relationship with Capital Maritime, our sponsor, which has a well-established reputation and safety and environmental track record within the shipping industry, a substantial newbuilding orderbook and strong relationships with many of the world's leading oil companies, commodity traders, container operators and shipping companies. We also benefit from Capital Maritime's expertise in technical fleet management and its track record of meeting the rigorous vetting requirements of some of the world's most selective major international oil companies and other charterers in the drybulk and container sectors.
- **Diversified revenue stream.** Since our IPO in 2007, our fleet has grown from eight to 36 vessels as of December 31, 2016, comprising twenty one IMO II/III MR product tankers, ten neo-panamax container vessels, four Suezmax crude oil tankers and one Capesize dry bulk vessel. We believe that our exposure to the product, crude, container and bulk shipping sectors provides us with a diversified revenue stream, with a view to enhancing the stability of our revenue and cash flow.
- **Revenue and cash flow visibility and stability.** As a number of our vessels are chartered under medium and long-term contracts, we benefit from revenue and cash flow visibility. Also, many of our charters expire on a staggered basis, which we believe contributes towards cash flow stability. As our vessels come up for re-chartering, we will seek to redeploy them under contracts that reflect our expectations of prevailing market conditions. As of December 31, 2016, our average remaining charter duration was 5.6 years. In addition, we have 82% and 48% charter coverage for 2017 and 2018 respectively.
- **High specification fleet.** Our vessels were primarily constructed by reputable Japanese and South Korean shipyards to high specifications and have an average age of 7.4 years as of December 31, 2016. The twenty one medium range tankers that form part of our fleet are all classed as IMO II/III vessels, which, in addition to the Ice Class 1A classification notation of many of our vessels, the wide range in size and geographic flexibility of our fleet and our compliance with existing regulatory standards, are attractive to our charterers, providing them with a high degree of flexibility in the types of cargoes and variety in the trade routes they may choose as they employ our fleet. We believe that these characteristics of our product tankers position us to take advantage of the positive long-term demand fundamentals in the product tanker business. In addition, eight of our existing container vessels are 'eco, wide beam' type and have an increased cargo intake and reduced bunker consumption as compared to older vessel designs, and are able to transit the new Panama Canal locks. We believe that these characteristics make our containerships more attractive to charterers.
- **Strong balance sheet, cost efficient operations and acquisition funding.** We believe that we have maintained a strong balance sheet and that, subject to our ability to obtain required financing and access financial markets, our financial strength positions us favorably to continue to make opportunistic acquisitions and grow our business with charterers as they seek financially sound counterparties for long-term contracts. We also believe that we have a long history of cost efficient ship management with consistent cost performance due to our outsourcing of our vessel management and operations to our Manager.

Our Customers

We provide marine transportation services under medium- to long-term time charters or bareboat charters with a range of counterparties:

- **CMA CGM**, a French container transportation and shipping company. With a fleet of 536 vessels and a combined capacity of 2.4 million TEUs, it serves more than 420 of the world's 521 commercial ports.

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- **Petrobras**, a semi-public Brazilian multinational energy corporation that is a significant oil producer. It also owns oil refineries, oil tankers, and is a major distributor of oil products.
- **Stena Bulk**, a Swedish tanker shipping company that operates a fleet of tankers worldwide.
- **Hyundai Merchant Marine Co. Ltd.**, an integrated logistics company, operating around 130 state-of-the-art vessels. HMM has worldwide global service networks, diverse logistics facilities, leading IT shipping related systems, a professional highly trained staff and a continual effort to provide premiere transportation services.
- **BP Shipping Limited**, the shipping affiliate of BP, one of the world's largest producers of crude oil and natural gas. BP has exploration and production interests in almost 80 countries. BP Shipping Limited provides all logistics for the marketing of BP's oil and gas cargoes.
- **International Seaways, Inc.**, a provider of ocean transportation services for crude oil and refined petroleum products (formerly known as OSG International, Inc.). INSW was a wholly owned subsidiary of OSG that was spun off in November 2016. Currently, INSW owns or operates a fleet of 55 vessels aggregating 6.5 million deadweight tons and 864,800 cubic meters, including seven vessels that have been chartered-in under operating leases.
- **CSSA S.A. (Total S.A.)**, the shipping affiliate of Total S.A., the fourth largest publicly-traded integrated international oil and gas company in the world. Total S.A. is a multinational energy company with more than 100,000 employees, and operations in more than 130 countries.
- **Cosco Bulk Carrier Co. Ltd.**, a subsidiary of China COSCO Shipping Corporation Limited (COSCO Group), which is one of the largest drybulk and container owners and operators globally. The COSCO Group, listed on the Hong Kong Stock Exchange, formed by the merger of COSCO and China Shipping is believed to be China's largest group specializing in global shipping, modern logistics and ship building and repairing. COSCO Group currently owns and controls over 800 modern merchant vessels with a total tonnage of 56 million dwt and an annual carrying capacity of more than 400 million tons.
- **Repsol Trading S.A.**, a subsidiary of Repsol S.A., an oil and gas conglomerate that operates in 30 countries, produces more than 1 million barrels a day from its oil fields, has a total installed capacity of 1.2 million barrels a day in its 10 refineries and sells its products through 7,250 service stations around the world.
- **Cargill International S.A.**, a multinational corporation with operations in 70 countries providing food, agriculture, financial and industrial products and services.
- **Pacific International Lines (PTE) Ltd.**, a company ranked 14th amongst the top containership operators in the world, offering container liner services and multi-purpose services at over 500 locations in 100 countries worldwide, employing about 18,000 employees worldwide.
- **Empresa Publica Flota Petrolera Ecuatoriana EP Flopec**, a company transporting oil and other natural strategic resources for the State of Ecuador. It manages the operations of 100% of exports and imports of hydrocarbons maritime transport to and from the state of Ecuador and 25% of the regional market.
- **Capital Maritime & Trading Corp.**, an established, diversified shipping company with activities in the sea transportation of wet (crude oil, oil products, chemicals), container and dry cargoes worldwide with a long history of operating and investing in the shipping markets.

The loss of any significant customer or a substantial decline in the amount of services requested by a significant customer could harm our business, financial condition and results of operations.

Our Management Agreements

We have entered into three separate technical and commercial management agreements with our Manager, Capital Ship Management, a subsidiary of Capital Maritime, for the management of our fleet. Each vessel in our fleet is managed under the terms of one of the following three agreements:

- **Fixed fee management agreement:** At the time of our IPO, we entered into an agreement with our Manager under which our Manager has agreed to provide us with certain commercial and technical management services for a fixed daily fee per managed vessel. The fixed daily fee covers the commercial and technical management services, the respective vessel's operating costs, such as crewing, repairs and maintenance, insurance, stores, spares and lubricants, and the cost of the first special survey or next scheduled drydocking of each managed vessel. In addition to the fixed daily fees payable under the management agreement, Capital Ship Management is entitled to

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supplementary compensation for extraordinary fees and costs (as described in the agreement) of any additional direct and indirect expenses it reasonably incurs in providing these services, which may vary from time to time. We also pay a fixed daily fee per bareboat chartered vessel in our fleet, mainly to cover compliance and commercial costs, which includes those costs incurred by our Manager to remain in compliance with the oil majors' requirements, including vetting requirements.

- Floating fee management agreement:** In June 2011, we entered into an agreement with our Manager under which we are charged actual expenses incurred by our Manager. Under the terms of this agreement, we compensate our Manager for expenses and liabilities incurred on our behalf while providing the agreed services to us, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating costs. Costs and expenses associated with a managed vessel's next scheduled drydocking are borne by us and not by our Manager. We also pay our Manager a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index.
- Crude Carriers management agreement:** In September 2011, we completed our merger with Crude Carriers. Currently, three of the five crude tanker vessels we acquired as part of the merger continue to be managed under a management agreement entered into in March 2010, as amended, with Capital Ship Management whose initial term expires on December 31, 2020. Under the terms of this agreement we compensate our Manager for all of its expenses and liabilities incurred on our behalf while providing the agreed services to us, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating and administrative costs. Until December 31, 2016 we also paid our Manager the following fees: (a) a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index; (b) a sale and purchase fee equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of a vessel acquired by Crude Carriers and (c) a commercial services fee equal to 1.25% of all gross charter revenues generated by each vessel for commercial services rendered. Our Manager has agreed to waive the sale and purchase fee as well as the commercial services fee from January 1, 2017 onwards. Our Manager has the right to terminate the Crude Carriers management agreement and, under certain circumstances, could receive substantial sums in connection with such termination; however, even if our board of directors or our unitholders are dissatisfied with the Manager, there are limited circumstances under which we can terminate this management agreement. This termination fee was initially set at \$9.0 million in March 2010 and increases on each one-year anniversary during which the management agreement remains in effect (on a compounding basis) in accordance with the total percentage increase, if any, in the United States Consumer Price Index over the immediately preceding 12 months. Since March 2016, this termination fee has been \$9.9 million.

We expect that as the fixed fee management agreement expires for the five remaining vessels to which it currently applies, these vessels will be managed under floating fee management agreements on terms similar to those currently in place. We expect that new acquisitions we may make in the future will also be managed under similar floating fee management agreements. Under the terms of all three agreements, Capital Ship Management may either provide these services directly to us or subcontract them to other entities, including other Capital Maritime subsidiaries.

The table below sets out, as of December 31, 2016, the management agreement under which each vessel in our fleet is managed.

Vessel Name	Fixed fee management agreement	Floating fee management agreement	Crude management agreement
M/T Atlantias II (M/T British Ensign)	until Sep 27, 2016	since Sep 28, 2016	—
M/T Assos	until Apr 22, 2014	since Apr 23, 2014	—
M/T Aktoras (M/T British Envoy)	X	—	—
M/T Agisilaos	—	X	—
M/T Arionas	—	X	—
M/T Avax	—	X	—
M/T Aiolos (M/T British Emissary)	X	—	—
M/T Axios	—	X	—
M/T Atrotos	until Apr 26, 2014	since Apr 27, 2014	—
M/T Akeraios	—	X	—
M/T Apostolos	—	X	—
M/T Anemos I	—	X	—
M/T Alexandros II (M/T Overseas Serifos)	X	—	—
M/T Amore Mio II	until May 18, 2014	since May 19, 2014	—

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Vessel Name	Fixed fee management agreement	Floating fee management agreement	Crude management agreement
M/T Aristotelis II (M/T Overseas Sifnos)	X	—	—
M/T Aris II (M/T Overseas Kimolos)	X	—	—
M/T Ayrton II	until Mar 31, 2014	since Apr 1, 2014	—
M/T Alkiviadis	until Sep 30, 2015	since Oct 1, 2015	—
M/V Cape Agamemnon	—	X	—
M/T Miltiadis M II	—	—	X
M/T Amoureux	—	—	X
M/T Aias	—	—	X
M/V Agamemnon	—	X	—
M/V Archimidis	—	X	—
M/V Hyundai Prestige	—	X	—
M/V Hyundai Premium	—	X	—
M/V Hyundai Paramount	—	X	—
M/V Hyundai Privilege	—	X	—
M/V Hyundai Platinum	—	X	—
M/T Aristotelis	—	X	—
M/T Active	—	X	—
M/V CMA CGM Amazon	—	X	—
M/T Amadeus	—	X	—
M/V CMA CGM Uruguay	—	X	—
M/V CMA CGM Magdalena	—	X	—
M/T Amor	—	X	—

Our Fleet

At the time of our IPO on April 3, 2007, our fleet consisted of eight vessels. Since that date, the size of our fleet has expanded in terms of both number of vessels and carrying capacity. Our fleet currently consists of 36 vessels of various sizes with an average age of approximately 7.4 years and average remaining term under our charters of approximately 5.6 years (each, as of December 31, 2016).

We intend to continue to take advantage of our unique relationship with Capital Maritime and, subject to prevailing shipping, charter and financial market conditions and the approval of our board of directors, make strategic acquisitions in the medium to long term in a prudent manner that is accretive to our unitholders and to long-term distribution growth. Please read “Item 4A: History and Development of the Partnership—2015 Developments—Delivery of Dropdown Vessels” for a more detailed description of the right of first refusal Capital Maritime granted to us with respect to the acquisition of additional product tanker vessels. In addition, we may pursue opportunities for acquisitions of, or combinations with, other shipping businesses. Pursuant to the amended and restated omnibus agreement we have entered into with Capital Maritime in connection with our merger with Crude Carriers, Capital Maritime has granted us a right of first offer for any product tanker in its fleet with carrying capacity of over 30,000 dwt under time or bareboat charter with a remaining duration of at least twelve months. Capital Maritime is, however, under no obligation to fix any of these vessels under charters of longer than twelve months. Please read “Item 7B: Related-Party Transactions” for a detailed description of our amended and restated omnibus agreement with Capital Maritime.

The table below provides summary information as of December 31, 2016 about the vessels in our fleet, as well as their delivery date or expected delivery date to us and their employment, including earliest possible redelivery dates of the vessels and relevant charter rates. The table also includes the daily management fee and approximate expected termination date of the respective management agreement with Capital Ship Management with respect to each vessel. Sister vessels, which are vessels of similar specifications and size typically built at the same shipyard, are denoted by the same letter in the table. We believe that sister vessels provide a number of efficiency advantages in the management of our fleet.

All of the vessels in our fleet are or were designed, constructed, inspected and tested in accordance with the rules and regulations of Det Norske Veritas, Lloyd’s Register of Shipping (“Lloyd’s”), Bureau Veritas (“BV”) or the American Bureau of Shipping (“ABS”) and were under time or bareboat charters from the time of their delivery.

VESSELS IN OUR FLEET AS OF DECEMBER 31, 2016

Vessel name	Sister Vessels ¹	Year built	DWT - TEU ¹⁵	OPEX (per day) ²	Management Agreement Expiration	Charter Duration/ Type ³	Expiry of Charter ⁴	Daily Charter Rate (Net)	Profit Share ⁵	Charterer ⁶	Description
PRODUCT TANKERS											
Atlantis II	A	2006	36,760	Floating	Sep 2021	1-yr TC	Aug 2017	\$ 12,838		CMTC	Ice Class 1A IMO II/III Chem./Prod.
Aktoras 7	A	2006	36,759	\$ 500	Feb 2017	10.6-yr BC	Jan 2017	\$ 7,250		BP	Ice Class 1A IMO II/III Chem./Prod.
Aiolos 7	A	2007	36,725	\$ 500	Jan 2017	10-yr BC	Feb 2017	\$ 7,000		BP	Ice Class 1A IMO II/III Chem./Prod.
Agisilaos (11)	A	2006	36,760	Floating	Dec 2021	3-yr TC	Nov 2018	\$ 18,288		FLOPEC	Ice Class 1A IMO II/III Chem./Prod.
Arionas 11 12	A	2006	36,725	Floating	Aug 2021	1-yr TC	Dec 2017	\$ 10,863		CMTC	Ice Class 1A IMO II/III Chem./Prod.
Axios	B	2007	47,872	Floating	Jun 2017	3-yr TC	May 2018	\$ 15,015		PETROBRAS	Ice Class 1A IMO II/III Chem./Prod.
Avax	B	2007	47,834	Floating	Apr 2017	3-yr TC	May 2018	\$ 15,015		PETROBRAS	Ice Class 1A IMO II/III Chem./Prod.
Akeraios	B	2007	47,781	Floating	Aug 2017	3-yr TC	Mar 2019	\$ 17,306		PETROBRAS	Ice Class 1A IMO II/III Chem./Prod.
Anemos I	B	2007	47,782	Floating	Dec 2017	3-yr TC	Dec 2018	\$ 17,306		PETROBRAS	Ice Class 1A IMO II/III Chem./Prod.
Apostolos	B	2007	47,782	Floating	Sep 2017	3-yr TC	Dec 2018	\$ 17,306		PETROBRAS	Ice Class 1A IMO II/III Chem./Prod.
Alexandros II 8	C	2008	51,258	\$ 250	Mar 2018	10.6-yr BC	Jun 2018	\$ 6,600		INSW	IMO II/III Chem./Prod.
Aristotelis II 8	C	2008	51,226	\$ 250	June 2018	10.2-yr BC	Jun 2018	\$ 6,600		INSW	IMO II/III Chem./Prod.
Aris II 8	C	2008	51,218	\$ 250	Aug 2018	10-yr BC	Jun 2018	\$ 6,600		INSW	IMO II/III Chem./Prod.
Ayrton II	C	2009	51,260	Floating	Apr 2019	2-yr TC	Jan 2018	\$ 17,775		CMTC	IMO II/III Chem./Prod.
Atrotos	B	2007	47,786	Floating	Apr 2019	3-yr TC	Nov 2018	\$ 17,306		PETROBRAS	Ice Class 1A IMO II/III Chem./Prod.
Alkiviadis	A	2006	36,721	Floating	Oct 2020	1-yr TC	Jul 2017	\$ 13,134		CSSA	Ice Class 1A IMO II/III Chem./Prod.
Assos	B	2006	47,872	Floating	Apr 2019	3-yr TC	Mar 2018	\$ 15,015		PETROBRAS	Ice Class 1A IMO II/III Chem./Prod.
Aristotelis13	B	2013	51,604	Floating	Nov 2018	1-yr TC	Dec 2017	\$ 13,578		CMTC	Eco IMO II/III Chem./Prod.
Active	J	2015	50,136	Floating	Mar 2020	2-yr TC	May 2017	\$ 17,258		CARGILL	Eco IMO II/III Chem./Prod.
Amadeus	J	2015	50,108	Floating	Jun 2020	2-yr TC	May 2017	\$ 16,788	✓	CMTC	Eco IMO II/III Chem./Prod.
Amor 10	J	2015	49,999	Floating	Oct 2021	2-yr TC	Oct 2017	\$ 17,063		CARGILL	Eco IMO II/III Chem./Prod.
CRUDE TANKERS											
Amoureux	D	2008	149,993	Crude	Dec 2020	2-yr TC	Mar 2017	\$ 28,638		STENA	Crude Oil Suezmax
Aias	D	2008	150,393	Crude	Dec 2020	3-yr TC	Jan 2018	\$ 25,506		REPSOL	Crude Oil Suezmax
Amore Mio II	E	2001	159,982	Floating	May 2019	0.9-yr TC	Jun 2017	\$ 20,738		CMTC	Crude Oil Suezmax
Miltiadi M II	F	2006	162,397	Crude	Dec 2020	0.9-yr TC	Jun 2017	\$ 25,000		CMTC	Ice Class 1A Crude Oil Suezmax

VESSELS IN OUR FLEET AS OF DECEMBER 31, 2016

Vessel name	Sister Vessels ¹	Year built	DWT -TEU ¹⁵	OPEX (per day) ²	Management Agreement Expiration	Charter Duration/Type ³	Expiry of Charter ⁴	Daily Charter Rate (Net)	Profit Share ⁵	Charterer ⁶	Description
DRYBULK VESSEL											
Cape Agamemnon ¹⁶	G	2010	179,221	Floating	Jun 2021	10-yr TC	Jun 2020	\$ 40,090		COSCO	Cape Size Dry Cargo
CONTAINER CARRIER VESSELS											
Archimidis ¹⁴	H	2006	108,892 – 8,266 TEU	Floating	Dec 2017	1-yr TC	Mar 2017	\$ 8,838		PIL	Container Carrier
Agamemnon ¹⁴	H	2007	108,892 – 8,266 TEU	Floating	Dec 2017	1-yr TC	Apr 2017	\$ 8,838		PIL	Container Carrier
Hyundai Prestige ⁹	I	2013	63,010 – 5,023 TEU	Floating	Sep 2018	12-yr TC	Dec 2024	\$ 22,893		HMM	Eco Wide Beam Container Carrier
Hyundai Premium ⁹	I	2013	63,010 – 5,023 TEU	Floating	Apr 2018	12-yr TC	Jan 2025	\$ 22,893		HMM	Eco Wide Beam Container Carrier
Hyundai Paramount ⁹	I	2013	63,010 – 5,023 TEU	Floating	Apr 2018	12-yr TC	Feb 2025	\$ 22,893		HMM	Eco Wide Beam Container Carrier
Hyundai Privilege ⁹	I	2013	63,010 – 5,023 TEU	Floating	Sep 2018	12-yr TC	Mar 2025	\$ 22,893		HMM	Eco Wide Beam Container Carrier
Hyundai Platinum ⁹	I	2013	63,010 – 5,023 TEU	Floating	Sep 2018	12-yr TC	Apr 2025	\$ 22,893		HMM	Eco Wide Beam Container Carrier
CMA CGM Amazon	K	2015	115,534 – 9,288 TEU	Floating	Jun 2020	5-yr TC	May 2020	\$ 38,759		CMA CGM	Eco-Flex, Wide Beam Container
CMA CGM Uruguay	K	2015	115,639 – 9,288 TEU	Floating	Sep 2020	5-yr TC	Aug 2020	\$ 38,759		CMA CGM	Eco-Flex, Wide Beam Container
CMA CGM Magdalena	K	2016	115,639 – 9,288 TEU	Floating	Feb 2021	5-yr TC	Jan 2021	\$ 38,759		CMA CGM	Eco-Flex, Wide Beam Container
TOTAL FLEET DWT:			2,643,600 – 69,511 TEU								

- Sister vessels are denoted in the tables by the same letter as follows: (A), (B): these vessels were built by Hyundai MIPO Dockyard Co., Ltd., South Korea; (C): these vessels were built by STX Shipbuilding Co., Ltd., South Korea; (D): these vessels were built by Universal Shipbuilding Corp., Ariake, Japan; (E), (F), (H): these vessels were built by Daewoo Shipbuilding and Marine Engineering Co., Ltd., South Korea; (G): this vessel was built by Sungdong Shipbuilding & Marine Engineering Co., Ltd., South Korea; (I): these vessels were built by Hyundai Heavy Industries Co. Ltd, South Korea; (J): these vessels were built by Samsung Heavy Industries (Ningbo) Co. Ltd.; (K): these vessels were built by Daewoo-Mangalia Heavy Industries S.A.
- Floating*: These vessels are managed under the floating fee management agreement entered into with our Manager. *Crude*: These vessels managed under the Crude management agreement entered into between Crude and our Manager. The remaining vessels are managed under the fixed fee management agreement entered into with our Manager. For additional details regarding our management agreements please see “Item 4B: Business Overview—Our Management Agreements” above.
- TC: Time Charter; BC: Bareboat Charter.
- Earliest possible redelivery date.
- Product Tankers: 50/50 profit share on actual earnings settled every six months.
- BP: BP Shipping Ltd. INSW: certain subsidiaries of International Seaways Inc., CMTC: Capital Maritime & Trading Corp. (our Sponsor). COSCO: Cosco Bulk Carrier Co. Ltd., an affiliate of the COSCO Group. HMM: Hyundai Merchant Marine Co. Ltd. CSSA: CSSA S.A. (Total S.A.). CMA CGM: CMA CGM. STENA: Stena Bulk A.B. PETROBRAS: Petroleo Brasileiro S.A. REPSOL: Repsol Trading S.A. CARGILL: Cargill International S.A. PIL: Pacific International Lines (PTE) Ltd Singapore FLOPEC: Empresa Publica Flota Petrolera Ecuatoriana – EP Flopec.
- For the duration of the BC these vessels have been renamed British Envoy and British Emissary, respectively. The M/T British Envoy is continuing its bareboat charter with BP at a bareboat rate of \$7,250 per day with earliest redelivery in January 2017. The M/T British Emissary is continuing its bareboat charter with BP at a bareboat rate of \$7,000 per day with earliest redelivery in February 2017. BP has the option to extend the duration of the charter for up to a further 12 months either as bareboat charter at a bareboat rate of \$7,250 per day for the optional period if declared or as time charter at a time charter rate of \$14,250 per day if declared.
- For the duration of the BC, these vessels have been renamed: Overseas Serifos, Overseas Sifnos and Overseas Kimolos. In November 2016 INSW extended the bare boat charters duration up to July 2018 +/- 30 days at a bare boat charter rate of \$6,600 per day. INSW has an option to purchase each vessel at the end of the eighth, ninth or tenth year of its charter for \$38.0 million, \$35.5 million and \$33.0 million, respectively, which option is exercisable six months before the date of completion of the relevant year of the charter. The expiration date above may therefore change depending on whether the charterer exercises its purchase option.

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- 9 Each of the companies owning the M/V Hyundai Prestige, the M/V Hyundai Paramount, the M/V Hyundai Premium, the M/V Hyundai Privilege and the M/V Hyundai Platinum entered into a charter restructuring agreement with HMM on July 15, 2016. This agreement provides for the reduction of the charter rate payable under the respective charter parties by 20% to a gross rate of \$23,480 per day (from \$29,350 per day) for a three and a half year period starting on July 18, 2016 and ending on December 31, 2019. The charter restructuring agreement further provides that at the end of the Charter Reduction Period, the charter rate under the respective charter parties will be restored to the original gross daily rate of \$29,350 until the expiry of each charter.
- 10 On October 24, 2016, we acquired the shares of the vessel-owning company of the M/T Amor. The vessel is employed under a time charter by Cargill that commenced in October 2015 with a duration of two years +/- 30 days at a gross daily rate of \$17,500 and, upon termination of the Cargill charter, is expected to be employed by Capital Maritime for an additional two months +/- 15 days at a gross daily rate of \$14,000 plus 50/50 profit share.
- 11 On July 2, 2016, the M/T 'Agisilaos' replaced the M/T 'Arionas' under the charter party to Flopec at a gross rate of \$19,000 per day, as the M/T 'Arionas' underwent its scheduled special survey. For the duration of the replacement, Carnation Shipping Company, the company owning the M/T 'Arionas' under the charter party to Flopec, acts as disponent owner to M/T 'Agisilaos'.
- 12 In December 2016, the M/T Arionas was chartered to CMTC for one year +/- 30 days at a net daily rate of \$10,863. The charterer has the option to extend the time charter for an additional one year +/-30 days at a net daily rate of \$13,578. The charter commenced in January 2017. The vessel was previously employed in the spot market as it underwent its scheduled special survey in November 2016.
- 13 In December 2016, the M/T Aristotelis was chartered to CMTC for one year +/- 30 days at a net daily rate of \$13,578. The charterer has the option to extend the time charter for an additional one year +/-30 days at a net daily rate of \$14,813. The charter commenced in January 2017.
- 14 The M/V Archimidis and the M/V Agamemnon are employed on time charters with PIL for one year at a net rate of \$8,838 per day. The charterer has the option to extend the time charters for an additional one year +/-60 days at a net rate of \$19,750 per day. The gross rate for M/V Agamemnon and M/V Archimidis was reduced to \$8,450 per day for the period from October 1, 2016 to February 3, 2017 (expected) and from October 1, 2016 to December 20, 2016, respectively pending the installation of Alternative Marine Power ('AMP') equipment.
- 15 DWT: Dead Weight Ton, TEU: Twenty-foot Equivalent Unit
- 16 We currently maintain insurance to protect us against the loss of income that would result from Cosco's failure or refusal to pay hire due under the time charter agreement. Under our revenue protection insurance, our insurer has agreed to pay us a maximum amount of \$25,000 per day for each day of loss, defined as the difference between the hire contractually payable under the charter party agreement with Cosco and the replacement hire earned or that could be earned by us during the policy period expiring on July 30, 2020. Replacement hire is defined as the greater of the actual hire earned during the policy period and the average hire rate that the M/V Cape Agamemnon, is capable of earning as determined by three independent shipbrokers.

Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of Certain Vessels

In "Item 5F: Contractual Obligations and Contingencies—Critical Accounting Policies—Vessel Lives and Impairment" below, we discuss our policy for recording impairment of the carrying values of our vessels. During the past few years, market values of vessels have been particularly volatile, with substantial declines in many vessel classes. As a result, the charter-free market value of certain of our vessels may have declined below those vessels' carrying value, even though we would not record an impairment of their carrying value under our accounting impairment policy due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

The table set forth below indicates (i) the carrying value of each of our vessels as of December 31, 2016 and 2015; (ii) which of our vessels we believe has a charter free market value below its carrying value; and (iii) the aggregate difference between carrying value and market value represented by such vessels. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to reduce our net income if we sold all of such vessels in the current environment, on industry standard terms, in cash transactions, and to a willing buyer where we are not under any compulsion to sell, and where the buyer is not under any compulsion to buy. For purposes of this calculation, we have assumed that the vessels would be sold at a price that reflects our estimate of their current basic market values.

Our estimates of basic market value assume that our vessels are all in good and seaworthy condition without need for repair and, if inspected, would be certified in class without notations of any kind. Our estimates are based on the average of two estimated market values for our vessels received from third-party independent shipbrokers approved by our banks. You should note that vessel values are highly volatile; as such, our estimates may not be indicative of the current or future basic market value of our vessels or prices that we could achieve if we were to sell them.

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Vessels	Date acquired by us	Carrying value as of December 31, 2016 (in millions of United States dollars)	Carrying value as of December 31, 2015 (in millions of United States dollars)
M/T Atlantas	04/04/2007	\$ 19.3*	\$ 20.6
M/T Assos	04/04/2007 & 08/16/2010	\$ 24.4*	\$ 26.0*
M/T Aktoras	04/04/2007	\$ 19.7*	\$ 20.9
M/T Agisilaos	04/04/2007	\$ 20.2*	\$ 21.5*
M/T Arionas	04/04/2007	\$ 20.5*	\$ 21.7*
M/T Avax	04/04/2007	\$ 22.9*	\$ 24.3*
M/T Aiolos	04/04/2007	\$ 20.5*	\$ 21.7
M/T Axios	04/04/2007	\$ 23.2*	\$ 24.6*
M/T Atrotos	05/08/2007 & 03/01/2010	\$ 23.7*	\$ 25.2*
M/T Akeraios	07/13/2007	\$ 23.8*	\$ 25.2*
M/T Apostolos	09/20/2007	\$ 26.5*	\$ 28.0*
M/T Anemos I	09/28/2007	\$ 26.5*	\$ 28.0*
M/T Alexandros II	01/29/2008	\$ 30.9*	\$ 32.7*
M/T Amore Mio II	03/27/2008	\$ 47.2*	\$ 51.2*
M/T Aristotelis II	06/17/2008	\$ 31.4*	\$ 33.2*
M/T Aris II	08/20/2008	\$ 31.7*	\$ 33.4*
M/T Ayrton II	04/13/2009	\$ 33.0*	\$ 34.8*
M/T Alkiviadis	06/30/2010	\$ 21.7*	\$ 23.0*
M/V Cape Agamemnon	06/09/2011	\$ 40.7*	\$ 42.6*
M/T Miltiadis M II	09/30/2011	\$ 40.5*	\$ 42.7
M/T Amoureux	09/30/2011	\$ 42.0*	\$ 44.4
M/T Aias	09/30/2011	\$ 42.0*	\$ 44.3
M/V Archimidis	12/22/2012	\$ 53.1*	\$ 55.6*
M/V Agamemnon	12/22/2012	\$ 55.5*	\$ 58.7*
M/V Hyundai Prestige	09/11/2013	\$ 47.1*	\$ 49.2*
M/V Hyundai Premium	03/20/2013	\$ 46.3*	\$ 48.4*
M/V Hyundai Paramount	03/27/2013	\$ 46.4*	\$ 48.4*
M/V Hyundai Privilege	09/11/2013	\$ 47.2*	\$ 49.3*
M/V Hyundai Platinum	09/11/2013	\$ 47.2*	\$ 49.3*
M/T Aristotelis	11/28/2013	\$ 33.6*	\$ 35.1*
M/T Active	03/31/2015	\$ 33.9*	\$ 35.3
M/V CMA CGM Amazon	06/10/2015	\$ 86.4*	\$ 89.8*
M/T Amadeus	06/30/2015	\$ 34.3*	\$ 35.6
M/V CMA CGM Uruguay	09/18/2015	\$ 87.3*	\$ 90.8*
M/V CMA CGM Magdalena	02/26/2016	\$ 85.7*	—
M/T Amor	10/24/2016	\$ 31.4*	—
Total		\$ 1,367.7	\$ 1,315.5

* Indicates vessels, for which we believe, as of December 31, 2016 and 2015, the basic charter-free market value is lower than the vessel's carrying value as of December 31, 2016 and 2015. We believe that the aggregate carrying value of these vessels, assessed separately, exceeds their aggregate basic charter-free market value by approximately \$388.8 million and \$130.1 million as of December 31, 2016 and 2015, respectively. This increase of \$258.7 million in 2016 as compared to 2015 is due to the decrease of asset values of our vessels, as a consequence of a slowdown in the underlying charter markets that negatively affected market values of vessels. As discussed in "Critical Accounting Policies—Vessel Lives and Impairment", we believe that the carrying values of our vessels as of December 31, 2016 and 2015 were recoverable as the undiscounted projected net operating cash flows of these vessels exceeded their carrying value by a significant amount.

Our Charters

As of December 31, 2016, all the vessels in our fleet were under medium- to long-term time or bareboat charters with an average remaining term under our charters of approximately 5.6 years. Under certain circumstances, we may operate our vessels in the spot market or certain of our vessels may remain idle until they are fixed under appropriate medium- to long-term charters. As our vessels come up for re-chartering, depending on the prevailing market rates, we may not be able to re-charter them at levels similar to their current charters, or at all, which may affect our future cash flows from operations. Please read “Item 4B: Business Overview—Our Fleet”, including the chart and accompanying notes, for more information on our time and bareboat charters, including counterparties, expected expiration dates of the charters and daily charter rates.

Time Charters

A time charter is a contract for the use of a vessel for a fixed period of time at a specified daily rate. Under a time charter, the vessel’s owner provides crewing and other services related to the vessel’s operation, the cost of which is included in the daily rate and the charterer is responsible for substantially all vessel voyage costs except for commissions which are assumed by the owner. The basic hire rate payable under the charters is a previously agreed daily rate, as specified in the charter, payable at the beginning of the month in U.S. Dollars. We currently have 31 vessels under time charter agreements, of which two contain profit-sharing provisions that allow us to realize, at a predetermined percentage, additional revenues when spot rates or actual charter rates are higher than the base rates incorporated in our charters or, in some instances, through greater utilization of our vessels by our charterers.

Profit Sharing Arrangements

We currently have a profit sharing arrangement in place for M/T Amadeus which is under a time charter with Capital Maritime and is based on the calculation of the vessel’s actual earnings and is settled every six months. We have a similar profit sharing arrangement for the M/T Amor, once it commences its two month time charter with Capital Maritime. In the event actual time charter equivalent (“TCE”) over that period is higher than the agreed daily charter rate of the vessel, we receive the basic net hire rate plus 50% of the excess over the gross daily charter rate. This means that actual voyage revenues earned and received, actual expenses incurred and actual time taken to perform the voyages during that period are used for purposes of the calculation. The charterer is obligated to provide us with a copy of each fixture note and all reasonable documentation with respect to items of cost and earnings.

The amounts received under profit-sharing arrangements are subject to the usual commissions payable to shipbrokers on gross charter rates. Please read “Item 4B: Business Overview—Our Fleet”, including the table and accompanying notes, for additional information.

TCE rate is a shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts. TCE is expressed as per ship per day rate and is calculated as voyage and time charter revenues less voyage expenses during a period divided by the number of operating days during the period, which is consistent with industry standards.

Bareboat Charters

A bareboat charter is a contract pursuant to which the vessel owner provides the vessel to the customer for a fixed period of time at a specified daily rate, and the customer provides for all of the vessel’s expenses (including any commissions) and generally assumes all risk of operation. In the case of the vessels under bareboat charter to BP Shipping Limited, we are responsible for the payment of any commissions. The customer undertakes to maintain the vessel in a good state of repair and efficient operating condition and drydock the vessel during this period at its cost and as per the classification society requirements. The basic rate hire is payable to us monthly in advance in U.S. Dollars.

As of December 31, 2016, we had five vessels under bareboat charter, two with BP Shipping Limited and three with subsidiaries of INSW. The charters with subsidiaries of INSW were initially entered into with subsidiaries of OSG. Following the spinoff of the international business arm of OSG, INSW succeeded to OSG under the charter guarantee. Those charters include options for the charterer to purchase each vessel for \$38.0 million, \$35.5 million or \$33.0 million at the end of the eighth, ninth or tenth year of the charter, respectively. In each case, the option to purchase the vessel must be exercised six months prior to the end of the charter year. In exchange of our agreement to substitute INSW for OSG under the charters, INSW agreed to increase the bareboat charter rate for the three vessels from \$6,250 per day to \$6,600 per day from November 30, 2016 until the redelivery of the vessels under the bareboat charters.

Spot Charters

A spot charter generally refers to a voyage charter or a trip charter or a short-term time charter.

Voyage / Trip Charter

A voyage charter involves the carriage of a specific amount and type of cargo on a load port-to-discharge port basis, subject to various cargo handling terms. Under a typical voyage charter, the shipowner is paid on the basis of moving cargo from a loading port to a discharge port. In voyage charters the shipowner generally is responsible for paying both vessel operating costs and voyage expenses, and the charterer generally is responsible for any delay at the loading or discharging ports. Under a typical trip charter or short-term time charter, the shipowner is paid on the basis of moving cargo from a loading port to a discharge port at a set daily rate. The charterer is responsible for paying for bunkers and other voyage expenses, while the shipowner is responsible for paying vessel operating expenses.

Seasonality

Our vessels operate under medium- to long-term charters and are not generally subject to the effect of seasonable variations in demand.

Management of Ship Operations, Administration and Safety

Capital Maritime, through its subsidiary Capital Ship Management, provides expertise in various functions critical to our operations. This enables a safe, efficient and cost-effective operation and, pursuant to the management and administrative services agreements we have entered into with Capital Ship Management, grants us access to human resources, financial and other administrative services, including bookkeeping, audit and accounting services, administrative and clerical services, banking and financial services, client, investor relations, information technology and technical management services, including commercial management of the vessels, vessel maintenance and crewing (not required for vessels subject to bareboat charters), purchasing, insurance and shipyard supervision.

We have entered into three separate technical and commercial management agreements with Capital Ship Management for the management of our fleet: the fixed fee management agreement, the floating fee management agreement and, with respect to the vessels acquired as part of the merger with Crude Carriers, the Crude Carriers management agreement. Each vessel in our fleet is managed under the terms of one of these three agreements. The aggregate management fees paid to Capital Ship Management for the years ended December 31, 2016, 2015 and 2014 were \$10.9 million, \$11.7 million and \$13.3 million respectively.

For a more detailed description of the three management agreements and administrative services agreements we have entered into with Capital Ship Management, please read “Item 4B: Business Overview—Our Management Agreements”.

Capital Ship Management operates under a safety management system in compliance with the IMO’s ISM code and certified by Lloyd’s Register. Capital Ship Management’s management systems also comply with the Quality Standard ISO 9001, the Environmental Management Standard ISO 14001, the Occupational Health & Safety Management System 18001 and the Energy Management Standard 50001, all of which are certified by Lloyd’s. Capital Ship Management has furthermore implemented an “Integrated Management System Approach” verified by the Lloyd’s. Capital Ship Management also adopted “Business Continuity Management” principles in cooperation with Lloyd’s.

Capital Ship Management, recognizing sustainable transport as one of the biggest challenges of the 21st century, has adopted and implemented the key strategies for a regime of responsible, safe and clean shipping. As a result, our vessels’ operations are conducted in a manner intended to protect the safety and health of Capital Ship Management’s employees, the general public and the environment. Capital Ship Management’s senior management team actively manages the risks inherent in our business and is committed to eliminating incidents that threaten safety, such as groundings, fires, collisions and petroleum spills, as well as reducing emissions and waste generation.

In 2014, Capital Ship Management was successfully assessed by Lloyd’s against the “IMO Strategic Concept of a Sustainable Shipping Industry”. It is the first shipping company worldwide to receive such certification, in line with Capital Ship Management strategy to be inspired by and apply the key principles and goals of the IMO Strategy for Sustainable Maritime Transport Systems. In particular, Capital Ship Management has established a task force to implement specific actions, plans, processes, and to develop systems addressing sustainability. Priority has been given to the promotion of a safety culture and environmental stewardship, as well as to the education, training and support of seafarers, technical co-operation, energy efficiency and ship-port interface, new technology and innovation, energy supply for ships, finance, liability and insurance mechanisms, maritime traffic support and advisory systems, ocean governance.

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The GREEN4SEA Excellence Award was awarded to Capital Ship Management for demonstrating environmental excellence and performance above average. Our manager was distinguished for its strategy with a focus on environmental performance. During 2015 safety and environmental performance reached the highest level as all Key Performance Indicators were well superior to the industry standard. Capital Ship Management has also launched a joint project with LR and DSME to examine LNG as a fuel and its use on an ultra-large containership design. Capital Ship Management was also the first company worldwide in 2014 to receive independent verification and certification by Lloyd's for its business strategy in accordance with the "IMO Strategic Concept of a Sustainable Shipping Industry".

In July 2016, the "Green Environmental Achievement Award" was presented, for a consecutive year, to Capital Ship Management by the Port of Long Beach in Southern California, U.S.A. This award is being granted to operators that called the Port of Long Beach in 2015 and demonstrated that 90% or more of all their vessel trips complied with the Green Flag – Voluntary Vessel Speed Reduction Program.

Major Oil Company Vetting Process

Shipping in general, and crude oil, refined product and chemical tankers, in particular, have been, and will remain, heavily regulated. Many international and national rules, regulations and other requirements—whether imposed by the classification societies, international statutes (IMO, SOLAS (defined below), MARPOL, etc.), national and local administrations or industry—must be complied with in order to enable a shipping company to operate and a vessel to trade.

Traditionally there have been relatively few large players in the oil trading business and the industry is continuously consolidating. The so-called "oil majors companies", such as BP, Chevron Corporation, Philips66 Inc., ExxonMobil Corporation, Royal Dutch Shell plc, Statoil ASA, and Total S.A., together with a few smaller companies, represent a significant percentage of the production, trading and, especially, shipping logistics (terminals) of crude and refined products worldwide. Concerns for the environment, health and safety have led the oil majors to develop and implement a strict due diligence process when selecting their commercial partners. This vetting process has evolved into a sophisticated and comprehensive risk assessment of both the vessel operator and the vessel.

While a plethora of parameters are considered and evaluated prior to a commercial decision, the oil majors, through their association, the Oil Companies International Marine Forum ("OCIMF"), have developed and are implementing two basic tools: (i) a Ship Inspection Report Programme ("SIRE") and (ii) the Tanker Management & Self Assessment ("TMSA") Program. The former is a physical ship inspection based upon a thorough vessel inspection questionnaire and performed by accredited OCIMF inspectors, resulting in a report being logged on SIRE, while the latter is a recent addition to the risk assessment tools used by the oil majors.

Based upon commercial needs, there are three levels of risk assessment used by the oil majors: (i) terminal use, which will clear a vessel to call at one of the oil major's terminals; (ii) voyage charter, which will clear the vessel for a single voyage; and (iii) term charter, which will clear the vessel for use for an extended period of time. The depth, complexity and difficulty of each of these levels of assessment vary. While for the terminal use and voyage charter relationships, a ship inspection and the operator's TMSA will be sufficient for the assessment to be undertaken, a term charter relationship also requires a thorough office assessment. In addition to the commercial interest on the part of the oil major, an excellent safety and environmental protection record is necessary to ensure an office assessment is undertaken.

We believe Capital Maritime and Capital Ship Management are among a small number of ship management companies to have undergone and successfully completed audits by seven major international oil companies in the last few years (i.e., BP, Chevron Corporation, Philips66 Inc., ExxonMobil Corporation, Royal Dutch Shell plc, Statoil ASA, Tesoro Corporation and Total S.A.).

Crewing and Staff

Capital Ship Management, an affiliate of Capital Maritime, through a subsidiary in Romania and crewing offices in Romania, Russia and the Philippines, recruits senior officers and crews for our vessels. Capital Ship Management has entered into an agreement for the training of officers under ice conditions at a specialized training center in St. Petersburg, Russia. Capital Maritime's vessels are currently manned primarily by Romanian, Russian and Filipino crew members. Having employed these crew configurations for Capital Maritime for a number of years, Capital Ship Management has considerable experience in operating vessels in this configuration and has a pool of certified and experienced crew members which we can access to recruit crew members for our vessels.

Classification, Inspection and Maintenance

Every oceangoing vessel must be “classed” and certified by a classification society. The classification society is responsible for verifying that the vessel has been built and maintained in accordance with the rules and regulations of the classification society and ship’s country of registry, as well as the international conventions of which that country has accepted and signed. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state or port authority. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For the maintenance of the class certificate, regular and extraordinary surveys of hull and machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

Annual surveys, which are conducted for the hull and the machinery at intervals of 12 months from the date of commencement of the class period indicated on the certificate.

Intermediate surveys, which are extended annual surveys and are typically conducted two and one-half years after commissioning and after each class renewal survey. In the case of newbuildings, the requirements of the intermediate survey can be met through an underwater inspection in lieu of drydocking the vessel. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

Class renewal surveys (also known as special surveys) are carried out at the intervals indicated by the classification for the hull, which are usually at five-year intervals. During the special survey, the vessel is thoroughly examined, including Non-Destructive Inspections to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society will order steel renewals. The classification society may grant a three-month extension for completion of the special survey under certain conditions. Substantial amounts of funds may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every five years, a ship-owner or manager has the option, depending on the type of ship, of arranging with the classification society for the vessel’s hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. At an owner’s application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class.

These processes are referred to as Continuous Hull Survey (“CHS”) and Continuous Machinery Survey. However, the CHS notation is not valid for vessels that are subject to Enhanced Survey Program surveys, as required by SOLAS.

Occasional Surveys are carried out as a result of unexpected events (e.g., an accident or other circumstances requiring unscheduled attendance by the classification society for reconfirming that the vessel maintains its class) following such an unexpected event.

All areas subject to survey, as defined by the classification society, are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere.

Most vessels are also drydocked every two and a half years for inspection of the underwater parts and any deficiencies related to inspections need to be rectified either during the inspection or at a later stage if found to be appropriate according to its class. The classification surveyor in this case will issue a “recommendation” which must be rectified by the ship-owner within prescribed time limits. Class and SOLAS rules allow one of the bottom surveys (the intermediate one) in a five-year period to be carried out afloat instead of dry docking; however this is only applicable for certain ship types and for modern vessels.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as “in class” by a classification society which is a member of the International Association of Classification Societies. All of our vessels are certified as being “in class” by Lloyd’s, ABS and BV. All new and secondhand vessels that we may purchase must be certified prior to their delivery under our standard agreements. If any vessel we contract to purchase is not certified as “in class” on the date of closing, under our standard purchase agreements, we will have no obligation to take delivery of such vessel.

Risk Management and Insurance

The operation of any ocean-going vessel carries an inherent risk of catastrophic marine disasters, death or personal injury and property losses caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. The occurrence of any of these events may result in loss of revenues or increased costs or, in the case of marine disasters, catastrophic liabilities. Although we believe our current insurance program is usual and comprehensive in our industry, we cannot insure against all risks, and we cannot be certain that all covered risks are adequately insured against or that we will be able to achieve or maintain similar levels of coverage throughout a vessel's useful life. Furthermore, there can be no guarantee that any specific claim will be paid by the insurer or that it will always be possible to obtain insurance coverage at reasonable rates. More stringent environmental regulations in the past have resulted in increased costs for, and may result in the lack of availability of, insurance against the risks of environmental damage or pollution. Moreover, under the terms of our bareboat charters, the charterer provides for the insurance of the vessel, and, as a result, these vessels may not be adequately insured and/or in some cases may be self-insured. Any uninsured or under-insured loss could harm our business and financial condition or could materially impair or end our ability to trade or operate.

We believe our current insurance program is prudent. We currently carry the traditional range of marine and liability insurance coverage for each of our vessels to protect against most of the accident-related risks involved in the conduct of our business. Specifically we carry:

- Hull and machinery insurance which covers loss of or damage to a vessel due to marine perils such as collisions, grounding and heavy weather. Coverage is usually to an agreed "insured value" which, as a matter of policy, is never less than the particular vessel's fair market value. Cover is subject to policy deductibles which are always subject to change.
- Increased value insurance augments hull and machinery insurance cover by providing a low-cost means of increasing the insured value of the vessels in the event of a total loss casualty.
- Protection and indemnity insurance is the principal coverage for third-party liabilities and indemnifies against such liabilities incurred while operating vessels, including injury to the crew, third parties, cargo or third-party property loss (including oil pollution) for which the shipowner is responsible. We carry the current maximum available amount of coverage for oil pollution risks, \$1.0 billion per vessel per incident.
- War Risks insurance covers such items as piracy and terrorism.
- Freight, Demurrage & Defense cover is a form of legal costs insurance which responds as appropriate to the costs of prosecuting or defending commercial (usually uninsured operating) claims.

In addition, in relation to our vessel M/V Cape Agamemnon, we currently maintain insurance to protect us against the loss of income that would result from the charterer's failure or refusal to pay hires under the time charter agreement. Under our revenue protection insurance, our insurer has agreed to pay us a maximum amount per day for each day of loss, defined as the difference between the hire contractually payable under the charter and the replacement hire earned or that could be earned by us during the policy period where, replacement hire is defined as the greater of the actual hire earned and the average hire rate that the vessel is capable of earning.

Not all risks are insured and not all risks are insurable. The principal insurable risks which nevertheless remain uninsured across the fleet are "loss of hire" and "strikes". We do not insure these risks because the costs are regarded as disproportionate to the benefit.

The following table sets forth certain information regarding our insurance coverage as of December 31, 2016:

<u>Type</u>	<u>Aggregate Sum Insured for All Vessels in Our Existing Fleet*</u>
Hull and Machinery	\$1.958 billion
Increased Value (including Excess Liabilities)	\$510 million additional "total loss" coverage
Hull & Machinery (War Risks)	\$2.468 billion
Protection and Indemnity (P&I) Pollution liability claims	Up to \$1.0 billion per incident per vessel

* Certain of our bareboat charterers are responsible for the insurance on the vessels. The values attributed to those vessels are in line with the values agreed in the relevant charters.

The International Shipping Industry

The seaborne transportation industry is a vital link in international trade, with ocean-going vessels representing the most efficient and often the only method of transporting large volumes of basic commodities and finished products. Demand for oil tankers is dictated by world oil demand and trade, which is influenced by many factors, including international economic activity; geographic

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changes in oil production, processing, and consumption; oil price levels; inventory policies of the major oil and oil trading companies; and strategic inventory policies of countries such as the United States, China and India. The drybulk trade is influenced by the underlying demand for the drybulk commodities, which, in turn, is influenced by the level of worldwide economic activity. Generally, growth in gross domestic product, or GDP, and industrial production correlate with peaks in demand for marine drybulk transportation services. A wide range of cargoes are transported by container but most notably container transportation is responsible for the shipment of a diverse selection of manufactured and consumer goods in unitized form. These cargoes are transported by container to end users in all regions of the world, and in particular, from key producing and manufacturing regions to end users in the world's largest consumer economies. Growth in global container trade is being driven by growth in world merchandise trade, and the growing share in the containerized part thereof, along with the expansion in "containerization" of new commodities and the trend towards globalization. Please read "Item 3.D: Risk Factors—Risks relating to the tanker industry".

Shipping demand, measured in tonne-miles, is a product of (a) the amount of cargo transported in ocean-going vessels, multiplied by (b) the distance over which this cargo is transported. The distance is the more variable element of the tonne-mile demand equation and is determined by seaborne trading patterns, which are principally influenced by the locations of production and consumption. Seaborne trading patterns are also periodically influenced by geo-political events that divert vessels from normal trading patterns, as well as by inter-regional trading activity created by commodity supply and demand imbalances. Tonnage of oil shipped is primarily a function of global oil consumption, which is driven by economic activity, as well as the long-term impact of oil prices on the location and related volume of oil production. Tonnage of oil shipped is also influenced by transportation alternatives (such as pipelines) and the output of refineries.

Demand for tankers and tonnage of oil shipped is primarily a function of global oil consumption, which is driven by economic activity, as well as the long-term impact of oil prices on the location and related volume of oil production. Global oil demand returned to limited growth in 2010 and has since been expanding at a modest pace, driven by a steady rise in Asia. According to the International Energy Agency, global oil demand for 2016 has been revised as of December 2016 to 96.3 mb/day compared to 94.9 mb/day during 2015.

Tonnage of oil shipped is also influenced by transportation alternatives (such as pipelines) and the output of refineries. Between 2012 and 2014, it is estimated that 18 refineries, predominantly in OECD countries, with combined throughput of approximately 2.4 mb/day, ceased operations as a result of weak margins. Europe has been hit the hardest as the region's aging refineries have struggled to adjust to the lower demand and weaker profit margins that accompanied the economic slowdown. European refineries have also been hit by increased competition from newer refineries in the Middle East and Asia, which benefit from lower operating costs. It is estimated that refinery capacity in the Middle East and Asia combined increased by 2.3 mb/day during the years 2015 and 2016. In 2017, a notable number of additional refineries are expected to start operations in Asia. These new so-called super-refineries are expected to offset the lost refining capacity in the OECD countries, which could potentially have a positive impact on tonne-mile demand for product tankers as cargoes will be transported across longer distances.

Growth in global container trade has been driven by growth in world merchandise trade, and the growing share in the containerized part thereof, along with the expansion in 'containerization' of new commodities and the trend towards globalization. Both world merchandise trade, and global container trade itself, have generally grown at a multiple of global GDP, with the expansion of the kinds of goods being transported in containers amongst the fastest growing parts of world trade overall. In general, although it has been relatively volatile from year to year, the multiple of global container trade growth over world economic growth appears to be gradually reducing, as some of the trends driving it begin to mature. Demand for containerships is expected to grow at rate of 4.0% for 2017 mainly due to increased demand in the Far East to Europe and Transpacific trades, as well as in most non- mainline trades and especially in the intra-Asia trade.

Competition

We operate in a highly fragmented, highly diversified global market with many charterers, owners and operators of vessels.

Competition for charters in all the trades our vessels trade in, tankers, drybulk and container, can be intense and the ability to obtain favorable charters depends, in addition to price, on a variety of other factors, including the location, size, age, condition and acceptability of the vessel and its operator to the charterer and is frequently tied to having an available vessel which has met the strict operational and financial standards established by the oil major companies to pre-qualify or vet tanker operators prior to entering into charters with them. Although we believe that at the present time no single company has a dominant position in the markets in which we compete, that could change and we may face substantial competition for medium- to long-term charters from a number of

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experienced companies who may have greater resources or experience than we do when we try to re-charter our vessels, especially as a number of our vessels will come off charter during 2017. However, Capital Maritime is among a small number of ship management companies in the tanker sector that has undergone and successfully completed office assessments by seven major international oil companies in the last few years, including audits with BP, Chevron Corporation, Phillips66 Inc., ExxonMobil Corporation, Royal Dutch Shell plc, Statoil ASA and Total S.A. We believe our ability to comply better with the rigorous standards of major oil companies relative to less qualified or experienced operators allows us to effectively compete for new charters.

Regulation

General

Our operations and our status as an operator and manager of ships are extensively regulated by international conventions, Class requirements, U.S. federal, state and local as well as non-U.S. health, safety and environmental protection laws and regulations, including OPA 90, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), the U.S. Port and Tanker Safety Act, the Act to Prevent Pollution from Ships, the U.S. Clean Air Act ("Clean Air Act"), The Clean Water Act, as well as regulations adopted by the IMO and the European Union, air emission requirements, IMO/USCG / EPA pollution regulations and various Safety of Life at Sea ("SOLAS") amendments, as well as other regulations described below. In addition, various jurisdictions either have or are adopting ballast water management conventions to prevent the introduction of non-indigenous invasive species. Compliance with these laws, regulations and other requirements could entail additional expense, including vessel modifications and implementation of additional operating procedures.

We are also required by various governmental and quasi-governmental agencies and international organizations to obtain permits, licenses and certificates for our vessels, depending upon such factors as the country of registry, the cargo transported, the trading area, the nationality of the vessel's crew, the age and size of the vessel and our status as owner or charterer. Failure to maintain necessary permits, licenses or certificates could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels.

We believe that the heightened environmental and quality concerns of insurance underwriters, regulators and charterers will in the future impose greater inspection, training and safety requirements on all types of vessels in the shipping industry. In addition to inspections by us, our vessels are subject to both scheduled and unscheduled inspections by a variety of governmental and private entities, each of which may have unique requirements. These entities include the local port authorities (such as USCG, harbor master or equivalent), classification societies, flag state administration P&I Clubs, charterers, and particularly terminal operators and major oil companies which conduct frequent vessel inspections.

It is our policy to operate our vessels in full compliance with applicable environmental laws and regulations. However, regulatory programs are complex and because such laws and regulations frequently change and may impose increasingly strict requirements, we cannot predict the ultimate cost of complying with these and any future requirements or their impact on the resale value or useful life of our vessels.

United States Requirements

The United States regulates the tanker industry with extensive environmental protection requirements and a liability regime addressing violations and the cleanup of oil spills, primarily through OPA 90, CERCLA and certain coastal state laws.

OPA 90 affects all vessel owners and operators transporting crude oil or petroleum products to, from, or within U.S. waters. The law phased out the use of single-hull tankers and can effectively impose unlimited liability on vessel owners and operators in the event of an oil spill. Under OPA 90, vessel owners, operators and bareboat charterers are liable, without regard to fault, for all containment and clean-up costs and other damages, including natural resource damages, and for certain economic losses, arising from oil spills and pollution from their vessels. USCG regulations limit OPA liability for environmental damages for double-hull vessels to the greater of \$2,000 per gross ton or \$17,088,000 million per tanker that is over 3,000 gross tons (subject to possible adjustment for inflation), unless the incident is caused by gross negligence, willful misconduct, or a violation of certain regulations, in which case, liability is unlimited. On November 19, 2015, USCG issued a final rule to raise these limits to the greater of \$2,200/gross ton or \$18.79 million. In addition, OPA 90 does not preempt state law and permits individual states to impose their own stricter liability regimes with regard to oil pollution incidents occurring within their boundaries. Certain coastal states have enacted additional pollution prevention, liability and response laws, many providing for unlimited liability. Bills are introduced periodically in the U.S. Congress to increase the limits of OPA liability for all vessels, including tanker vessels.

CERCLA applies to the discharges of hazardous substances (other than oil) whether on land or at sea, and contains a liability regime that provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying any hazardous substances as cargo, or \$0.5 million for any other vessel, per release of or incident involving hazardous substances. These limits of liability do not apply if the incident is caused by gross negligence, willful misconduct, or a violation of certain regulations, in which case, liability is unlimited.

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The financial responsibility regulations for tankers issued under OPA 90 also require owners and operators of vessels entering U.S. waters to obtain, and maintain with the USCG, Certificates of Financial Responsibility, or COFRs, in the amount sufficient to meet the maximum aggregate liability under OPA 90 and CERCLA. All of our vessels that need COFRs have them.

We insure each of our tankers with pollution liability insurance in the maximum commercially available amount of \$1.0 billion per incident. A catastrophic spill could exceed the insurance coverage available, in which event there could be a material adverse effect on our business. OPA 90 requires that tankers over 5,000 gross ton calling at U.S. ports have double hulls. All of the vessels in our fleet have double hulls.

We believe that we are in material compliance with OPA 90, CERCLA and all applicable state regulations in U.S. ports where our vessels call.

OPA 90 also amended the Clean Water Act to require owners and operators of vessels to adopt contingency plans for reporting and responding to oil spill scenarios up to a “worst case” scenario and to identify and ensure, through contracts or other approved means, the availability of necessary private response resources to respond to a “worst case discharge.” In addition, periodic training programs, drills for shore and response personnel, and for vessels and their crews are required. Our vessel response plans have been approved by the USCG. The Clean Water Act prohibits the discharge of oil or hazardous substances in U.S. navigable waters and imposes strict liability in the form of penalties for unauthorized discharges. The Clean Water Act also imposes substantial liability for the costs of removal, remediation and damages, and complements the remedies available under OPA 90 and CERCLA, discussed herein.

U.S. Environmental Protection Agency (“EPA”) regulations govern the discharge into U.S. waters of ballast water and other substances incidental to the normal operation of vessels. Under EPA regulations, commercial vessels greater than 79 feet in length are required to obtain coverage under the VGP by submitting a Notice of Intent. The VGP incorporates current USCG requirements for ballast water management as well as supplemental ballast water requirements, and includes technology-based and water-quality based limits for other discharges, such as deck runoff, bilge water and gray water. USCG regulations will phase in stricter VGP ballast management requirements in the future.

Administrative obligations, such as monitoring, recordkeeping and reporting requirements also apply. Implementation of the water treatment standards adopted by the USCG/EPA is required earlier than the implementations of equivalent standards agreed by the IMO. For trading in the U.S. waters, vessels are to be installed with ballast water treatment systems approved by the USCG at the first bottom survey after January 1, 2016. A number of BWTS technologies have already received Alternate Management System (“AMS”) extension approval, but to date none of the systems available in the market have received a USCG type BWTS approval certificate. We have applied to the USCG for AMS extensions for all of our vessels with a bottom survey within 2016, and will apply by year end for extensions for all vessels with due docking dates within 2017. So far, our applications for vessels with due docking dates within 2016 have been successful and extensions for these vessels have been granted until January 2018 by the USCG and EPA. Although further extensions may be granted if suitable USCG certified BWTS are not made available in due course, compliance with this requirement at a later date may impose substantial costs for retrofitting our vessels with BWTS or otherwise restrict our vessels from entering U.S. waters.

The Clean Air Act requires the EPA to promulgate standards applicable to emissions of volatile organic compounds, hazardous air pollutants and other air contaminants. The Clean Air Act also requires states to draft State Implementation Plans (“SIPs”) designed to attain national health-based air quality standards, which have significant regulatory impacts in major metropolitan and/or industrial areas. Several SIPs regulate emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. Individual states, including California, also regulate vessel emissions within state waters. California also has adopted fuel content regulations that will apply to all vessels sailing within 24 miles of the California coastline or whose itineraries call for them to enter any California ports, terminal facilities, or internal or estuarine waters. In addition, IMO designates areas extending 200 miles from the U.S. territorial sea baseline adjacent to the Atlantic/Gulf and Pacific coasts and the eight main Hawaiian Islands as Sulphur Emission Control Areas under amendments to the Annex VI of MARPOL (discussed below). In addition, regulatory initiatives to require cold-ironing (shore-based power while docked) are under consideration in a number of jurisdictions to reduce air emissions from docked ships. Compliance with these regulations entails significant capital expenditures or otherwise increases the costs of our operations.

International Requirements

In September 1997, the IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships to address air pollution from ships. Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special sulphur emission control areas to be established with more stringent controls on sulfur emissions (“SECA areas”).

Amendments to Annex VI to the MARPOL address particulate matter, nitrogen oxide and sulfur oxide emissions. The revised Annex VI reduces air pollution from vessels by, among other things (i) implementing a progressive reduction of sulfur oxide emissions from ships, and (ii) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The IMO confirmed in October 2016 that a global 0.5% sulphur cap on marine fuels will come into force on January 1, 2020, as agreed in amendments adopted in 2008 for Annex VI to the MARPOL. Annex VI sets progressively stricter regulations to control sulphur oxides (SOx) and nitrous oxides (NOx) emissions from ships, which present both environmental and health risks. The 0.5% sulphur cap marks a significant reduction from the current global sulphur cap of 3.5%, which came into effect on January 1, 2012. When the 2020 sulphur cap was decided upon in 2008, it was also agreed that a review should be undertaken by 2018 to assess whether there was sufficient compliant fuel available to meet the 2020 effective date, failing which, the effective date could be deferred to 2025. That review was completed in July 2016 by a consortium of consultants led by CE Delft, and submitted to the IMO’s Marine Environment Protection Committee (MEPC) during their 70th session. The review concluded that sufficient compliant fuel would be available to meet the new requirement. However, there have been competing studies, that hold the opposing view that refining capacity will not be sufficient in 2020, with an estimated 60-70% additional sulphur plant capacity required by 2020. There have also been questions as to how the sulphur cap will be enforced, as it is up to individual parties to MARPOL to enforce fines and sanctions.

Shipowners can meet the new requirements by continuing to use fuel types which exceed the 0.5% sulphur limit and retrofitting an approved Exhaust Gas Cleaning System (also known as scrubbers) to remove sulphur from exhaust, which might require a substantial capital expenditure and prolonged offhire of the vessel during installation; or use petroleum fuels such as marine gasoil (MGO), which meet the 0.5% sulphur limit. According to Platts, the premium of MGO over 380 CST 3.5% bunker fuel in Rotterdam has averaged \$270/mt over the last five years. Depending on the vessel type and size, this could mean a substantial increase in the cost of bunkers for the vessel. This cost could increase further if the refining sector is unable to cope with the higher distillate demand, resulting in a tight distillate market and wider spread between HSFOs and MGOs; or by retrofitting the vessel to handle alternative fuels, such as LNG, methanol, biofuels, LPG etc. Retrofitting vessels for the consumption of these type of alternative fuels would involve a substantial capital expenditure and might be uneconomical for most conventional vessel types given current technology and design challenges.

Additionally, as of January 1, 2015, more stringent sulfur emission standards apply in coastal areas designated as Sulphur Emission Control Areas. We incur additional costs to comply with these revised standards. A failure to comply with Annex VI requirements could result in a vessel not being able to operate. All of our vessels are subject to Annex VI regulations. We believe that our existing vessels meet relevant Annex VI requirements and that our undelivered product tankers will be fitted with these emission control systems prior to their delivery. Nevertheless, as most existing vessels are not designed to operate on ultra-low sulfur distillate fuel continuously; we are introducing mitigating measures and or modifications enabling vessels to operate continuously within SECA areas. These mitigation measures and modifications may increase our operating expenses.

SOLAS new requirements necessitate installation of ECDIS equipment (electronic charts) for some type of vessels at the 1st radio survey carried out after July 1, 2015. For container vessels, this requirement comes in force at the first radio survey after 1st July 2016. While some of our vessels are already fitted with ECDIS equipment requiring only minimal upgrades, a number of our vessels are not fitted with such equipment and additional expenditure might be incurred to comply with this regulation.

The ISM code, promulgated by the IMO, also requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. The ISM code requires that vessel operators obtain a safety management certificate for each vessel they operate. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM code. All of our ocean-going vessels are ISM certified.

Noncompliance with the ISM code and other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports.

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Many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969 (the “CLC”) (the United States, with its separate OPA 90 regime, is not a party to the CLC). Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the International Convention on Civil Liability for Oil Pollution Damage, a vessel’s registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain defenses. Under the Protocol for vessels of 5,000 to 140,000 gross tons, liability is limited to approximately \$7.1 million plus \$989.2 for each additional gross ton over 5,000. For vessels of over 140,000 gross tons, liability is limited to approximately \$140.7 million. As the convention calculates liability in terms of a basket of currencies, these figures are based on currency exchange rates on December 31, 2010. The right to limit liability is forfeited under the International Convention on Civil Liability for Oil Pollution Damage where the spill is caused by the owner’s actual fault and under the 1992 Protocol where the spill is caused by the owner’s intentional or reckless conduct. Vessels trading to states that are parties to these conventions must provide evidence of insurance covering the liability of the owner. In jurisdictions where the International Convention on Civil Liability for Oil Pollution Damage has not been adopted, various legislative schemes or common law regimes govern, and liability is imposed either on the basis of fault or in a manner similar to that convention. We believe that our P&I insurance will cover the liability required under the plan adopted by the IMO.

In 2001, the IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the “Bunker Convention”) which imposes strict liability on ship owners for pollution damage caused by discharges of bunker oil in jurisdictional waters of ratifying states. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). Our fleet has been issued with a certificate attesting that insurance is in force in accordance with the insurance provisions of the convention.

IMO regulations also require owners and operators of vessels to adopt Shipboard Marine Pollution Emergency Plans (“SMPEPs”). Periodic training and drills for response personnel and for vessels and their crews are required.

The SMPEPs required for our vessels are in place.

In addition, our operations are subject to compliance with the International Bulk Chemical Code (“IBCC”), as required by MARPOL and SOLAS for chemical tankers built after July 1, 1986, which provides ship design, construction and equipment requirements and other standards for the bulk transport of certain liquid chemicals. Under October 2004 amendments to the IBCC (implemented to meet recent revisions to SOLAS and Annex II to MARPOL), some previously unrestricted vegetable oils, including animal fats and marine oils, must be transported in chemical tankers meeting certain double-hull construction requirements. Our vessels may transport such cargoes, but are restricted as to the volume they are able to transport per cargo tank. This restriction does not apply to edible oils. In addition, those amendments require re-evaluation of the categorization of certain products with respect to their properties as marine pollutants, as well as related ship type carriage requirements, etc.

MARPOL Annex II, applicable from January 1, 2016, requires the upgrade of oil discharge monitoring equipment (“ODME”) installed on all of our MR tankers certified for the carriage of biofuels. To permit carriage of biofuels on our MR tankers, we have placed orders for on-time upgrades of ODME. As such, we expect to incur additional expenditures for compliance.

MARPOL Annex I, applicable from January 1, 2016, requires stability instruments onboard our tankers to demonstrate compliance with damage stability calculations. All of our tankers already comply with this requirement, so no additional expenditures are expected for compliance with this amended regulation.

The International Convention on the Control of Harmful Anti-fouling Systems on Ships (the “Anti-fouling Convention”) prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. The Anti-fouling Convention applies to vessels constructed prior to January 1, 2003 that have not been in drydock since September 17, 2008. Vessels of over 400 gross tons engaged in international voyages must obtain an International Anti-fouling System Certificate and must undergo a survey before the vessel is put into service or when the anti-fouling systems are altered or replaced. We have obtained Anti-Fouling System Certificates for all of our vessels that are subject to the Anti-Fouling Convention and do not believe that maintaining such certificates will have a material adverse financial impact on the operation of our vessels.

Climate Change and Greenhouse Gas Regulation

Increasing concerns about climate change have resulted in a number of international, national and regional measures to limit greenhouse gas emissions and additional stricter measures can be expected in the future.

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The Kyoto Protocol to the United Nations Framework Convention on Climate Change, or Kyoto Protocol, requires participating countries to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which contribute to global warming. Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol. However, new treaties may be adopted in the future that include restrictions on shipping emissions. The European Union also has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from vessels. In addition, the EPA has begun regulating greenhouse gas emissions under the Clean Air Act and climate change initiatives are being considered in the U.S. Congress. A consensus agreement reached at the 2015 United Nations Climate Change Conference in Paris and ratified in October 2016 commits participating nations to reduce greenhouse gas emissions with a goal of keeping global temperature increases well below two degrees Celsius, with regular five-year reviews of progress beginning in 2023. National and multilateral efforts to meet these goals could result in reductions in the use of carbon fuels generally, and stricter limits on greenhouse gas emissions from ships in particular. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate that restrict emissions of greenhouse gases could have a financial impact on our operations that we cannot predict with certainty at this time. In addition, scientific studies have indicated that increasing concentrations of greenhouse gases in the atmosphere can produce climate changes with significant physical effects, such as increased frequency and severity of storms, floods and other severe weather events that could affect our operations.

Disclosure of activities pursuant to Section 13(r) of the U.S. Securities Exchange Act of 1934

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). Section 13(r) requires an issuer to disclose whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings. Disclosure is required even where the activities, transactions or dealings are conducted in compliance with applicable law. Provided in this section is information concerning the activities of CPLP and its affiliates that occurred in 2016 and which CPLP believes may be required to be disclosed pursuant to Section 13(r) of the Exchange Act.

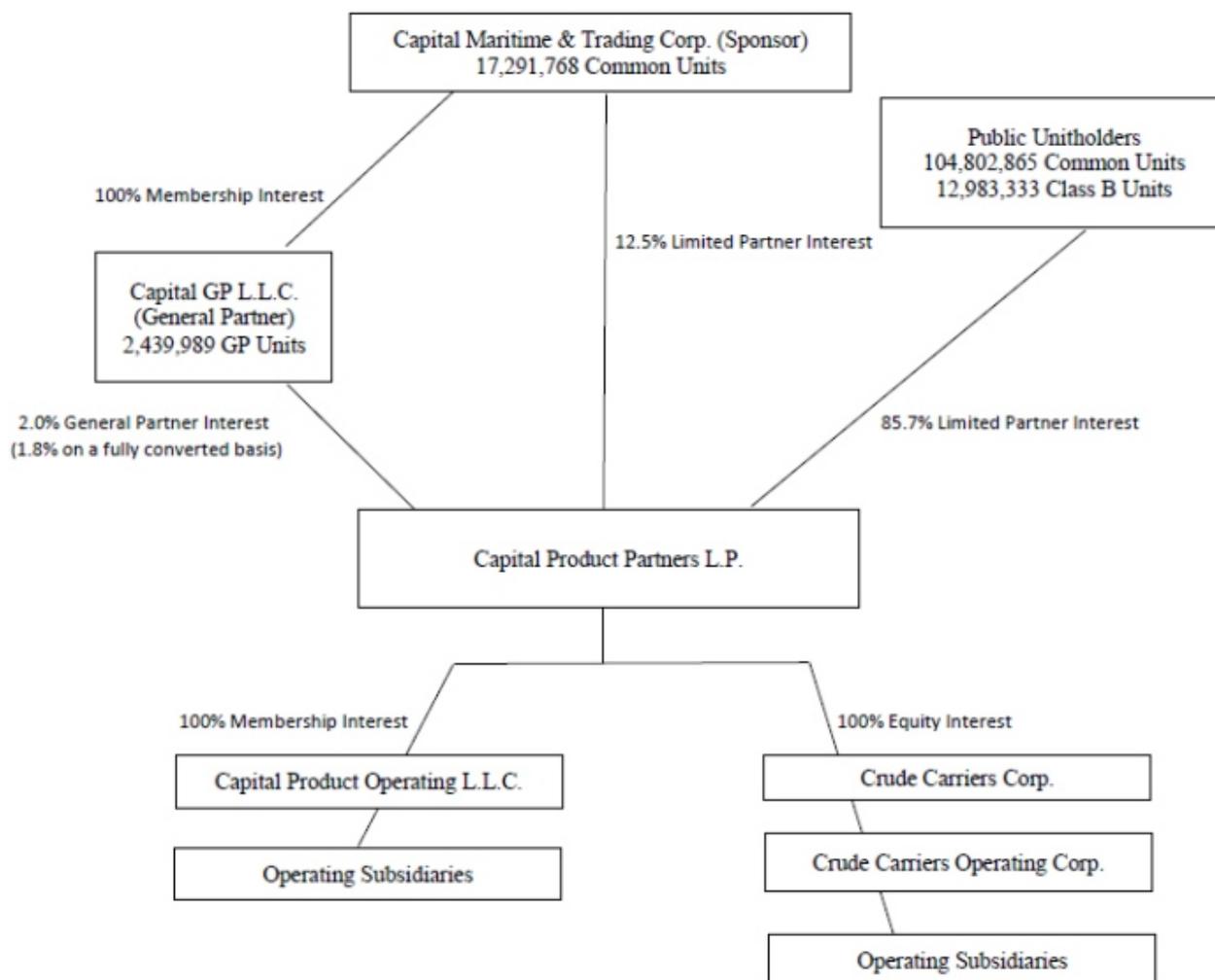
In 2016, vessels owned by CPLP and chartered under time charter contracts by PCTC, a subsidiary of CMTC, our sponsor and the sole member of our General Partner, made the following port calls to Iran: five port calls to load crude oil, gas condensate or naphtha, three port calls to discharge gasoline and one port call to discharge vegetable oils. These port calls represented approximately 0.5% of the total port calls made by all the vessels owned by CPLP in 2016, and each of them occurred while the respective vessel was sublet under voyage charter by PCTC to a third-party sub-charterer under the instructions of such sub-charterer. In one instance, the sub-charterer of a vessel was the National Iranian Oil Company, a government-owned corporation under the direction of the Ministry of Petroleum of Iran. As the vessel owner, we earned revenues at the agreed daily charter rates from PCTC. PCTC in turn earned revenues at the agreed freight rate from the sub-charterers that employed the vessels.

Further, in 2016, vessels owned by CMTC and chartered under voyage charter contracts by third-party charterers made the following port calls to Iran: ten port calls to load crude oil and ten port calls to load steel or sulphur products. These port calls represented 3.6% of the total port calls made by all the vessels owned by CMTC in 2016, and each of them occurred while the respective vessel was chartered out to a third-party charterer under the instructions of such charterer. As the vessel owner, CMTC earned revenues at the agreed freight rate from the charterers that employed the vessels.

As part of the voyage charter arrangements between CMTC and third-party charterers or sub-charterers, CMTC or its manager may pay fees and expenses related to the port calls made in Iran through a private third-party agent in Iran appointed by the third-party charterer or sub-charterer, which in 2016 did not include any payments for refueling or bunkers for the vessels making such port calls.

We do not believe that any of these transactions or activities are sanctionable. January 16, 2016 was “implementation day” under the Joint Comprehensive Plan of Action (JCPOA) among the P5+1 (China, France, Germany, Russia, the United Kingdom, and the United States), the European Union (EU), and Iran to ensure that Iran’s nuclear program will be exclusively peaceful, and the United States and the EU lifted nuclear-related sanctions on Iran. All activities, transactions and dealings reported in this section occurred after the implementation date of the JCPOA. CPLP and CMTC intend to continue to charter their respective vessels to charterers and sub-charterers, including, as the case may be, Iran-related parties, who may make, or may sub-let the vessels to sub-charterers who may make, port calls to Iran, so long as the activities continue to be permissible and not sanctionable under applicable U.S. and EU and other applicable laws.

C. Organizational Structure



Please also see Note 1 (Basis of Presentation and General Information) to our Financial Statements included herein and Exhibit 8.1 to this Annual Report for a list of our significant subsidiaries as of December 31, 2016.

D. Property, Plants and Equipment

Other than our vessels, we do not have any material property. For further details regarding our vessels, including any environmental issues that may affect our utilization of these assets, please read “Item 4B: Business Overview—Our Fleet” and “—Regulation”. Our obligations under our credit facilities are secured by all our vessels. For further details regarding our credit facilities, please read “Item 5B: Liquidity and Capital Resources—Borrowings—Our Credit Facilities”.

Item 4A. Unresolved Staff Comments.

None.

Item 5. Operating and Financial Review and Prospects.

You should read the following discussion of our financial condition and results of operations in conjunction with our audited consolidated Financial Statements for the years ended December 31, 2016, 2015, and 2014 and related notes included elsewhere in this Annual Report. Among other things, the Financial Statements include more detailed information regarding the basis of presentation for the following information. The Financial Statements have been prepared in accordance with U.S. GAAP and are presented in thousands of U.S. Dollars.

A. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are an international owner of tanker, container and drybulk vessels. We were organized in January 2007 by Capital Maritime, an international shipping company with a long history of operating and investing in the shipping market. Our fleet currently consists of 36 high specification vessels with an average age of approximately 7.4 years as of December 31, 2016. Our fleet is comprised of four Suezmax crude oil tankers (0.6 million dwt), 21 medium range product tankers (0.9 million dwt), ten post-panamax container carrier vessels (0.9 million dwt) and one Capesize bulk carrier (0.2 million dwt). Our vessels are capable of carrying a wide range of cargoes, including crude oil, refined oil products, such as gasoline, diesel, fuel oil and jet fuel, edible oils and certain chemicals, such as ethanol, as well as dry cargo and containerized goods.

Our primary business objective is to pay a quarterly distribution per unit and increase our distributions over time, subject to shipping and charter market developments and our ability to obtain required financing and access financial markets.

We seek to rely on medium- to long-term, fixed-rate period charters and Capital Ship Management’s cost-efficient management of our vessels to provide visibility of revenues, earnings and distributions in the medium- to long-term. As our vessels come up for re-chartering, we seek to redeploy them on terms that reflect our expectations of the market conditions prevailing at the time.

We intend to further evaluate potential opportunities to acquire both newly built and second-hand vessels from Capital Maritime or third parties (including, potentially, through the acquisition of, or combination with, other shipping businesses) in a prudent manner that is accretive to our unitholders and long-term distribution growth, subject to approval of our board of directors, overall market conditions and our ability to obtain required financing and access financial markets.

Consistent with this strategy, we currently have a right of first refusal to acquire five additional product tanker vessels from Capital Maritime, as further described in “Item 4A: History and Development of the Partnership—2015 Developments—Delivery of Dropdown Vessels”.

We generally rely on external financing sources, including bank borrowings and, depending on market conditions, the issuance of debt and equity securities, to fund the acquisition of new vessels. See “—B. Liquidity and Capital Resources” below.

As of December 31, 2016, the Marinakis family, including Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.7% interest in us (18.5% on a non-fully converted basis), through, among others, Capital Maritime and Crude Carriers Investments.

Our Charters

We generate revenues by charging our customers for the use of our vessels. Historically, we have provided services to our customers under time or bareboat charter agreements. As of December 31, 2016, all of our vessels were either trading in the period market or were expected to commence period employment.

Our vessels are currently under contracts with BP Shipping Limited, INSW, HMM, CSSA S.A. (Total S.A.), Cosco, Cargill, Repsol, Flopec, PIL, Petrobras, CMA CGM, Stena Bulk and Capital Maritime. In 2016, we re-chartered a total of ten vessels and expanded our customer base with the addition of PIL and Flopec.

For the year ended December 31, 2016, HMM, Petrobras, CMA CGM and Capital Maritime accounted for 19%, 18%, 17% and 15% of our revenues, respectively. For the year ended December 31, 2015, Capital Maritime and HMM accounted for 29% and 21% of our revenues, respectively. For the year ended December 31, 2014, Capital Maritime, HMM and Maersk Line accounted for 38%, 24% and 12% of our revenues, respectively.

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The loss of, default by or restructuring of any significant customer or a substantial decline in the amount of services requested by a significant customer could harm our business, financial condition and results of operations. As our fleet expands, we seek to enter into charters with new charterers and aim to maintain a portfolio that is diverse from a customer, geographic and maturity perspective. For information on the risks arising from a concentration of counterparties, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—*We currently derive all of our revenues from a limited number of charterers and the loss of any charterer or charter or vessel could result in a significant loss of revenues and cash flow.*”

See also “Item 4B: Business Overview—Our Fleet”, “—Our Charters” and “Our Charters—Profit Sharing Arrangements” for additional information on our charters.

HMM Restructuring

HMM, the charterer of five of our container vessels and one of our largest counterparties in terms of revenue, completed a financial restructuring in July 2016. Our subsidiaries owning vessels under charter with HMM entered into a charter restructuring agreement with HMM on July 15, 2016. This agreement provides for the reduction of the charter rate payable under the respective charter parties by 20% to \$23,480 per day (from a gross daily rate of \$29,350) for a three and a half year period starting in July 2016 and ending in December 2019. The total charter rate reduction for the charter reduction period is approximately \$37.0 million. The charter restructuring agreement further provides that at the end of the Charter Reduction Period, the charter rate under the respective charter parties will be restored to the original gross daily rate of \$29,350 until the expiry of each charter in 2024 and 2025. As compensation for the charter rate reduction, we received approximately 4.4 million HMM common shares, which we sold on the Stock Market Division of the Korean Exchange for an aggregate consideration of \$29.7 million in August 2016.

Accounting for Acquisitions

In October 2016, we acquired the shares of the company owning the M/T Amor, an eco-type MR product tanker, with time charters attached expiring in October 2017 (at the earliest). We accounted for this transaction as an acquisition of a business based on the existence of an integrated set of activities (inputs and processes that generate outputs). Therefore, we recorded the identifiable assets acquired and liabilities assumed, consisting of the vessel, the time charter attached to the vessel and a term loan assumed on acquisition, in our financial statements at their fair values of \$31.6 million, \$1.1 million and \$15.8 million, respectively.

In February 2016, we acquired the shares of the company owning the M/V CMA CGM Magdalena, the last of the five vessels we agreed to acquire from Capital Maritime pursuant to the Master Vessel Acquisition Agreement (to which we refer herein as the Dropdown Vessels), with time charter attached expiring in January 2021 (at the earliest). We accounted for this transaction as an acquisition of an asset. As we estimated that the daily charter rate of the time charter attached to the vessel was above market rates as of the transaction completion date, we allocated the total consideration for this acquisition to the vessel cost \$88.5 million and to the above market acquired charter \$3.2 million.

In July 2014, we entered into a Master Vessel Acquisition Agreement with Capital Maritime, pursuant to which we agreed to acquire, subject to the satisfaction of various conditions precedent, the Dropdown Vessels for an aggregate purchase price of \$311.5 million. As consideration for these vessel acquisitions at prices below current market value, we agreed to amend the partnership agreement to revise the target distributions to holders of our incentive distribution rights. In September 2014, we paid the amount of \$30.2 million to Capital Maritime as an advance payment on the acquisition of the Dropdown Vessels. During 2015, we acquired four of the five Dropdown Vessels which we accounted for as acquisitions of assets. For more information, please read Note 5 (Fixed Assets) and Note 12 (Partners’ Capital) in our Financial Statements included herein.

Industry Developments and Outlook

In 2016, the tanker charter market, where the majority of our fleet operates and where we expect the vast majority of our renewals will occur in the next couple of years, was overall weaker due to, among other factors, high oil inventories, lower oil demand growth compared to 2015 and increased supply of vessels. As a result, we secured employment for a number of our vessels at reduced rates on average in 2016.

In 2016, in the container market, certain key routes have seen a sharp slowdown in demand at a time of increased supply of container vessels, which has further depressed container charter rates and asset values. While all but two of our container vessels come up for re-chartering after 2020, we depend on the ability of vessel charterers, which have come under significant financial stress, to honor their commitments. For further information, see “Item 3.D Risks Factors—Risks Related to the Container Carrier Industry—*If our container carrier vessel charterers do not fulfill their obligations to us, or if they are unable to honor their obligations, our business, financial condition, results of operations, cash flow and ability to make cash distribution and service or refinance our debt can be adversely affected.*”

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After reaching historical highs in mid-2008, charter hire rates for capesize drybulk carriers, such as the M/V Cape Agamemnon, have been declining and are currently close to historically low levels. The M/V Cape Agamemnon is currently deployed on a period time charter which is expected to expire on June 2020 (at the earliest). In the future, we may be forced to re-charter the M/V Cape Agamemnon pursuant to short-term time charters, and may be exposed to changes in the spot market and short-term charter rates for capesize drybulk carriers, all of which may affect our earnings and the value of the M/V Cape Agamemnon. For further information, see “Item 3.D Risks Factors—Risks Related to the Dry Bulk Industry—*We are exposed to various risks in the international drybulk shipping industry, which is cyclical and volatile.*”

Factors Affecting Our Future Results of Operations

We believe that the principal factors affecting our future results of operations are the economic, regulatory, financial, credit, political and governmental conditions prevailing in the shipping industry generally and in the countries and markets in which our vessels are chartered.

The world economy has experienced significant economic and political upheavals in recent history. In addition, credit supply has been constrained and financial markets have been particularly turbulent for master limited partnerships such as us. Protectionist trends, global growth and demand for the seaborne transportation of goods, including oil, oil products and dry and containerized goods, and overcapacity and deliveries of newly built vessels may affect the shipping industry in general and our business, financial condition, results of operations and cash flow.

We are exposed to the tanker market to a significant extent as (a) the majority of our vessels are either crude or product tankers and (b) most of the charters that have expired over the previous 12 months or we expect will expire in the coming 12 months are product or crude tanker charters.

Some of the key factors that we expect may affect our business, future financial condition, results of operations and cash flow include the following:

- levels of oil product demand and inventories;
- supply and demand for crude oil, oil products raw materials, dry cargo and containerized goods;
- charter hire levels (under time and bareboat charters) and our ability to re-charter our vessels at competitive rates as their current charters expire;
- developments in vessel values, which might affect our ability to comply with certain covenants under our credit facilities and/or refinance our debt;
- our ability to refinance, at commercially acceptable terms, our indebtedness or, in the event we are not able to refinance our indebtedness for any reason, our obligation to make principal payments under our credit facilities;
- our ability to comply with the covenants in our credit facilities, including covenants relating to the maintenance of vessel value ratios;
- our level of debt and the related interest expense and amortization of principal;
- our access to debt and equity, and the cost of such capital, required to acquire additional vessels and/or to implement our business strategy;
- supply and orderbook of vessels, including tankers, container vessels and dry bulk vessels;
- the ability to increase the size of our fleet and make additional acquisitions that are accretive to our unitholders;
- the ability of Capital Maritime’s commercial and chartering operations to successfully employ our vessels at economically attractive rates, particularly as our charters expire and our fleet expands;
- the continuing demand for goods from China, India, Brazil and Russia and other emerging markets;
- our ability to comply with new maritime regulations and the more restrictive regulations for the transport of certain products and cargoes and the increased costs associated therewith;
- the increased costs associated with the renewal of our technical management agreement and the full transition to a floating fee based on actual expenses for certain of our vessels;

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- the effective and efficient technical management of our vessels;
- the costs associated with upcoming drydocking of our vessels ;
- Capital Maritime’s ability to obtain and maintain major international oil company approvals and to satisfy their technical, health, safety and compliance standards;
- the strength of and growth in the number of our customer relationships, especially with major international oil companies and major commodity traders;
- the prevailing spot market rates and the number of our vessels which we may operate in the spot market;
- our ability to acquire and sell vessels at prices we deem satisfactory; and
- the level of any distribution on our common units.

Please read “Item 3.D: Risk Factors” for a discussion of certain risks inherent in our business.

Factors to Consider When Evaluating Our Results

We believe it is important to consider the following factors when evaluating our results of operations:

- *Size of our Fleet.* During 2015, we acquired four of the five Dropdown Vessels while we took delivery of the last Dropdown Vessel in February 2016 and acquired an additional eco-type MR product tanker from Capital Maritime in October 2016. As our fleet grows or as we dispose of our vessels, our results of operations reflect the contribution to revenue of, and the expenses associated with, a varying number of vessels over time, which may affect the comparability of our results year-on-year. Please see “—Overview—Accounting for Acquisitions” for information on the accounting treatment of vessel acquisitions for the period under review and Note 1 (Basis of Presentation and General Information) to the Financial Statements included herein.
- *Management Structure and Operating Expenses.* We have entered into three separate technical and commercial management agreements with Capital Ship Management for the management of our fleet: the fixed fee management agreement, the floating fee management agreement and, with respect to the vessels acquired as part of the merger with Crude Carriers, the Crude Carriers management agreement. Each agreement has a different operating expenses structure. We expect that the five vessels in our fleet that are still managed under the fixed fee management agreement will over time transition to floating fee arrangements and that newly acquired vessels will also be managed under floating fee management arrangements. For information on our management agreements and the fees we pay to our Manager, please read “Item 4: Business Overview—Our Management Agreements”.

Results of Operations

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Our results of operations for the years ended December 31, 2016 and December 31, 2015 differ primarily due to the expansion of our fleet and the resulting increase in the average number of vessels.

On February 26 and October 24, 2016, we acquired the shares of the companies owning the M/V CMA CGM Magdalena and the M/T Amor, respectively. On March 31, June 10, June 30 and September 18, 2015, we acquired the shares of the companies owning the M/T Active, the M/V CMA CGM Amazon, the M/T Amadeus and the M/V CMA CGM Uruguay, respectively.

Total Revenues

Total revenues, consisting of time, voyage and bareboat charter revenues, amounted to \$241.6 million for the year ended December 31, 2016 compared to \$220.3 million for the year ended December 31, 2015.

Time, voyage and bareboat charter revenues are mainly comprised of the charter hires received from unaffiliated third-party customers and Capital Maritime, and are generally affected by the number of operating days, the average number of vessels in our fleet and the charter rates.

The increase of \$21.3 million was primarily attributable to the increase in vessel operating days as our average fleet size expanded by 2.9 vessels. The increase in charter revenue was partially offset by the reduced rates we secured on average for a number of our vessels in 2016. Please read “Item 4B: Business Overview—Our Fleet” and “—Our Charters” for information about the charters on our vessels, including daily charter rates.

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For the year ended December 31, 2016, revenues from unaffiliated charterers were \$205.6 million compared to \$156.6 million for the year ended December 31, 2015, while related party revenues were \$36.0 million compared to \$63.7 million for the year ended December 31, 2015. The decline in related party revenues was due to the reduction in the number of vessels chartered to Capital Maritime.

Voyage Expenses

Voyage expenses amounted to \$10.3 million for the year ended December 31, 2016, compared to \$6.9 million for the year ended December 31, 2015. The \$3.4 million increase in voyage expenses was primarily attributable to the expansion of our fleet, voyage expenses incurred by the M/T Arionas, which traded in the spot market from July to December 2016, bunkers consumed during idle periods and ballast voyages performed by certain of our vessels during the year relating primarily to their scheduled drydocking, as well as certain crew expenses of Brazilian crew we are required to employ pursuant to the time charter agreements we entered into with Petrobras and which are included in our voyage expenses.

Voyage expenses primarily consist of bunkers, port expenses and commissions. Under time and bareboat charters, voyage expenses, except for commissions (which are paid by us), are paid for by the charterer (and not by us). Under voyage charters, all voyage expenses are paid for by us.

Vessel Operating Expenses

For the year ended December 31, 2016 our total vessel operating expenses amounted to \$77.5 million compared to \$70.3 million during the year ended December 31, 2015. The \$7.2 million increase in total vessel operating expenses was primarily attributable to the increase in the average size of our fleet by 2.9 vessels during the year 2016 compared to the year 2015.

Total vessel operating expenses for the year ended December 31, 2016 include expenses of \$10.9 million, incurred under the management agreements we have with our Manager, compared to \$11.7 million during the year ended December 31, 2015. See *Note 10 (Voyage Expenses and Vessel Operating Expenses)* to the financial statements for information on the composition of our vessel operating expenses.

General and Administrative Expenses

General and administrative expenses amounted to \$6.3 million for the year ended December 31, 2016, compared to \$6.6 million for the year ended December 31, 2015.

General and administrative expenses include board of directors' fees and expenses, audit and certain legal fees, and other fees related to the expenses of the publicly traded partnership.

Vessel Depreciation and Amortization

Depreciation and amortization amounted to \$71.9 million for the year ended December 31, 2016, compared to \$62.7 million for the year ended December 31, 2015. The increase was due to the expansion of our fleet.

Depreciation is expected to increase if the number of vessels in our fleet increases.

Total Other Expense, Net

Total other expense, net for the year ended December 31, 2016 amounted to \$23.2 million, compared to \$18.4 million for the year ended December 31, 2015. The increase of \$4.8 million mainly reflects the higher interest expense and finance costs of \$24.3 million incurred during the year ended December 31, 2016, compared to \$20.1 million during the year ended December 31, 2015, driven by an increase in the weighted average interest rate and principal amounts outstanding under our credit facilities.

Interest expense and finance costs include interest expense, amortization of financing charges, commitment fees and bank charges.

The weighted average interest rate on the loans outstanding under our credit facilities was 4.01% as of December 31, 2016 (as of December 31, 2015: 3.65%). Our total borrowings were \$605.0 million as of December 31, 2016 (as of December 31, 2015: \$571.6 million). Please read Note 6 (Long Term Debt) to the Financial Statements included herein.

Net Income

Net income for the year ended December 31, 2016 amounted to \$52.5 million compared to \$55.4 million for the year ended December 31, 2015.

For a list of factors which we believe are important to consider when evaluating our results, please refer to the discussion under “—Factors to Consider When Evaluating Our Results” and “—Factors Affecting our Results of Operations”.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Results of operations for the years ended December 31, 2015 and December 31, 2014 differ primarily due to:

- the increased number of vessels in our fleet translating into increased charter revenue for the year ended December 31, 2015, as we acquired four additional newly built vessels from Capital Maritime in 2015;
- the increased charter rates on certain of our vessels;
- the increased number of vessels managed under our floating fee management agreement;
- the increased profit share earned by a number of our vessels; and
- the higher special survey costs we incurred, as ten of our vessels underwent special surveys in 2015, whereas no surveys were completed in 2014.

Total Revenues

Time, voyage and bareboat charter revenues amounted to \$220.3 million for the year ended December 31, 2015, compared to \$192.8 million for the year ended December 31, 2014.

The increase of \$27.5 million was primarily attributable to the increase in vessel operating days as our average fleet size expanded by 2.1 vessels, increased charter rates as certain of our vessels were re-chartered at higher rates and the profit share earned by a number of our vessels.

On the back of positive trends in the tanker charter market, we secured employment for a number of our vessels at increased rates and for longer durations in 2015. In particular, we redeployed 16 vessels for two-year or longer terms.

For the year ended December 31, 2015, revenues from unaffiliated charterers were \$156.6 million compared to \$119.9 million for the year ended December 31, 2014, while related party revenues were \$63.7 million compared to \$72.9 million for the year ended December 31, 2014. The decline in related party revenues was due to the reduction in the number of vessels chartered to Capital Maritime.

Voyage Expenses

Voyage expenses amounted to \$6.9 million for the year ended December 31, 2015, compared to \$6.2 million for the year ended December 31, 2014. The increase of \$0.7 million was mainly attributable to bunkers consumption related to special surveys for certain of our vessels during 2015 as well as repositioning voyages or ballast legs performed by certain of our vessels prior to commencing their next period of employment.

Vessel Operating Expenses

For the year ended December 31, 2015 our total vessel operating expenses amounted to \$70.3 million compared to \$62.0 million during the year ended December 31, 2014. The \$8.3 million increase in total vessel operating expenses was primarily attributable to the increase in the average size of our fleet, during the year ended December 31, 2015 compared to the year ended December 31, 2014, by 2.1 vessels, the increased number of vessels managed under our floating fee management agreement and additional operating expenses attributable to special survey costs, as ten of our vessels underwent their special survey during the year ended December 31, 2015 while we had no vessels conducting their special survey under the floating management agreement during the year ended December 31, 2014.

Total vessel operating expenses for the year ended December 31, 2015 include expenses of \$11.7 million, incurred under the management agreements we have with our Manager, compared to \$13.3 million during the year ended December 31, 2014. See *Note 10 (Voyage Expenses and Vessel Operating Expenses)* to the financial statements for information on the composition of our vessel operating expenses.

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General and Administrative Expenses

General and administrative expenses amounted to \$6.6 million for the year ended December 31, 2015, compared to \$6.3 million for the year ended December 31, 2014.

General and administrative expenses include board of directors' fees and expenses, audit fees, and other fees related to the expenses of the publicly traded partnership.

Vessel Depreciation and Amortization

Depreciation and amortization of fixed assets amounted to \$62.7 million for the year ended December 31, 2015, as compared to \$57.5 million for the year ended December 31, 2014. This increase was in line with the increased average number of vessels in our fleet during 2015.

Depreciation is expected to increase if the number of vessels in our fleet increases.

Total Other Expense, Net

Total other expense, net for the year ended December 31, 2015 amounted to \$18.4 million, compared to \$16.7 million for the year ended December 31, 2014. The increase of \$1.7 million mainly reflects the higher interest expense and finance costs of \$20.1 million incurred during the year ended December 31, 2015, compared to \$19.2 million during the year ended December 31, 2014, driven by an increase in the weighted average interest rate under our credit facilities as a result of the higher Libor rate and the decrease in other income to \$1.7 million compared to \$2.5 million in the year ended December 31, 2014, due to a lower average cash balance, on which interest income is earned and compensation received from one of our charterers related to the employment of two of our vessels in 2014.

Interest expense and finance costs include interest expense, amortization of financing charges, commitment fees and bank charges.

Net Income

Net income for the year ended December 31, 2015 amounted to \$55.4 million compared to \$44.0 million for the year ended December 31, 2014.

For a list of factors which we believe are important to consider when evaluating our results, please refer to the discussion under “—Factors to Consider When Evaluating Our Results” and “—Factors Affecting our Results of Operations”.

B. Liquidity and Capital Resources

As of December 31, 2016, total cash and cash equivalents were \$106.7 million, and restricted cash (under our credit facilities) amounted to \$18.0 million. As of December 31, 2016, there were no undrawn amounts under the terms of our credit facilities.

Generally, our primary sources of funds have been cash from operations, bank borrowings and securities offerings.

Depending on the prevailing market rates when our charters expire, we may not be able to re-charter our vessels at levels similar to their current charters, which may affect our future cash flows from operations. Cash flows from operations may be further affected by other factors described elsewhere in this Annual Report. See “Item 3. Key Information—D. Risk Factors”.

Because we distribute all of our available cash (a contractually defined term, generally referring to cash on hand at the end of each quarter after provision for reserves), we generally rely upon external financing sources, including bank borrowings and securities offerings, to fund replacement, expansion and investment capital expenditures, and to refinance or repay outstanding indebtedness under our credit facilities. Since 2011, our board of directors has elected not to provision cash reserves for estimated replacement capital expenditures.

Therefore, our ability to maintain and grow our asset base, including through further dropdown opportunities from Capital Maritime or acquisitions from third parties, and to pay or increase our distributions as well as to maintain a strong balance sheet depends on, among other things, our ability to obtain required financing, access financial markets and refinance part or all of our existing indebtedness on commercially acceptable terms.

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In April 2016, in the face of severely depressed trading prices for master limited partnerships, including us, a significant deterioration in our cost of capital and potential loss of revenue, our board of directors determined to protect our liquidity position by creating a capital reserve and setting distributions at a level that it believed to be sustainable and consistent with the proper conduct of our business. The capital reserve, to which we make quarterly allocations of approximately \$14.6 million, is intended to address our principal amortization requirements under our credit facilities for the period from March 2016 to December 2018, of \$177.1 million, excluding scheduled principal payments in relation to the 2015 credit facility. As of December 31, 2016, we had allocated an aggregate of US\$58.6 million to the capital reserve.

Principal amortization requirements in 2019 and 2020 when most of our credit facilities mature, total \$275.4 million and \$156.9 million, respectively. We anticipate refinancing any portion of our indebtedness that we do not fund through our capital reserve and internally generated cash flow. There can however be no assurance that we will be able to refinance our indebtedness on acceptable terms or at all. “Item 3. Key Information—D. Risk Factors—Risks Relating to Financing Activities—*We have incurred significant indebtedness, which could adversely affect our ability to finance our operations, refinance our existing indebtedness, pursue desirable business opportunities, successfully run our business or make cash distributions.*”

In September 2016, we entered into an equity distribution agreement with UBS. See above “Item 4A: History and Development of the Partnership—2016 Developments—At-the-market Offering”. For the period between the launch of the ATM offering and December 31, 2016, we issued 1,401,481 new common units translating into net proceeds of \$4.5 million (before offering expenses).

In October 2016, we paid a small portion of the acquisition price of the M/T Amor through the issuance of 283,696 common units to Capital Maritime and assumed a term loan of \$15.8 million. See also “Item 4A: History and Development of the Partnership—2016 Developments— Acquisition of the M/T Amor”.

Subject to our ability to obtain required financing and access financial markets, we expect to continue to evaluate opportunities to acquire vessels and businesses. We currently have no capital commitments to purchase or build additional vessels and none of our vessels is scheduled to undergo its special survey during 2017.

Total partners’ capital as of December 31, 2016 amounted to \$927.8 million compared to \$937.8 million as of December 31, 2015, constituting a decrease of \$10.0 million. The decrease primarily reflects \$68.2 million of distributions declared and paid during the year ended December 31, 2016, partially offset by net income of \$52.5 million, net proceeds of \$4.6 million from the issuance of common units and equity compensation expense of \$1.1 million.

Considering the positive impact of the expansion of our asset base following the acquisition of the M/T Amor, our board of directors decided to approve an increase in our common unit quarterly distribution for the fourth quarter 2016 onwards to \$0.08 per common unit. For information on the risks affecting the level of our distributions, see “Item 3. Key Information—D. Risk Factors—Risk Related to Our Business and Operations—*We cannot assure you that we will pay any distributions.*”

Notwithstanding the global economic downturn that occurred in the last several years and subject to shipping, charter and financial market developments, we believe that our working capital will be sufficient to meet our existing liquidity needs for at least the next 12 months.

Cash Flows

The following table summarizes our cash and cash equivalents provided by / (used in) operating, financing and investing activities for the years presented below, in millions:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net Cash Provided by Operating Activities	\$155.1	\$ 134.2	\$125.3
Net Cash Used in Investing Activities	\$ (91.8)	\$ (209.9)	\$ (30.3)
Net Cash (Used in)/Provided by Financing Activities	\$ (46.8)	\$ 1.7	\$ 5.3

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased to \$155.1 million for the year ended December 31, 2016, compared to \$134.2 million for the year ended December 31, 2015. The increase of \$20.9 million was attributable to the increase by \$7.3 million in cash from operations before changes to our operating assets and liabilities, mainly due to the expansion of our fleet, and the positive effect of the change in our operating assets and liabilities between the two periods amounting to \$15.1 million, primarily due to the proceeds from the sale of the HMM common shares (see “Overview—Disposal of HMM shares”) partially offset by the increase in the amounts reimbursed by us to our Manager for expenses paid by our Manager on our behalf. The increase in cash provided by operating activities was also partially offset by a \$1.6 million increase in drydocking costs paid during the year ended December 31, 2016 compared to the year ended December 31, 2015.

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Net cash provided by operating activities increased to \$134.2 million for the year ended December 31, 2015, compared to \$125.3 million for the year ended December 31, 2014. The increase of \$8.9 million was attributable to the increase by \$15.6 million in cash from operations before changes to our operating assets and liabilities, mainly due to the expansion of our fleet, partly offset by the negative effect of the change in our operating assets and liabilities between the two periods amounting to \$5.2 million. The increase in cash provided by operating activities was also partially offset by a \$1.5 million increase in drydocking costs paid during the year ended December 31, 2015 compared to the year ended December 31, 2014.

For an explanation of why our historical net cash provided by operating activities is not indicative of net cash provided by operating activities to be expected in future periods, please refer to the discussion under “—Factors to Consider When Evaluating Our Results” and “—Factors Affecting our Results of Operations”.

Net Cash Used in Investing Activities

Cash used in investing activities is used primarily for vessel acquisitions.

Net cash used in investing activities for the year ended December 31, 2016 amounted to \$91.8 million compared to \$209.9 million during the year ended December 31, 2015. The decrease of \$118.1 million in net cash flows used in investing activities was primarily attributable to the lower number of vessels acquired in the year ended December 31, 2016 compared to the year ended December 31, 2015. We paid \$207.7 million for the acquisition of the shares of four vessel-owning companies during the year ended December 31, 2015, compared to \$89.6 million for the acquisition of the shares of two vessel-owning companies during the year ended December 31, 2016. Following the acquisition of a lower number of vessels during the year ended December 31, 2016, restricted cash increased by \$1.0 million compared to an increase of \$2.0 million during the year ended December 31, 2015. Cash consideration paid for vessels improvements for the year ended December 31, 2016 increased by \$1.0 million compared to the year ended December 31, 2015.

Net cash used in investing activities for the year ended December 31, 2015 amounted to \$209.9 million compared to \$30.3 million during the year ended December 31, 2014. The increase of \$179.6 million in net cash flows used in investing activities for the year ended December 31, 2015 was primarily attributable to the cash consideration of \$207.7 million we paid for the acquisition of the shares of four vessel-owning companies during the year 2015, compared to an advance payment of \$30.2 million we made to Capital Maritime in connection with the Dropdown Vessels for the year ended December 31, 2014. Following the acquisition of four vessel-owning companies during the year ended December 31, 2015, restricted cash increased by \$2.0 million compared to nil during the year 2014.

Net Cash (Used in)/Provided by Financing Activities

Net cash used in financing activities for the year ended December 31, 2016, amounted to \$46.8 million compared to net cash provided by financing activities for the year ended December 31, 2015 of \$1.7 million. The decrease of \$48.5 million was mainly attributable to the issuance of a lower number of common units which were sold at prevailing market prices and resulted in net proceeds (after offering expenses) of \$3.8 million in the year ended December 31, 2016, compared to net proceeds from the issuance of common units of \$132.6 million in the year ended December 31, 2015. In addition, proceeds from the incurrence of long-term debt to fund vessel acquisitions decreased by \$80.0 million in the year ended December 31, 2016 compared to the year ended December 31, 2015. Lower proceeds from the incurrence of debt were offset by a decrease of \$103.9 million in debt principal amortization to \$17.4 million in the year ended December 31, 2016 from \$121.3 million in the year ended December 31, 2015, where we used part of the net proceeds from the issuance of common units to prepay debt. In addition, during the year ended December 31, 2016, distributions to our unit holders decreased by \$54.6 million compared to the year ended December 31, 2015. See “Overview—Quarterly Cash Distributions on our Common Units.”

Net cash provided by financing activities for the year ended December 31, 2015, amounted to \$1.7 million compared to \$5.3 million for the year ended December 31, 2014. We issued a lower number of common units in the year ended December 31, 2015, resulting in net proceeds of \$132.6 million after offering expenses compared to net proceeds of \$173.5 million after offering expenses in the year ended December 31, 2014, out of which \$60.0 million were used to repurchase 5,950,610 common units from Capital Maritime. During the year ended December 31, 2015, proceeds from the incurrence of debt were \$115.0 million while we did not draw any amount under our credit facilities during the year ended December 31, 2014. Proceeds from the incurrence of long-term debt in the year ended December 31, 2015, were offset by principal payments in the amount of \$121.3 million. Our distributions to our unit holders increased by \$20.0 million in the year ended December 31, 2015, compared to the year ended December 31, 2014.

Borrowings

Our long-term third-party borrowings are reflected in our balance sheet as “Long-term debt, net” and as current liabilities in “Current portion of long-term debt, net.”

As of December 31, 2016, our total borrowings were \$605.0 million, consisting of: (i) \$186.0 million outstanding under our 2007 credit facility; (ii) \$181.6 million outstanding under our 2008 credit facility; (iii) \$14.0 million outstanding under our 2011 credit facility; (iv) \$207.6 million outstanding under our 2013 credit facility and (v) \$15.8 million outstanding under the 2015 credit facility that was originally arranged by Capital Maritime.

As of December 31, 2015, total borrowings were \$571.6 million consisting of: (i) \$186.0 million outstanding under the 2007 credit facility; (ii) \$181.6 million outstanding under the 2008 credit facility; (iii) \$14.0 million outstanding under the 2011 credit facility and (iv) \$190.0 million under the 2013 credit facility. As of December 31, 2016, long-term debt was \$564.5 million compared to \$558.6 million as of December 31, 2015. The current portion of long-term debt as of December 31, 2016 was \$40.5 million compared to \$13.0 million as of December 31, 2015.

Our Credit Facilities

The 2007 credit facility

In March 2007, we entered into a loan agreement with a syndicate of financial institutions including HSH Nordbank AG for a revolving credit facility of up to \$370.0 million for the financing of the acquisition cost, or part thereof, of up to 15 MR product tankers. Following the sale of the M/T Attikos and the M/T Aristofanis during the first half of 2012, we repaid \$20.5 million under this credit facility. During 2012, in connection with the issuance and sale of our Class B Units, we prepaid \$95.2 million and entered into an amendment which provides for the conversion of the 2007 credit facility into a term loan, the deferral of scheduled amortization payments until March 2016 and the repayment of the facility in six equal consecutive quarterly installments commencing in March 2016 plus a balloon payment due in June, 2017. In April 2015, this facility was further amended as a result of the prepayment of \$64.9 million from our issuance and sale of 14,555,000 common units. This amendment provides for the deferral of scheduled amortization payments until November 2017 and the repayment of the facility in nine equal consecutive quarterly installments commencing in November 2017 plus a balloon payment due in December 2019. The interest margin of this facility currently is 3.0%.

The 2008 credit facility

In March 2008, we entered into a loan agreement with a syndicate of financial institutions including HSH Nordbank AG for a non-amortizing credit facility of up to \$350.0 million for the partial financing of vessel acquisitions by us. In September 2011, following the acquisition of Crude Carriers, we completed the refinancing of Crude Carrier’s outstanding debt of \$134.6 million using this facility. In connection with the refinancing, the M/T Alexander the Great, the M/T Achilleas, the M/T Miltiadis M II, and the M/T Aias were added as collateral to the facility. In connection with the issuance and sale of our Class B Units, we prepaid \$48.4 million and entered into an amendment which provided for the deferral of scheduled amortization payments until March 2016 and the repayment of the facility in nine equal consecutive quarterly installments commencing in March 2016 plus a balloon payment due in March 2018. In addition, an undrawn tranche of \$52.5 million under the 2008 facility was cancelled. Following the disposal of the M/T Alexander the Great and the M/T Achilleas to Capital Maritime we prepaid an additional \$5.2 million. The M/V Archimidis and the M/V Agamemnon replaced the M/T Alexander the Great and the M/T Achilleas as collateral under the facility. In March 2013 we drew the amount of \$54.0 million from our 2008 facility in order to partly finance the acquisition of the M/V Hyundai Premium and the M/V Hyundai Paramount. This tranche of the 2008 facility was payable in 20 equal consecutive quarterly installments, beginning in June 2013, plus a balloon payment due in March 2018. In April 2015, this facility was further amended in connection with the prepayment of \$46.0 million from our issuance and sale of 14,555,000 common units. This amendment provides for the deferral of scheduled amortization payments until November 2017 and the repayment of the facility in nine equal consecutive quarterly installments commencing in November 2017 plus a balloon payment due in December 2019. The interest margin of this facility is 3.0%.

The 2011 credit facility

In June 2011, we entered into a credit facility of up to \$25.0 million with Credit Agricole Emporiki Bank to partially finance the acquisition of the company owning the M/V Cape Agamemnon from Capital Maritime. In connection with the issuance and sale of our Class B Units, we prepaid \$6.0 million and entered into an amendment which provided for the deferral of scheduled amortization payments until March 2016 and the repayment of the facility in nine equal consecutive quarterly installments commencing in March 2016 plus a balloon payment due in March 2018. In April 2015, this facility was further amended as a result of

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the prepayment of \$5.0 million from our issuance and sale of 14,555,000 common units. This amendment provides for the deferral of scheduled amortization payments until December 2017 and the repayment of the facility in two equal consecutive quarterly installments commencing in December 2017 plus a balloon payment due in March 2018. The interest margin of this facility is 3.25%.

The 2013 credit facility

On September 6, 2013, we entered into a senior secured credit facility of up to \$200.0 million led by ING Bank N.V. The facility was non-amortizing until March 2016, with a final maturity date in December 2020. This facility bears an interest margin of 3.50% and a commitment fee of 1.00%. The facility was available for the funding of up to 50% of the charter free value of modern product tankers and post-panamax container vessels. In September 2013, we drew \$75.0 million from the Tranche A of this facility for the partial financing of three post-panamax container vessels. On December 27, 2013, the 2013 credit facility was amended to increase its size to up to \$225.0 million. None of the other material terms of the credit facility were amended. During 2015, we drew \$115.0 million from the Tranche B of this facility to partly finance the acquisition of four out of the five Dropdown Vessels and the remaining \$35.0 million was drawn on February 23, 2016 to partly finance the acquisition of the fifth Dropdown Vessel. The balance of this facility as of December 31, 2016 will be repaid in 16 equal consecutive quarterly instalments starting in March 2017 plus a balloon payment due on its final maturity date in December 2020.

The 2015 credit facility

On October 24, 2016, following the acquisition of the M/T Amor we assumed a \$15.8 million loan drawn under the 2015 credit facility arranged by Capital Maritime. This loan bears an interest margin of 2.50% and is repayable in 17 equal quarterly instalments starting in October 2018 plus a balloon payment due on its final maturity date in November 2022.

All our credit facilities contain customary ship finance covenants, including restrictions as to changes in management and ownership of the mortgaged vessels, the incurrence of additional indebtedness, the mortgaging of vessels, the ratio of EBITDA to net interest expenses which shall be no less than 2:1, a minimum cash requirement of \$0.5 million per vessel, as well as the ratio of net total indebtedness to the aggregate market value of the total fleet, which shall not exceed 0.725:1. Our credit facilities also contain a collateral maintenance requirement according to which the aggregate average fair market value of the collateral vessels under each facility must be no less than 120% (under the 2015 credit facility) or 125% (under our other credit facilities) of the aggregate outstanding amount under these facilities. Furthermore, the vessel owning companies may pay dividends or make distributions provided that no event of default has occurred and the payment of such dividend or distribution does not result in a breach of any of the financial covenants. Our credit facilities require the earnings, insurances and requisition compensation of the respective vessel or vessels to be assigned as collateral. Each also requires additional security, including pledge and charge on current account, corporate guarantee from each of the vessel owning companies and mortgage interest insurance.

Our obligations under our credit facilities are secured by first-priority mortgages covering our vessels and are guaranteed by each vessel owning company. Our credit facilities contain a "Market Disruption Clause," which the lenders may unilaterally trigger, requiring us to compensate the lenders for any increases to their funding costs caused by disruptions to the market. For the years ended December 31, 2016, 2015, and 2014, we did not incur additional interest expense due to the "Market Disruption Clause".

As of December 31, 2016, we were in compliance with all financial debt covenants. Our ability to comply with the covenants and restrictions contained in our credit facilities and any other debt instruments we may enter into in the future may be affected by events beyond our control, including prevailing economic, financial and industry conditions, including interest rate developments, changes in the funding costs of our banks and changes in vessel earnings and vessel asset valuations. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we are in breach of any of the restrictions, covenants, ratios or tests in our credit facilities, we are unlikely to be able to make any distributions to our unitholders, a significant portion of our obligations may become immediately due and payable and our lenders' commitment to make further loans to us, if any, may terminate. We may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, obligations under our credit facilities are secured by our vessels, and if we are unable to repay debt under the credit facilities, the lenders could seek to foreclose on those assets.

Any contemplated vessel acquisitions will have to be at levels that do not impair the required ratios set out above. The global economic downturn that occurred in the last several years has had an adverse effect on vessel values, and economic conditions remain fragile with significant uncertainty surrounding levels of recovery and long-term economic growth effects. If the estimated asset values of the vessels in our fleet decrease, we may be obligated to prepay part of our outstanding debt in order to remain in compliance with the relevant covenants in our credit facilities. A decline in the market value of our vessels could also affect our ability to refinance our credit facilities and/or limit our ability to obtain additional financing. A decrease of 10% in the aggregate fair market values of our vessels would not cause any violation of the total indebtedness to aggregate market value covenant contained in our credit facilities.

C. Research and Development

Not applicable.

D. Trend Information

Our results of operations depend primarily on the charter hire rates that we are able to realize for our vessels, which depend on, among other things, the demand and supply dynamics characterizing the tanker, container and drybulk markets at any given time. For other trends affecting our business please see other discussions in “Item 5—Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

E. Off-Balance Sheet Arrangements

As of the date of this Annual Report, we have not entered into any off-balance sheet arrangements.

F. Contractual Obligations and Contingencies

The following table summarizes our long-term contractual obligations as of December 31, 2016 (in thousands of U.S. Dollars).

	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term Debt Obligations	\$605,012	\$40,534	\$394,785	\$158,210	\$ 11,483
Interest Obligations(1)	85,613	26,470	48,206	10,416	521
Management fee(2)	29,028	10,294	13,056	5,678	—
Total:	\$719,653	\$77,298	\$456,047	\$174,304	\$ 12,004

(1) For our 2007, 2008, 2011, 2013 and 2015 credit facilities, interest has been estimated based on the LIBOR Bloomberg forward rates and the margins as of December 31, 2016 of 3%, 3%, 3.25%, 3.5% and 2.5%, respectively.

(2) The fees payable to Capital Ship Management represent fees for the provision of commercial and technical services such as crewing, repairs and maintenance, insurance, stores, spares and lubricants under our management agreements. Management fees under the floating fee and Crude Carriers management agreements have been increased annually based on the United States Consumer Price Index for November 2016. The amount of \$5.7 million for payments due between three and five years has been calculated on the basis of the agreed expiration dates of our management agreements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and which could potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies. For a description of all of our significant accounting policies, see Note 2 (Significant Accounting Policies) to our Financial Statements included herein for more information.

Vessel Lives and Impairment

The carrying value of each of our vessels represents its original cost (contract price plus initial expenditures) at the time of delivery or purchase less accumulated depreciation or impairment charges. The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. However, in recent years, market conditions have changed significantly as a result of the credit crisis and the resulting slowdown in world trade. Charter rates for vessels have decreased and vessel values have been affected. We consider these market developments as indicators of potential impairment of the carrying amount of our assets. We performed undiscounted cash flow tests as of December 31, 2016 and 2015, as an impairment analysis, in which we made estimates and assumptions relating to determining the projected undiscounted net operating cash flows by considering the following:

- the charter revenues from existing time charters for the fixed fleet days (our remaining charter agreement rates);
- vessel operating expenses;
- drydocking expenditures;
- an estimated gross daily time charter equivalent for the unfixed days (based on the 10-year average historical one-year Time Charter Equivalent) over the remaining economic life of each vessel, excluding days of scheduled off-hires;
- residual value of vessels;
- commercial and technical management fees;
- a utilization rate of 99.0% based on the fleet's historical performance; and
- the remaining estimated life of our vessels.

Although we believe that the assumptions used to evaluate potential impairment which are largely based on the historical performance of our fleet, are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

Our assumptions consider historical trends and our accounting policies are as follows:

- in accordance with the prevailing industry standard, depreciation is calculated using an estimated useful life of 25 years for our vessels, commencing at the date the vessel was originally delivered from the shipyard;
- estimated useful life of vessels takes into account design life, commercial considerations and regulatory restrictions based on our fleet's historical performance;
- estimated charter rates are based on rates under existing vessel contracts and thereafter at market rates at which we expect we can re-charter our vessels based on market trends. We believe that the 10 year average historical Time Charter Equivalent is appropriate (or less than 10 years if appropriate data is not available) for the following reasons:
 - it reflects more accurately the earnings capacity of the type, specification, deadweight capacity and average age of our vessels;
 - it reflects the type of business concluded by us (period as opposed to spot);
 - it includes at least one market cycle; and
 - respective data series are adequately populated;
- estimates of vessel utilization, including estimated off-hire time and the estimated amount of time our vessels may spend operating on the spot market, based on the historical experience of our fleet;
- estimates of operating expenses and drydocking expenditures are based on historical operating and drydocking costs based on the historical experience of our fleet and our expectations of future operating requirements;
- vessel residual values are a product of a vessel's lightweight tonnage and an estimated scrap rate of \$180 per ton; and
- the remaining estimated lives of our vessels used in our estimates of future cash flows are consistent with those used in our depreciation calculations.

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The impairment test that we conduct is most sensitive to variances in future time charter rates. Based on the sensitivity analysis performed for December 31, 2016 and 2015, we would begin recording impairment on the first vessel that will incur impairment by vessel type for time charter declines from their 10-year historical averages as follows:

<u>Vessel</u>	Percentage Decline from which Impairment would be Recorded	
	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Product tankers	24.6%	21.3%
Suezmax vessels	18.5%	26.0%
Cape vessel	59.6%	64.0%
Container vessels 5,000 TEU	36.7%	41.9%
Container vessels 8,000 TEU	40.2%	45.1%
Container vessels 9,000 TEU	40.1%	33.4%

As of December 31, 2016 and February 3, 2017, our current rates for time charters on average were above / (below) their 10-year historical averages as follows:

<u>Vessel</u>	Time Charter Rates as Compared with 10-year Historical Average (as percentage above/(below))	
	<u>As of December 31, 2016</u>	<u>As of February 3, 2016</u>
Product tankers	(10.0%)	(2.6%)
Suezmax vessels	(12.4%)	(12.4%)
Cape vessel	14.1%	14.1%
Container vessels 5,000 TEU	33.3%	33.3%
Container vessels 8,000 TEU	(69.2%)	(69.2%)
Container vessels 9,000 TEU	35.2%	35.2%

Based on the above assumptions we determined that the undiscounted cash flows support the vessels' carrying amounts as of December 31, 2016 and 2015.

Please also read "Item 4B: Business Overview—Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of Certain Vessels" for additional information.

Recent accounting pronouncements

Please see Note 2(s) (Significant Accounting Policies—Recent Accounting Pronouncements) to our Financial Statements included herein.

Item 6. Directors, Senior Management and Employees.

Management of Capital Product Partners L.P.

Pursuant to our partnership agreement, our General Partner has delegated to our board of directors the authority to oversee and direct our operations, management and policies on an exclusive basis, and such delegation is binding on any successor general partner of the Partnership. Our General Partner, Capital GP L.L.C., a Marshall Islands limited liability company wholly owned by Capital Maritime, manages our day-to-day activities consistent with the policies and procedures adopted by our board of directors.

Our board of directors consists of eight persons, including three persons who are designated by our General Partner in its sole discretion and five directors who are elected by the common unitholders.

Directors appointed by our General Partner serve as directors for terms determined by our General Partner and directors elected by our common unitholders are divided into three classes serving staggered three-year terms. The initial four directors appointed by Capital Maritime at the time of our IPO were designated as Class I, Class II and Class III elected directors. At each annual meeting of unitholders, directors are elected to succeed the class of directors whose terms have expired by a plurality of the votes of the common unitholders (excluding common units held by Capital Maritime and its affiliates). Directors elected by our common unitholders may be nominated by the board of directors or by any limited partner or group of limited partners that holds at least 10% of the outstanding common units.

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At our annual general meeting of unitholders held on July 13, 2016, Evangelos G. Bairactaris and Keith Forman were re-elected to act as Class III Directors until the Partnership's 2019 annual meeting of limited partners.

The holders of the Class B Units have no right to vote for, elect or appoint any director, or to nominate any individual to stand for election or appointment as a director. However, if we fail to pay the minimum Class B Unit distribution for six or more quarters, the holders of the Class B Units will have the right to appoint a director to our board and, if such arrearages exist after March 1, 2018, to replace the directors appointed by our General Partner, in each case by the affirmative vote of the holders of a majority of the Class B Units, subject to exceptions and conditions contained in our partnership agreement.

Our General Partner intends to cause its officers to devote as much time to the management of our business and affairs as is necessary for the proper conduct of our business and affairs. Our General Partner's Chief Executive Officer and Chief Financial Officer, Gerasimos (Jerry) Kalogiratos, and its Chief Operating Officer, Mr. Gerasimos Ventouris allocate their time between managing our business and affairs and the business and affairs of Capital Maritime. The amount of time they allocate between our business and the businesses of Capital Maritime varies from time to time depending on various circumstances and needs of the businesses, such as the relative levels of strategic activities of the businesses.

Our General Partner owes a fiduciary duty to our unitholders and is liable, as general partner, for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are expressly non-recourse to it. Whenever possible, the partnership agreement directs that we should incur indebtedness or other obligations that are non-recourse to our General Partner. Officers of our General Partner and other individuals providing services to us or our subsidiaries may face a conflict regarding the allocation of their time between our business and the other business interests of Capital Maritime. Our partnership agreement limits our General Partner's and our directors' fiduciary duties to our unitholders and restricts the remedies available to unitholders for actions taken by our General Partner or our directors. Please read "Item 3.D: Risk Factors—Risks Inherent in an Investment in Us—Our partnership agreement limits our General Partner's and our directors' fiduciary duties to our unitholders and restricts the remedies available to unitholders for actions taken by our General Partner or our directors" for a more detailed description of such limitations.

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and director nominees and our General Partner's executive officers as of January 31, 2017.

Name	Age	Position
Ioannis E. Lazaridis ⁽¹⁾	49	Director and Chairman of the Board
Gerasimos (Jerry) Kalogiratos ⁽¹⁾	39	Director and Chief Executive Officer and Chief Financial Officer of our General Partner
Gerasimos Ventouris	66	Chief Operating Officer of our General Partner
Nikolaos Syntichakis ⁽¹⁾	55	Director
Pierre de Demandolx-Dedons ⁽²⁾	76	Director ⁽⁵⁾
Abel Rasterhoff ⁽³⁾	76	Director ⁽⁵⁾
Evangelos G. Bairactaris ⁽⁴⁾	46	Director and Secretary
Keith Forman ⁽⁴⁾	59	Director ⁽⁵⁾
Dimitris P. Christacopoulos ⁽³⁾	46	Director ⁽⁵⁾

(1) Appointed by our General Partner (term expires in 2017).

(2) Class I director (term expires in 2017).

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- (3) Class II director (term expires in 2018).
- (4) Class III director (term expires in 2019).
- (5) Member of our audit committee and our conflicts committee.

Biographical information with respect to each of our directors, our director nominees and our General Partner's executive officers is set forth below. The business address for our executive officers is 3 Iassonos Street Piraeus, 18537 Greece.

Ioannis E. Lazaridis, Director and Chairman of the Board.

Mr. Lazaridis joined our board of directors on March 13, 2007 and served as the Chief Executive and Chief Financial Officer of our General Partner since its formation in January 2007 until September 8, 2014. Mr. Lazaridis was appointed as non-executive Chairman of the Board effective December 19, 2014. Mr. Lazaridis served as President of NYSE-listed Crude Carriers Corp., an affiliate of Capital Maritime, from March 2010 until its merger with us in September 2011, and also served as Capital Maritime's Chief Financial Officer and as a director from its incorporation in March 2005. From 2004 to March 2005, Mr. Lazaridis was employed by our predecessor companies. From 1990 to 2004, Mr. Lazaridis was employed by Credit Agricole Indosuez Cheuvreux in London, Kleinwort Benson Securities and Norwich Union Investment Management in various positions related to equity sales and portfolio management. Mr. Lazaridis holds a B.A. degree in economics from the University of Thessaloniki in Greece and an M.A. in Finance from the University of Reading in the UK. He is also an Associate for the Institute of Investment Management and Research in the UK.

Gerasimos (Jerry) Kalogiratos, Director and Chief Executive and Chief Financial Officer.

Mr. Kalogiratos' appointment as the Chief Executive and Chief Financial Officer of our General Partner was announced on June 12, 2015. He joined our board of directors in December 2014. Mr. Kalogiratos joined Capital Maritime & Trading Corp. in 2005 and was part of the team that completed the IPO of Capital Product Partners L.P. in 2007. He has also served as Chief Financial Officer and director of NYSE-listed Crude Carriers Corp. before its merger with us in September 2011. He has over 11 years of experience in the shipping and finance industries, specializing in vessel acquisition and projects and shipping finance. Before he joined Capital Maritime, he worked in equity sales in Greece. He completed his MA in European Economics and Politics at the Humboldt University in Berlin and holds a B.A. degree in Politics, Philosophy and Economics from the University of Oxford in the United Kingdom and an Executive Finance degree from the London Business School.

Pierre de Demandolx-Dedons, Director.

Mr. de Demandolx-Dedons joined our board of directors on November 15, 2011 and served on our conflicts committee and our audit committee. Mr. de Demandolx-Dedons has been involved in the shipping industry in various capacities for over forty years and since 1997 has been primarily a shipping consultant. From 1984 to 1997, Mr. de Demandolx-Dedons was employed by Groupe WORMS & Cie, a French financial, insurance and transportation company, where he held several positions in the organization, including Deputy General Manager of Cie Navale Worms (which became Compagnie Nationale De Navigation in 1986) and General Manager in charge of Finance—Tankers and Offshore, a position he held from 1991 to 1996. From 1986 to 2004, Mr. de Demandolx-Dedons was a member of the board of directors of UK P&I Clubs. Prior to this involvement, from 1975 to 1984, Mr. de Demandolx-Dedons was active in the French Shipowners' Association in Paris, serving as its Deputy General Manager from 1975 to 1977 and as its General Manager from 1977 to 1984. During this time he was active on the boards of ICS and ISF. From 1965 to 1975 he was a civil servant in the French Ports Authorities. He currently sits on a number of boards of directors both in Europe and the United States, including Seacor Holdings Inc., a company listed on the NYSE. Prior to joining our board of directors, Mr. de Demandolx-Dedons served as a director of Crude Carriers and Capital Maritime.

Abel Rasterhoff, Director.

Mr. Rasterhoff joined our board of directors on April 3, 2007. He serves on our conflicts committee and has been designated as the audit committee's financial expert. Mr. Rasterhoff joined Shell International Petroleum Maatschappij in 1967, and worked for various entities of the Shell group of companies until his retirement from Shell in 1997. From 1981 to 1984, Mr. Rasterhoff was Managing Director of Shell Tankers B.V., Vice Chairman and Chairman-elect of the Dutch Council of Shipping and a Member of the Dutch Government Advisory Committee on the North Sea. From 1991 to 1997, Mr. Rasterhoff was Director and Vice President Finance and Planning for Shell International Trading and Shipping Company Limited. During this period he also served as a Board Member of the Securities and Futures Authority (SFA) in London. From February 1998 to 2004, Mr. Rasterhoff served as a member of the executive board and as Chief Financial Officer of TUI Nederland, the largest Dutch tour operator. From February 2001 to September 2001, Mr. Rasterhoff served as a member of the executive board and as Chief Financial Officer of Connexxion, the government owned public transport company. Mr. Rasterhoff was also on the Supervisory Board of SGR and served

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as an advisor to the trustees of the TUI Nederland Pension Fund. Mr. Rasterhoff served on the Capital Maritime Board as the chairman of the audit committee from May 2005 until his resignation in February 2007. Mr. Rasterhoff also served as a director and audit committee member of Aegean Marine Petroleum Network Inc., a company listed on the NYSE from December 2006 to May 2012. Mr. Rasterhoff holds a graduate business degree in economics from Groningen State University.

Evangelos G. Bairactaris, Director and Secretary.

Mr. Bairactaris joined our board of directors on March 13, 2007 and has served as our Secretary since our formation in January 2007. Mr. Bairactaris is a Greek attorney at law and a member of the Piraeus Bar Association. Mr. Bairactaris has been a partner in Bairactaris & Partners since 2000 and has acted as managing partner since 2003. He has regularly provided his professional services to our predecessor companies and many Greek and international shipping companies and banks. The law firm of Bairactaris & Partners has provided, and may continue to provide, legal services to us and to Capital Maritime and its affiliates.

Keith Forman, Director.

Mr. Forman joined our board of directors on April 3, 2007 and serves on our conflicts committee and our audit committee. Mr. Forman was appointed President and Chief Executive Officer of Rentech, Inc. (NASDAQ: RTK) in December 2014. He was also appointed Chief Executive Officer of Rentech Nitrogen Partners (NYSE: RNF) at the same time. Previously Mr. Forman had served, since November of 2011, as an independent director of RNF. Rentech was the owner of the general partner of RNF, a publicly traded partnership engaged in the manufacture of fertilizers until it was merged into CVR Partners in April, 2016. CVR Partners (NYSE:UAN) is a manufacturer of fertilizers as well and Mr. Forman has served as a director of its general partner since the merger. Rentech remains the owner of subsidiaries engaged in the wood fiber industry in the United States, Canada, South America and the U.K. Mr. Forman was, until March 2010, a Partner and served as Chief Financial Officer of Crestwood Midstream Partners. Crestwood Midstream was a private equity backed investment partnership focused on making investments in the midstream energy market. Prior to his tenure at Crestwood, he was Senior Vice President, Finance for El Paso Corporation, a Vice President, of El Paso Field Services, and from 1992 to 2003 Chief Financial Officer of GulfTerra Energy Partners L.P., a publicly traded master limited partnership. Mr. Forman has served as a Senior Advisor to Industry Funds Management, an Australian based fund manager that invests in infrastructure projects worldwide, since May 2012. Mr. Forman resigned his position as a Director of Applied Consultants in September of 2016, a position he had held since November 2013 as the company was acquired by the private investment firm First Reserve.

Dimitris P. Christacopoulos, Director.

Mr. Christacopoulos joined our board of directors on September 30, 2011, following our merger with NYSE-listed Crude Carriers, where he had served as a director since 2010 and he currently serves on our conflicts committee and our audit committee. Mr. Christacopoulos currently serves as a Partner at Octane Management Consultants. He started his professional career as an analyst in the R&D Department of a major food producer in Greece in 1992 before joining Booz Allen & Hamilton Consulting in 1995 in New York in their Operations Management Group. He subsequently joined Barclays Capital as the Associate Director for Strategic Planning in London from 1999 to 2002 at which time he became Director of Corporate Finance & Strategy at Aspis Group of Companies in Athens where he participated in the Group's Management and Investment Committees. In 2005, he joined Fortis Bank NV/SA as a Director in the Energy, Commodities and Transportation Group and until 2010 acted as the Deputy Country Head for Greece, setting up the bank's Greek branch and expanding its presence in ship and energy finance in the region. Mr. Christacopoulos has a diploma in chemical engineering from the National Technical University of Athens and an MBA from Columbia Business School in New York.

Nikolaos Syntychakis, Director.

Mr. Syntychakis joined our board of directors on June 30, 2015. Mr. Syntychakis, Managing Director of Capital Ship Management, joined Capital Ship Management in January 2001 where he has served as Vetting Manager, Crew Manager and Operations Manager. From 2000 to 2001, Mr. Syntychakis served as Fleet Operator of Delfi S.A. in Piraeus, Greece and from 1988 to 1999 he worked as the Chief Officer and DPA of Sougerka Maritime also in Piraeus, Greece. Mr. Syntychakis has been involved in the shipping industry in various capacities for over 25 years and has also been closely involved with vetting matters, serving on Intertanko's Vetting Committee for several years.

Gerasimos Ventouris, Chief Operating Officer.

Mr. Ventouris has been appointed as our Chief Operating Officer as of June 30, 2015. Mr. Ventouris has been the Chief Commercial Officer of our Manager since 2003 and brings more than 40 years of experience in the shipping industry. Mr. Ventouris started his career with Union Commercial Steamship, which was one of the most prominent ship management companies in Piraeus, Greece at the time, and ascended to the position of Operations and Chartering Manager and obtained considerable experience in all aspects of the management of various types of vessels. He then joined his family shipping business, which he led until 2000, overseeing the operations of a large fleet of bulk carriers, container general cargo and product tankers vessels, as well as the construction and sale and purchase of new vessels. Mr. Ventouris holds a bachelor's degree in Economics from the University of Athens.

B. Compensation

Reimbursement of Expenses of Our General Partner

Our General Partner does not receive any management fee or other compensation for managing us. Our General Partner and its other affiliates are reimbursed for expenses incurred on our behalf. These expenses include all expenses necessary or appropriate for the conduct of our business and allocable to us, as determined by our General Partner.

Executive Compensation

We and our General Partner were formed in January 2007. Prior to April 3, 2007, neither we nor our General Partner paid any compensation to our directors or our General Partner's officers, nor accrued any obligations with respect to management incentive or retirement benefits for our directors or our General Partner's officers. The compensation of our General Partner's Chief Executive Officer and Chief Financial Officer, Mr. Kalogiratos, and our General Partner's Chief Operating Officer, Mr. Ventouris, is set and paid by our General Partner, and we reimburse our General Partner for such costs and related expenses under relevant executive service agreements. We do not have a retirement plan for our General Partner's executive officers or directors. Officers and employees of our General Partner or its affiliates may participate in employee benefit plans and arrangements sponsored by Capital Maritime, our General Partner or their affiliates, including plans that may be established in the future.

Compensation of Directors

Our directors receive compensation for their services as directors, as well as for serving in the role of committee chair, and have also received restricted units. Please read "Item 6E: Share Ownership—Omnibus Incentive Compensation Plan" for additional information. For the year ended December 31, 2016, our directors, including our chairman, received an aggregate amount of \$0.6 million. In lieu of any other compensation, our chairman receives an annual fee for acting as a director and as the chairman of our board of directors. In addition, each director is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees and is fully indemnified by us for actions associated with being a director to the extent permitted under Marshall Islands law.

Services Agreement

Under separate service agreements entered into between our General Partner and each of its officers, if a change in control affecting us occurs, each of our General Partner's officers may resign within six months of such change in control. There are no service agreements between any of the directors and us.

C. Board Practices

Our General Partner, Capital GP L.L.C., manages our day-to-day activities consistent with the policies and procedures adopted by our board of directors. Unitholders are not entitled to elect the directors of our General Partner or directly or indirectly participate in our management or operation. There are no service contracts between us and any of our directors providing for benefits upon termination of their employment or service.

During the year ended December 31, 2016, our board of directors held nine meetings. Even if Board members are not able to attend a board meeting, all board members are provided information related to each of the agenda items before each meeting, and can therefore, provide counsel outside regularly scheduled meetings. All directors were present at all meetings of the board of directors and all meetings of committees of the board of directors on which such director served.

Although the Nasdaq Global Select Market does not require a listed limited partnership like us to have a majority of independent directors on our board of directors or to establish a compensation committee or a nominating/corporate governance committee, our board of directors has established an audit committee and a conflicts committee comprised solely of independent directors. Each of the committees operates under a written charter adopted by our board of directors which is available under "Corporate Governance" in the Investor Relations tab of our web site at www.capitalplp.com. The membership and main functions of each committee are described below.

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Audit Committee. The audit committee of our board of directors is composed of three or more independent directors, each of whom must meet the independence standards of the Nasdaq Global Select Market, the SEC and any other applicable laws and regulations governing independence from time to time. The audit committee is currently comprised of directors Abel Rasterhoff (chair), Pierre de Demandolx-Dedons, Keith Forman and Dimitris Christacopoulos. All members of the committee are financially literate and our board of directors has determined that Mr. Rasterhoff qualifies as an “audit committee financial expert” for purposes of the U.S. Sarbanes-Oxley Act of 2002. The audit committee, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities and procedures and the adequacy of our internal accounting controls. The audit committee met four times during the year ended December 31, 2016, on January 20, April 21, July 21 and October 20, 2016.

Conflicts Committee. The conflicts committee of our board of directors is composed of the same directors constituting the audit committee, being Keith Forman (chair), Abel Rasterhoff, Pierre de Demandolx-Dedons and Dimitris Christacopoulos. The members of our conflicts committee may not be officers or employees of our General Partner or directors, officers or employees of its affiliates, and must meet the independence standards established by the Nasdaq Global Select Market to serve on an audit committee of a board of directors and certain other requirements. The conflicts committee reviews specific matters that the board believes may involve conflicts of interest and determines if the resolution of the conflict of interest is fair and reasonable to us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our directors, our General Partner or its affiliates of any duties any of them may owe us or our unitholders. The conflicts committee met eleven times during the year ended December 31, 2016, on January 1, June 24, July 27, August 29, August 30, September 5, September 7, October 6, October 13, October 19 and December 16.

D. Employees

We currently do not have our own executive officers or employees and expect to rely on the officers of our General Partner to manage our day-to-day activities consistent with the policies and procedures adopted by our board of directors. All of the executive officers of our General Partner and three of our directors also are executive officers, directors or employees of affiliates of Capital Maritime.

E. Share Ownership

As of December 31, 2016:

- 850,000 restricted common units had been issued under our Plan (described below) out of which 150,832 vested as of December 31, 2016;
- Our director Keith Forman has owned a small number of common units since the date of our IPO. In addition, restricted common units were also issued in August 2010 and December 2015 to all members then-serving on our board of directors under the terms of our Plan (described below), which such members may be deemed to beneficially own, or to have beneficially owned. A portion of shares issued to our director Dimitris Christacopoulos, when he was a member of the board of directors of Crude Carriers, converted to common units in us in the same manner as all shares converted under the terms of our merger agreement. No member of our board of directors owns common or restricted units in a number representing more than 1.0% of our outstanding common units; and
- The Marinakis family, including Evangelos M. Marinakis, our former chairman, through its beneficial ownership of Capital Maritime and Crude Carriers Investments, may be deemed to beneficially own, or to have beneficially owned, all of our common units held by Capital Maritime and Crude Carriers Investments.

Omnibus Incentive Compensation Plan

On April 29, 2008, our board of directors adopted an Omnibus Incentive Compensation Plan, also referred to as the Plan in this Annual Report, according to which we may issue a limited number of awards to our employees, consultants, officers, directors or affiliates, including the employees, consultants, officers or directors of our General Partner, our Manager, Capital Maritime and certain key affiliates and other eligible persons. Awards may be made in the form of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, unrestricted stock, restricted stock units and performance shares. The Plan is administered by our General Partner as authorized by our board of directors.

On July 22, 2010, our board of directors amended the Plan to increase the aggregate number of restricted units issuable under the Plan to 800,000.

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On August 31, 2010, we, either directly or through our General Partner, issued 795,200 (or 2% of our total units outstanding as of December 31, 2010) of the 800,000 units authorized under the Plan. Awards were issued to all members of our board of directors, to officers of our General Partner, our Manager, Capital Maritime and to employees of certain key affiliates and other eligible persons, with the majority vesting three years from the date of issuance, except for awards issued to certain members of our board of directors which vested in equal annual installments over a three-year period.

On August 31, 2013, the units previously issued pursuant to the Plan fully vested and as of December 31, 2013, there were no incentive awards outstanding under the Plan.

Following approval of our unitholders at our 2014 annual meeting, on August 21, 2014, our board of directors amended the Plan to increase the aggregate number of restricted units issuable under the Plan to 1,650,000 from 800,000.

On December 23, 2015, the Partnership awarded 850,000 unvested units to all members of our board of directors, to officers of our General Partner, our Manager, Capital Maritime, and to employees of certain key affiliates and other eligible persons, with the majority vesting three years from the date of issuance.

All awards issued under our Plan are conditional upon the grantee's continued service until the applicable vesting date and all awards accrue distributions payable upon vesting. Please read Note 13 (Omnibus Incentive Compensation Plan) to our Financial Statements included herein for more information.

Item 7. Major Unitholders and Related-Party Transactions.

As of December 31, 2016, our partners' capital consisted of 122,094,633 common units, of which 101,518,655 were owned by non-affiliated public unitholders, 12,983,333 Class B Units, no subordinated units and 2,439,989 general partner units. The Marinakis family, including Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.7% interest in us (18.5% on a non-fully converted basis), through, among others, Capital Maritime, which may be deemed to beneficially own a 14.3% interest in us, including 17,291,768 common units and a 1.8% interest in us (2% on a non-fully converted basis) through its ownership of our General Partner, and Crude Carriers Investments, which may be deemed to beneficially own a 2.4% interest in us.

A. Major Unitholders

The following table sets forth as of the date hereof, the beneficial ownership of our common units by each person we know beneficially owns more than 5.0% or more of our common units, and all of our directors, director nominees and the executive officers of our General Partner as a group. The number of units beneficially owned by each person is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules a person beneficially owns any units as to which the person has or shares voting or investment power.

<u>Name of Beneficial Owner</u>	<u>Number of Common Units Owned</u>	<u>Percentage of Total Common Units</u>
Capital Maritime ⁽¹⁾⁽²⁾	17,291,768	14.2%
Crude Carriers Investments ⁽²⁾	3,284,210	2.7%
All executive officers and directors as a group (8 persons) ⁽³⁾	*	*

(1) Excludes the 2% general partner interest (1.8% on a fully converted basis) held by our General Partner, a wholly owned subsidiary of Capital Maritime.

(2) The Marinakis family, including Evangelos M. Marinakis, our former chairman, through its ownership of Capital Maritime and Crude Carriers Investments, may be deemed to beneficially own, or to have beneficially owned, all of our units held by Capital Maritime and Crude Carriers Investments.

(3) Our director Keith Forman has owned a small number of common units since the date of our IPO. In addition, restricted common units were also issued in August 2010 to all members then-serving on our board of directors under the terms of our Plan, which such members may be deemed to beneficially own, or to have beneficially owned. The shares issued to our director Dimitris Christacopoulos, when he was a member of the board of directors of Crude Carriers, converted to common units in us in the same manner as all shares converted at the time of our merger with Crude Carriers. No member of our board of directors owns common or restricted units in a number representing more than 1% of our outstanding common units.

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Our major unitholders have the same voting rights as our other unitholders except that if at any time, any person or group, other than our General Partner, its affiliates, including Capital Maritime, their transferees, and persons who acquired such units with the prior approval of our board of directors, owns beneficially 5% or more of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be 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, determining the presence of a quorum or for other similar purposes under our partnership agreement, unless otherwise required by law. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other unitholders of the same class holding less than 4.9% of the voting power of that class. We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Partnership.

B. Related-Party Transactions

Capital Maritime's ability, as sole member of our General Partner, to control the appointment of three of the eight members of our board of directors and to approve certain significant actions we may take, as well as its ownership of 14.2% of our common units, which it can vote in their totality on all matters that arise under the partnership agreement (except for the election of directors elected by holders of our common units), means that Capital Maritime, together with its affiliates, will have the ability to exercise significant influence regarding our management and may be able to propose amendments to the partnership agreement that are in its best interest.

Omnibus Agreement with Capital Maritime

On September 30, 2011, we entered into an amended and restated Omnibus Agreement with Capital Maritime, Capital GP L.L.C and Capital Product Operating L.L.C., which governs the manner in which certain future tanker business opportunities will be offered by Capital Maritime to us. The Omnibus Agreement does not apply to container and drybulk vessels.

Under the terms of the Omnibus Agreement, Capital Maritime and its controlled affiliates (other than us, our General Partner and our subsidiaries) have agreed not to acquire, own or operate product or crude oil tankers with carrying capacity greater than or equal to 30,000 dwt under time or bareboat charters with a remaining duration (excluding any extension options) of at least 12 months (calculated by reference to the earliest of (a) the date the tanker to which such time or bareboat charter is attached is first acquired by Capital Maritime or any of its controlled affiliates and (b) the date on which a tanker owned by Capital Maritime or any of its controlled affiliates is put under such time or bareboat charter) without the consent of our General Partner or our board of directors or without first offering such tanker vessel to us. Similarly, we may not acquire, own or operate product or crude oil tankers with a carrying capacity under 30,000 dwt, other than vessels we had owned prior to the date of the Omnibus Agreement, without first offering such tanker vessel to Capital Maritime.

Furthermore, we granted Capital Maritime a right of first offer on the disposal of product and crude oil tankers, whereas Capital Maritime granted us a right of first offer on any disposal or re-chartering of any product and crude oil tanker with a carrying capacity greater than or equal to 30,000 dwt owned or acquired by Capital Maritime or any of its controlled affiliates (other than us).

Administrative and Executive services agreements with the Manager

On April 4, 2007, the Partnership entered into an administrative services agreement with the Manager, pursuant to which the Manager has agreed to provide certain administrative management services to the Partnership, such as accounting, auditing, legal, insurance, IT, clerical, and other administrative services. Also the Partnership reimburses the Manager and its general partner, Capital GP L.L.C. (the "CGP") for reasonable costs and expenses incurred in connection with the provision of these services after the Manager submits to the Partnership an invoice for such costs and expenses, together with any supporting detail that may be reasonably required.

In 2015, the Partnership entered into an executive services agreement (amended in 2016) with CGP according to which CGP provides certain executive officers services for the management of the Partnership's business as well as investor relation and corporate support services to the Partnership.

Transactions entered into during the year ended December 31, 2016

1. *Amendments to Management Agreements.* On March 1, 2016 and September 28, 2016, we amended and restated the fixed fee management agreement with Capital Ship Management in its entirety to reflect, among other things, the vessels covered by each management agreement. On February 26, 2016, September 1, 2016, September 28, 2016, October 24, 2016 and December 1, 2016, we amended the floating rate management agreement with Capital Ship Management to reflect, among other things, the vessels covered by each management agreement. Please read "Item 4B: Business Overview—Our Management Agreements" for a detailed description of the terms of each management agreement.

2. *Share Purchase Agreement for the acquisition of the vessel owning company of the M/T Amor, the assumption of the 2015 credit facility and the time charter agreement with Cargill.* On October 24, 2016, we entered into a share purchase agreement for the acquisition of the shares of the company owning the M/T Amor, an eco-type MR product tanker (49,999 dwt IMO II/III Chemical Product Tanker built 2015, Samsung Heavy Industries (Ningbo) Co., Ltd.) for a total consideration of \$16.9 million comprising, \$16.0 million in cash and the issuance of 283,696 new common units to Capital Maritime. The M/T Amor is employed under a time charter by Cargill at a gross daily rate of \$17,500. On acquisition we assumed a term loan of a \$15.8 million under a new credit facility with ING Bank N.V. arranged by Capital Maritime. The term loan is non-amortizing for a period of two years from the anniversary of the dropdown of the M/T Amor with an expected final maturity date in November 2022. The interest margin on the term loan is 2.50%. The term loan is subject to ship finance covenants similar to the covenants applicable under our existing facilities. For further information on our existing facilities, please see “Item 5.B. Liquidity and Capital Resources—Borrowings—Our Credit Facilities”. The acquisition of the M/T Amor was reviewed and unanimously approved by the conflicts committee of our board of directors and our entire board of directors. Please also see “Item 5B: Liquidity and Capital Resources—Net Cash Used in Investing Activities” and Note 5 (Fixed Assets) to our Financial Statements included herein for more information regarding this acquisition, including a detailed explanation of how it was accounted for.
3. *Share Purchase Agreement for the acquisition of the vessel owning company of the CMA CGM Magdalena.* Pursuant to the Master Vessel Acquisition Agreement we entered into on July 24, 2014, we entered into a share purchase agreement on February 26, 2016 with Capital Maritime for the acquisition of the shares of the company owning the M/V CMA CGM Magdalena, the last of five Dropdown Vessels that we agreed to acquire from Capital Maritime. The \$81.5 million purchase price for the M/V ‘CMA CGM Magdalena’ was funded through a drawdown under our 2013 credit facility and from available cash. The M/V ‘CMA CGM Magdalena’ is chartered to CMA-CGM S.A. for five years at a gross daily charter rate of \$39,250.
4. *Charter Party Agreements with Capital Maritime.* During 2016, each of the M/T Amore Mio II, M/T Miltiadis M II, M/T Aristotelis, M/T Atlantias II and M/T Arionas entered into new or extended existing charter party agreements with Capital Maritime. These new charters/extensions were unanimously approved by the conflicts committee of independent directors of our board of directors. Please see “Item 4B: Business Overview—Our Fleet” and “—Our Charters” for a detailed description of these charters, including earliest possible redelivery dates of the vessels and relevant charter rates.

Transactions entered into during the year ended December 31, 2015

1. *Amendments to Management Agreements.* On July 1, 2015 and October 1, 2015, we amended and restated the fixed fee management agreement with Capital Ship Management in its entirety to reflect, among other things, the vessels covered by each management agreement. On March 31, 2015, June 10, 2015, June 30, 2015, September 18, 2015, and October 1, 2015, we amended the floating rate management agreement with Capital Ship Management to reflect, among other things, the vessels covered by each management agreement. Please read “Item 4B: Business Overview—Our Management Agreements” for a detailed description of the terms of each management agreement.
2. *Equity Offering.* On April 21, 2015, we completed the issuance and sale of 14,555,000 common units representing limited partnership interests at a public offering price of \$9.53 per unit, which included 1,755,000 common units sold as a result of the partial exercise of the overallotment option granted to the underwriters of the public offering and 1,100,000 common units sold to our sponsor. Proceeds after the deduction of the underwriters’ commissions and net proceeds after the deduction of the transaction expenses amounted to \$133.3 and \$132.6 million, respectively. Our sponsor Capital Maritime subsequently converted an aggregate of 315,908 common units into general partner units and delivered such units to our General Partner in order for it to maintain its 2% interest in us.
3. *Share Purchase Agreements for the acquisition of the vessel owning companies of each of the M/T Active, M/V CMA CGM Amazon, M/T Amadeus and M/V CMA CGM Uruguay.* On March 31, June 10, June 30, and September 18, 2015, in accordance with the Master Vessel Acquisition Agreement, we entered into four share purchase agreements with Capital Maritime pursuant to which we acquired all of Capital Maritime’s interests in the vessel owning companies of the M/T Active, M/V CMA CGM Amazon, M/T Amadeus and M/V CMA CGM Uruguay, respectively. The acquisition was funded by four separate drawdowns under our 2013 credit facility in the aggregate amount of \$115.0 million, while the remaining balance of \$115.0 million was funded through

available cash. The M/T Active and the M/T Amadeus were built in 2015 at Samsung Heavy Industries (Ningbo) Co. Ltd. and are currently employed by Cargill and Capital Maritime under a two-year time charter (+/-30 days) at a gross daily rate of \$17,700 and a two-year time charter (+/-30 days) at a gross daily rate of \$17,000 plus 50/50 profit share on actual earnings, respectively. The M/V CMA CGM Amazon and M/V CMA CGM Uruguay were built in 2015 at Daewoo-Mangalia Heavy Industries S.A. and both are currently employed by CMA CGM under five-year time charters (+90 days / -30 days) at a gross daily rate of \$39,250. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors. Please see “Item 5B: Liquidity and Capital Resources—Net Cash Used in Investing Activities” and Note 5 (Fixed Assets) to our Financial Statements included herein for more information regarding this acquisition, including a detailed explanation of how it was accounted for.

4. *Charter Party Agreements with Capital Maritime.* During 2015, each of the M/T Agisilaos, M/T Atrotos, M/T Amore Mio II, M/T Akeraios, M/T Apostolos, M/T Active, M/T Amadeus, M/T Miltiadis M II, M/T Aristotelis, M/T Ayrton II and M/T Anemos I entered into new or extended existing charter party agreements with Capital Maritime. These new charters/extensions were unanimously approved by the conflicts committee of independent directors of our board of directors. Please see “Item 4B: Business Overview—Our Fleet” and “—Our Charters” for a detailed description of these charters, including earliest possible redelivery dates of the vessels and relevant charter rates.

Transactions entered into during the year ended December 31, 2014

1. *Amendments to Management Agreements.* On February 28, 2014 and December 31, 2014, we amended and restated the fixed fee management agreement with Capital Ship Management in its entirety to reflect, among other things, the vessels covered by each management agreement. On April 1, 2014, May 18, 2014, and December 31, 2014, we amended the floating rate management agreement with Capital Ship Management to reflect, among other things, the vessels covered by each management agreement. Please read “Item 4B: Business Overview—Our Management Agreements” for a detailed description of the terms of each management agreement.
2. *Master Vessel Acquisition Agreement.* On July 24, 2014 we entered into the Master Vessel Acquisition Agreement with Capital Maritime, as described in further detail in “Item 4A: History and Development of the Partnership—2015 Developments”. Pursuant to this agreement, we agreed to acquire the Dropdown Vessels at prices below current market value and have been granted a right of first refusal over six additional newbuild Samsung eco medium range product tankers, including the M/T Amor delivered during October 2016. As consideration, we agreed, subject to, among other things, the approval of our unitholders, to adopt the Fourth Amendment to the Partnership Agreement. This amendment was adopted on August 25, 2014 following our unitholders’ approval at our 2014 annual meeting of unitholders, which was held on August 21, 2014.
3. *Purchase Agreement.* On September 3, 2014, we entered into a purchase agreement for 5,950,610 of our common units held by Capital Maritime at an aggregate price of \$60.0 million. The purchase price was funded by the net proceeds from a public offering of our common units in September 2014. We subsequently cancelled the common units that were repurchased from Capital Maritime pursuant to this purchase agreement. Please see “Item 4A: History and Development of the Partnership—2014 Developments”. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors of our board of directors.
4. *Charter Party Agreements with Capital Maritime.* During 2014, each of the M/T Axios, M/T Avax, M/T Atrotos, M/T Assos, M/T Agisilaos and M/T Arionas entered into new or extended existing charter party agreements with Capital Maritime. These new charters/extensions were unanimously approved by the conflicts committee of independent directors of our board of directors.

CONFLICTS OF INTEREST AND FIDUCIARY DUTIES

Conflicts of Interest

Conflicts of interest exist and may arise in the future as a result of the relationships between our General Partner and its affiliates, including Capital Maritime, on the one hand, and us and our unaffiliated limited partners, on the other hand. The officers of our General Partner may have certain fiduciary duties to manage our General Partner in a manner beneficial to its owners. At the same time, our General Partner has a fiduciary duty to manage us in a manner beneficial to us and our unitholders. Similarly, our

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board of directors has fiduciary duties to manage us in a manner beneficial to us, our General Partner and our limited partners. Furthermore, three of our directors are also directors and officers of Capital Maritime and as such they have fiduciary duties to Capital Maritime that may cause them to pursue business strategies that disproportionately benefit Capital Maritime or which otherwise are not in the best interests of us or our unitholders.

Our partnership affairs are governed by our partnership agreement and the MILPA. The provisions of the MILPA resemble provisions of the limited partnership laws of a number of states in the United States, most notably Delaware. We are not aware of any material difference in unitholder rights between the MILPA and the Delaware Revised Uniform Limited Partnership Act. The MILPA also provides that it is to be applied and construed to make the laws of the Marshall Islands, with respect to the subject matter of the MILPA, uniform with the laws of the State of Delaware and, so long as it does not conflict with the MILPA or decisions of certain Marshall Islands courts, the non-statutory law (or “case law”) of the State of Delaware is adopted as the law of the Marshall Islands. There have been, however, few, if any, court cases in the Marshall Islands interpreting the MILPA, in contrast to Delaware, which has a fairly well-developed body of case law interpreting its limited partnership statute.

Accordingly, we cannot predict whether Marshall Islands courts would reach the same conclusions as courts in Delaware. For example, the rights of our unitholders and fiduciary responsibilities of our General Partner and its affiliates under Marshall Islands law are not as clearly established as under judicial precedent in existence in Delaware. Due to the less-developed nature of Marshall Islands law, our public unitholders may have more difficulty in protecting their interests in the face of actions by our General Partner, its affiliates or controlling unitholders than would unitholders of a limited partnership organized in the United States.

Our partnership agreement contains provisions that modify and limit the fiduciary duties of our General Partner and our directors to the unitholders under Marshall Islands law. Our partnership agreement also restricts the remedies available to unitholders for actions taken by our General Partner or our directors that, without those limitations, might constitute breaches of fiduciary duty.

Neither our General Partner nor our board of directors will be in breach of their obligations under the partnership agreement or their duties to us or the unitholders if the resolution of the conflict is:

- approved by the conflicts committee, although neither our General Partner nor our board of directors are obligated to seek such approval;
- approved by the vote of a majority of the outstanding common units, excluding any common units owned by our General Partner or any of its affiliates, although neither our General Partner nor our board of directors are obligated to seek such approval;
- on terms no less favorable to us than those generally being provided to or available from unrelated third parties, but neither our General Partner nor our directors are required to obtain confirmation to such effect from an independent third party; or
- fair and reasonable to us, taking into account the totality of the relationships between the parties involved, including other transactions that may be particularly favorable or advantageous to us.

Our General Partner or our board of directors may, but are not required to, seek the approval of such resolution from the conflicts committee of our board of directors or from the common unitholders. If neither our General Partner nor our board of directors seek approval from the conflicts committee, and our board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the third and fourth bullet points above, then it will be presumed that, in making its decision, the board of directors, including the board members affected by the conflict, acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. When our partnership agreement requires someone to act in good faith, it requires that person to reasonably believe that he is acting in the best interests of the partnership, unless the context otherwise requires.

Conflicts of interest could arise in the situations described below, among others.

Actions taken by our board of directors may affect the amount of cash available for distribution to unitholders.

The amount of cash that is available for distribution to unitholders is affected by decisions of our board of directors regarding such matters as:

- the amount and timing of asset purchases and sales;
- cash expenditures;
- borrowings;
- the issuance of additional units; and
- the creation, reduction or increase of reserves in any quarter.

In addition, borrowings by us and our affiliates do not constitute a breach of any duty owed by our General Partner or our directors to our unitholders, including borrowings that have the purpose or effect of enabling our General Partner or its affiliates to receive incentive distribution rights.

For example, in the event we have not generated sufficient cash from our operations to pay the minimum quarterly distribution on our units, our partnership agreement permits us to borrow funds, which would enable us to make this distribution on all outstanding units.

Our partnership agreement provides that we and our subsidiaries may borrow funds from our General Partner and its affiliates. Our General Partner and its affiliates may not borrow funds from us or our subsidiaries.

Neither our partnership agreement nor any other agreement requires Capital Maritime to pursue a business strategy that favors us or utilizes our assets or dictates what markets to pursue or grow. Capital Maritime's directors and executive officers have a fiduciary duty to make these decisions in the best interests of the stockholders of Capital Maritime, which may be contrary to our interests.

Because all of the officers of our General Partner and three of our directors are also directors and officers of Capital Maritime, such officers and directors have fiduciary duties to Capital Maritime that may cause them to pursue business strategies that disproportionately benefit Capital Maritime or which otherwise are not in the best interests of us or our unitholders.

Our General Partner is allowed to take into account the interests of parties other than us, such as Capital Maritime.

Our partnership agreement contains provisions that reduce the standards to which our General Partner would otherwise be held by Marshall Islands fiduciary duty law. For example, our partnership agreement permits our General Partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our General Partner. This entitles our General Partner to consider only the interests and factors that it desires, and it has no duty or obligations to give any consideration to any interest of or factors affecting us, our affiliates or any unitholder. Decisions made by our General Partner in its individual capacity will be made by its sole owner, Capital Maritime. Specifically, our General Partner will be considered to be acting in its individual capacity if it exercises its call right, pre-emptive rights or registration rights, consents or withholds consent to any merger or consolidation of the partnership, appoints any directors or votes for the election of any director, votes or refrains from voting on amendments to our partnership agreement that require a vote of the outstanding units, voluntarily withdraws from the partnership, transfers (to the extent permitted under our partnership agreement) or refrains from transferring its units, general partner interest or incentive distribution rights or votes upon the dissolution of the partnership.

We do not have any officers and rely solely on officers of our General Partner.

Affiliates of our General Partner conduct businesses and activities of their own in which we have no economic interest. If these separate activities are significantly greater than our activities, there could be material competition for the time and effort of the officers who provide services to our General Partner and its affiliates. The officers of our General Partner are not required to work full-time on our affairs but may be required to devote time to the affairs of Capital GP L.L.C. and its affiliates, and we reimburse their employers for the services they render to us and our subsidiaries. Our General Partner's Chief Executive Officer and Chief Financial Officer is also an executive officer of Capital Maritime.

We will reimburse our General Partner and its affiliates for expenses.

We will reimburse our General Partner and its affiliates for costs incurred in managing and operating us, including costs incurred in rendering corporate staff and support services to us. Our partnership agreement provides that our General Partner will determine the expenses that are allocable to us in good faith.

Common unitholders will have no right to enforce obligations of our General Partner and its affiliates under agreements with us.

Any agreements between us, on the one hand, and our General Partner and its affiliates, on the other, will not grant to the unitholders, separate and apart from us, the right to enforce the obligations of our General Partner and its affiliates in our favor.

Contracts between us, on the one hand, and our General Partner and its affiliates, on the other, will not be the result of arms'-length negotiations.

Neither our partnership agreement nor any of the other agreements, contracts and arrangements between us and our General Partner and its affiliates are or will be the result of arms'-length negotiations. Our partnership agreement generally provides that any affiliated transaction, such as an agreement, contract or arrangement between us and our General Partner and its affiliates, must be:

- on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- "fair and reasonable" to us, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to us).

Our General Partner may also enter into additional contractual arrangements with any of its affiliates on our behalf; however, there is no obligation of our General Partner and its affiliates to enter into any contracts of this kind, and our General Partner will determine, in good faith, the terms of any of these transactions.

Common units are subject to our General Partner's limited call right.

Our General Partner may exercise its right to call and purchase limited partner interests, including common units, as provided in the partnership agreement and may assign this right to one of its affiliates (including us). Our General Partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise this right. As a result, a common unitholder may have common units purchased from the unitholder at an undesirable time or price. Please read "The Partnership Agreement—Limited Call Right."

We may choose not to retain separate counsel for ourselves or for the holders of common units.

The attorneys, independent accountants and others who perform services for us have been retained by our board of directors. Attorneys, independent accountants and others who perform services for us are selected by our board of directors or the conflicts committee and may perform services for our General Partner and its affiliates. We may retain separate counsel for ourselves or the holders of common units in the event of a conflict of interest between our General Partner and its affiliates, on the one hand, and us or the holders of common units, on the other, depending on the nature of the conflict. We do not intend to do so in most cases.

Our General Partner's affiliates, including Capital Maritime, may compete with us.

Our partnership agreement provides that our General Partner will be restricted from engaging in any business activities other than acting as our general partner and those activities incidental to its ownership of interests in us. In addition, our partnership agreement provides that our General Partner, for so long as it is general partner of our partnership, will cause its affiliates not to engage in, by acquisition or otherwise, certain businesses described in the omnibus agreement. Similarly, under the omnibus agreement, Capital Maritime agreed and agreed to cause its affiliates to agree, for so long as Capital Maritime controls our partnership, not to engage in certain businesses. Except as provided in our partnership agreement and the omnibus agreement, affiliates of our General Partner are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us.

Fiduciary Duties

Our General Partner and its affiliates are accountable to us and our unitholders as fiduciaries. Fiduciary duties owed to unitholders by our General Partner and its affiliates are prescribed by law and the partnership agreement. The MILPA provides that Marshall Islands partnerships may, in their partnership agreements, restrict or expand the fiduciary duties owed by our General Partner and its affiliates to the limited partners and the partnership. Our directors are subject to the same fiduciary duties as our General Partner, as restricted or expanded by the partnership agreement.

In addition, we have entered into services agreements, and may enter into additional agreements with Capital Maritime and certain of its subsidiaries, including Capital Ship Management. In the performance of their obligations under these agreements, Capital Maritime and its subsidiaries are not held to a fiduciary standard of care but rather to the standards of care specified in the relevant agreement.

Our partnership agreement contains various provisions restricting the fiduciary duties that might otherwise be owed by our General Partner or by our directors. We have adopted these provisions to allow our General Partner and our directors to take into account the interests of other parties in addition to our interests when resolving conflicts of interest. We believe this is appropriate and necessary because the officers of our General Partner have fiduciary duties to manage our General Partner in a manner beneficial both to its owner, Capital Maritime, as well as to you. These modifications disadvantage the common unitholders because they restrict the rights and remedies that would otherwise be available to unitholders for actions that, without those limitations, might constitute breaches of fiduciary duty, as described below. The following is a summary of:

- the fiduciary duties imposed on our General Partner and our directors by the MILPA;
- material modifications of these duties contained in our partnership agreement; and
- certain rights and remedies of unitholders contained in the MILPA.

Marshall Islands law fiduciary duty standards

Fiduciary duties are generally considered to include an obligation to act in good faith and with due care and loyalty. The duty of care, in the absence of a provision in a partnership agreement providing otherwise, would generally require a General Partner and the directors of a Marshall Islands limited partnership to refrain from engaging in grossly negligent or reckless conduct, intentional misconduct or a knowing violation of law. The duty of loyalty, in the absence of a provision in a partnership agreement providing otherwise, would generally require that a partner refrain from dealing with the limited partnership in the conduct or winding up of the limited partnership business or affairs as or on behalf of a party having an interest adverse to the limited partnership, refrain from competing with the limited partnership in the conduct of the limited partnership's business or affairs before the dissolution of the limited partnership, and to account to the limited partnership and hold as trustee for it any property, profit or benefit derived by the partner in the conduct or winding up of the limited partnership's business or affairs or derived from a use by the partner of partnership property, including the appropriation of a limited partnership opportunity. In addition, although not a fiduciary duty, a partner shall discharge the duties to the limited partnership and exercise any rights consistently with the obligation of good faith and fair dealing.

Partnership agreement modified standards

Our partnership agreement contains provisions that waive or consent to conduct by our General Partner and its affiliates and our directors that might otherwise raise issues as to compliance with fiduciary duties under the laws of the Marshall Islands. For example, Section 7.16 of our partnership agreement provides that when our General Partner is acting in its capacity as our General Partner, as opposed to in its individual capacity, it must act in "good faith" and will not be subject to any other standard under the laws of the Marshall Islands. In addition, when our General Partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act without any

fiduciary obligation to us or the unitholders whatsoever. These standards reduce the obligations to which our General Partner and our board of directors would otherwise be held. Our partnership agreement generally provides that affiliated transactions and resolutions of conflicts of interest not involving a vote of unitholders and that are not approved by the conflicts committee of our board of directors must be:

- on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- “fair and reasonable” to us, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to us).

If our board of directors does not seek approval from the conflicts committee, and our board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the bullet points above, then it will be presumed that, in making its decision, our board of directors acted in good faith. These standards reduce the obligations to which our board of directors would otherwise be held.

In addition to the other more specific provisions limiting the obligations of our General Partner and our directors, our partnership agreement further provides that our General Partner and its officers and our directors, will not be liable for monetary damages to us for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that our General Partner or its officers or our directors acted in bad faith or engaged in actual fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was unlawful.

Rights and remedies of unitholders

The provisions of the MILPA resemble the provisions of the limited partnership act of Delaware. For example, like Delaware, the MILPA favors the principles of freedom of contract and enforceability of partnership agreements and allows the partnership agreement to contain terms governing the rights of the unitholders. The rights of our unitholders, including voting and approval rights and the ability of the partnership to issue additional units, are governed by the terms of our partnership agreement. Please read “The Partnership Agreement.”

As to remedies of unitholders, the MILPA permits a limited partner or an assignee of a partnership interest to bring action in the High Court in the right of the limited partnership to recover a judgment in the limited partnership’s favor if general partners with authority to do so have refused to bring the action or if effort to cause those general partners to bring the action is not likely to succeed.

In order to become one of our limited partners, a common unitholder is deemed to agree to be bound by the provisions in the partnership agreement, including the provisions discussed above. The failure of a limited partner or transferee to sign a partnership agreement does not render the partnership agreement unenforceable against that person.

Under the partnership agreement, we must indemnify our General Partner and its officers and our directors to the fullest extent permitted by law, against liabilities, costs and expenses incurred by our General Partner or these other persons. We must provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons engaged in actual fraud or willful misconduct. We also must provide this indemnification for criminal proceedings when our General Partner or these other persons acted with no reasonable cause to believe that their conduct was unlawful. Thus, our General Partner and its officers and our directors could be indemnified for their negligent acts if they met the requirements set forth above. To the extent that these provisions purport to include indemnification for liabilities arising under the Securities Act, in the opinion of the Securities and Exchange Commission such indemnification is contrary to public policy and therefore unenforceable. Please read “The Partnership Agreement—Indemnification.”

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information.

A. Consolidated Statements and Other Financial Information.

See Item 18 for additional information required to be disclosed under this Item 8.

Legal Proceedings

Although we or our subsidiaries may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not at present party to any legal proceedings and are not aware of any proceedings against us, or contemplated to be brought against us. We maintain insurance policies with insurers in amounts and with coverage and deductibles as our board of directors believes are reasonable and prudent. We expect that these claims would be covered by insurance, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources and regardless of the final outcome of any such proceedings could lead to significant reputational damage which could materially affect our business and operations.

HOW WE MAKE CASH DISTRIBUTIONS

Distributions of Available Cash

General

Within approximately 45 days after the end of each quarter, subject to legal limitations, we distribute all of our available cash to unitholders of record on the applicable record date.

Definition of Available Cash

Available cash means, for each fiscal quarter, all cash and cash equivalents on hand at the end of the quarter:

- less the amount of cash reserves established by our board of directors to:
- provide for the proper conduct of our business (including reserves for future capital expenditures and for our anticipated credit needs);
- comply with applicable law, any of our debt instruments, or other agreements; or
- to the extent permitted under our partnership agreement, provide funds for distributions to our unitholders and to our General Partner for any one or more of the next four quarters; provided, however, that our board of directors may not establish such cash reserves in respect of the Class B Units if, as a result, we are unable to distribute the minimum quarterly distribution on our Class B Units in cash, plus any arrearages on all Class B Units nor may our board of directors establish such cash reserves in respect of our common units if, as a result, we are unable to distribute the minimum quarterly distribution on all Class B Units and the minimum quarterly distribution on all common units, plus any arrearage on all common units;
- plus all additional cash and cash equivalents on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Working capital borrowings are generally borrowings that are made under our credit agreement and in all cases are used solely for working capital purposes or to pay distributions to partners.

Minimum Quarterly Distribution

Our partnership agreement provides that the minimum quarterly distribution on our common units is \$0.2325 per unit, which is equal to \$0.93 per unit per year. You should note that there is no guarantee that we will pay the minimum quarterly distribution on the common units in any quarter. Failure to distribute the minimum quarterly distribution on the common units results in our inability to establish certain cash reserves (see “—Definition of Available Cash” above). See information on current distribution levels elsewhere in this annual report.

The minimum quarterly distribution on our Class B Units is \$0.21375 per unit, which is equal to \$0.855 per unit per year. Distributions on our Class B Units are cumulative in that they shall accumulate whether or not any restrictions (such as arising out of our indebtedness) prohibit the authorization, declaration and payment of such distributions, whether or not there is sufficient available cash for the payment of such distributions and whether or not such distributions are authorized by our board of directors.

If the Class B Units do not receive the full amount of the distribution for such period in cash, no distributions can be made on our common units. If we do not have the available cash to pay the minimum quarterly distribution on our Class B Units in any quarter, then the amount due per Class B Unit will accrue at 11.5% per annum for such quarter and, if such distribution has been authorized by our board of directors for such quarter, shall be paid, to the extent of such shortfall, by issuing a number of common units calculated based on the lesser of the 30-day volume weighted average price (or VWAP) of our common unit and the 90-day VWAP of our common units.

In the event we experience a change of control, the minimum quarterly distribution rate on our Class B Units will equal 1.25 times the then applicable distribution rate. Upon the occurrence of a cross default or certain defaults on the payment of cash distributions on Class B Units, the distribution rate will equal 1.25 times the then applicable distribution rate, and on each subsequent payment date, the then applicable distribution rate will further increase to a rate that is 1.25 times the then applicable distribution rate as of the close of business on the day immediately preceding such distribution payment date, until the cross default or payment default is cured. The applicable quarterly distribution rate for the Class B Units as a result of such increases however shall not exceed \$0.33345 per Class B Unit.

In any quarter where the distributions on common units is greater than the common unit minimum quarterly distribution rate, whether as a result of an increase in the customary quarterly distribution or a special distribution on the common units, the corresponding distribution on the Class B Units shall be increased pro rata (on an as converted basis) for the quarter by the amount that the actual distribution on the common units exceeds the common unit minimum quarterly distribution rate.

Distribution Policy

Our cash distribution policy generally reflects a basic judgment that our unitholders are better served by us distributing our available cash (after deducting expenses, including cash reserves) rather than retaining it. Because we believe that, subject to our ability to obtain required financing and access financial markets, we will generally finance any expansion capital expenditures from external financing sources, we believe that our investors are best served by us distributing all of our available cash. The board of directors seeks to maintain a balance between the level of reserves it takes to protect our financial position and liquidity against the desirability of maintaining distributions on the limited partnership interests. We intend to review our distributions from time to time in the light of a range of factors, including, among other things, our access to the capital markets, the repayment or refinancing of our external debt, the level of our capital expenditures and our ability to pursue accretive transactions.

Even if our cash distribution policy is not modified or revoked, the decision to make any distribution and the amount thereof are determined by our board of directors, taking into consideration the terms of our partnership agreement. Our distribution policy is subject to certain restrictions, including the following:

- Our common unitholders have no contractual or other legal right to receive distributions other than the right under our partnership agreement to receive available cash on a quarterly basis. Our board of directors has broad discretion to establish reserves and other limitations in determining the amount of available cash.
- While our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including provisions requiring us to make cash distributions contained therein, may be amended. The partnership agreement can be amended in certain circumstances with the approval of a majority of the outstanding common units (including in certain circumstances described in our partnership agreement with the holders of Class B Units voting on an as-converted basis).
- Even if our cash distribution policy is not modified or revoked, the amount of distributions we pay under our cash distribution policy and the decision to make any distribution is determined by our board of directors, taking into consideration the terms of our partnership agreement and the establishment of any reserves for the prudent conduct of our business.

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- Under Section 51 of the Marshall Islands Limited Partnership Act, we may not make a distribution if, after giving effect to the distribution, our liabilities (other than liabilities to partners on account of their partnership interest and liabilities for which the recourse of creditors is limited to specified property of ours) would exceed the fair value of our assets, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in our assets only to the extent that the fair value of that property exceeds that liability.
- Our common units are subject to the prior distribution rights of any holders of our preferred units then outstanding. Under the terms of our partnership agreement, we are prohibited from declaring and paying distributions on our common units until we declare and pay (or set aside for payment) full distributions on the Class B Units. Furthermore, an upward adjustment to the distribution rate for the Class B Units occurs in the event the distribution rate on our common units is increased or upon the occurrence of a cross default or certain defaults on the payment of cash distributions on our Class B Units.
- We may lack sufficient cash to pay distributions on our common units due to, among other things, decreases in net revenues or increases in operating expenses, principal and interest payments on outstanding debt, tax expenses, working capital requirements, maintenance and replacement capital expenditures, anticipated cash needs or the payment of distributions on the Class B Units, which our partnership agreement requires us to pay prior to distributions on our common units.
- Our distribution policy will be affected by restrictions on distributions under our revolving credit facilities which contain material financial tests and covenants that must be satisfied. Should we be unable to satisfy these terms, covenants and restrictions included in our credit facilities or if we are otherwise in default under the credit agreements, our ability to make cash distributions to our unitholders, notwithstanding our stated cash distribution policy, would be materially adversely affected.
- If we make distributions out of capital surplus, as opposed to operating surplus, such distributions will constitute a return of capital and will result in a reduction in the quarterly distribution and the target distribution levels. We do not anticipate that we will make any distributions from capital surplus.
- If the ability of our subsidiaries to make any distribution to us is restricted by, among other things, the provisions of existing and future indebtedness, applicable partnership and limited liability company laws or any other laws and regulations, our ability to make distributions to our unitholders may be restricted.

We have generally declared distributions on our common units in January, April, July and October of each year and paid those distributions in the subsequent month according to our distribution policy, which has changed from time to time:

- In January 2010, we introduced an annual distribution guidance of \$0.90 per unit per annum, which was revised in July 2010 upwards to \$0.93 per unit per annum, or \$0.2325 per quarter.
- On April 30, 2015, we announced that it was our objective to increase our common and Class B distributions between 2% and 3% per annum for the foreseeable future. As a result, we increased our quarterly distribution for the first quarter of 2015 by \$0.002 to \$0.2345, for the second quarter of 2015 to \$0.2365 and for the third quarter of 2015 to \$0.2385. Our board of directors maintained the distribution level for the fourth quarter at \$0.2385, due to the severe pricing dislocation for Master Limited Partnerships observed at the end of 2015 and at the beginning of 2016.
- In April 2016, in the face of severely depressed trading prices for master limited partnerships, including us, a significant deterioration in our cost of capital and potential loss of revenue, the board of directors made the decision to protect our liquidity position by creating a capital reserve, provisioning further reserves and setting distributions at a level that the board believes to be sustainable and consistent with the proper conduct of our business. The capital reserve, set by the board of directors at approximately \$14.6 million per quarter, is intended to address amortization requirements under our credit facilities through the end of 2018. Accordingly, our board of directors issued a new quarterly distribution guidance of \$0.075 per common unit. We made distributions on our common units in accordance with this new guidance in May 2016, August 2016 and November 2016.

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- In October 2016, our board of directors considering the positive impact of the expansion of our asset base following the acquisition of the M/T Amor, decided to approve an increase by \$0.005 in our quarterly distribution for the fourth quarter 2016 onwards to \$0.08 per common unit.

Operating Surplus and Capital Surplus

General

All cash distributed to unitholders will be characterized as either “operating surplus” or “capital surplus.” We treat distributions of available cash from operating surplus differently than distributions of available cash from capital surplus.

Definition of Operating Surplus

For any period, other than the quarter during which an event giving rise to our liquidation occurs (unless our unitholders have a right to elect to continue our business and so elect), operating surplus generally means:

- an amount equal to two times the amount needed for any one quarter for us to pay a distribution on all of our units, the general partner units and the incentive distribution rights at the same per-unit amount as was distributed in the immediately preceding quarter; plus
- all of our cash receipts, excluding cash from (1) borrowings, other than working capital borrowings, (2) sales of equity and debt securities, (3) sales or other dispositions of assets outside the ordinary course of business, (4) capital contributions; plus
- working capital borrowings made after the end of a quarter but before the date of determination of operating surplus for the quarter; plus
- interest paid on debt incurred and cash distributions paid on equity securities issued, in each case, to finance all or any portion of the construction, replacement or improvement of a capital asset such as vessels during the period from such financing until the earlier to occur of the date the capital asset is put into service and the date that it is abandoned or disposed of; plus
- interest paid on debt incurred and cash distributions paid on equity securities issued, in each case, to pay the construction period interest on debt incurred, or to pay construction period distributions on equity issued, to finance the construction projects described in the immediately preceding bullet; less
- all of our operating expenditures after the repayment of working capital borrowings, but not (1) the repayment of other borrowings, (2) actual maintenance and replacement capital expenditures or expansion capital expenditures or investment capital expenditures, (3) transaction expenses (including taxes) related to interim capital transactions or (4) distributions; less
- estimated maintenance and replacement capital expenditures and the amount of cash reserves established by our board of directors to provide funds for future operating expenditures; less
- all working capital borrowings not repaid within twelve months after having been incurred.

If a working capital borrowing, which increases operating surplus, is not repaid during the 12-month period following the borrowing, it will be deemed repaid at the end of such period, thus decreasing operating surplus at such time. When such working capital borrowing is in fact repaid, it will not be treated as a reduction in operating surplus because operating surplus will have been previously reduced by the deemed repayment.

As described above, operating surplus includes an amount up to two times the amount needed for any one quarter for us to pay a distribution on all of our units (including the general partner units) and the incentive distribution rights at the same per unit amount as was distributed in the immediately preceding quarter. This amount does not reflect actual cash on hand available to pay distributions to unitholders. Rather, it is a provision that will enable us, if we choose, to distribute as operating surplus up to this amount of cash we receive in the future from non-operating sources, such as asset sales, issuances of securities and long-term borrowings, that would otherwise be distributed as capital surplus. In addition, the effect of including, as described above, certain cash distributions on equity securities or interest payments on debt in operating surplus would be to increase operating surplus by the amount of any such cash distributions or interest payments. As a result, we may also distribute as operating surplus up to the amount of any such cash distributions or interest payments of cash we receive from non-operating sources.

Capital Expenditures

For purposes of determining operating surplus, maintenance and replacement capital expenditures are those capital expenditures required to maintain over the long term the operating capacity of or the revenue generated by our capital assets, and expansion capital expenditures are those capital expenditures that increase the operating capacity of or the revenue generated by our capital assets. To the extent, however, that capital expenditures associated with acquiring a new vessel increase the revenues or the operating capacity of our fleet, those capital expenditures would be classified as expansion capital expenditures.

Investment capital expenditures are those that are neither maintenance and replacement capital expenditures nor expansion capital expenditures. Investment capital expenditures largely will consist of capital expenditures made for investment purposes.

Examples of investment capital expenditures include traditional capital expenditures for investment purposes, such as purchases of equity securities, as well as other capital expenditures that might be made in lieu of such traditional investment capital expenditures, such as the acquisition of a capital asset for investment purposes.

Examples of maintenance and replacement capital expenditures include capital expenditures associated with drydocking, modifying an existing vessel or acquiring a new vessel to the extent such expenditures are incurred to maintain the operating capacity of or the revenue generated by our fleet. Maintenance and replacement capital expenditures will also include interest (and related fees) on debt incurred and distributions on equity issued to finance the construction of a replacement vessel and paid during the construction period, which we define as the period beginning on the date that we enter into a binding construction contract and ending on the earlier of the date that the replacement vessel commences commercial service or the date that the replacement vessel is abandoned or disposed of. Debt incurred to pay or equity issued to fund construction period interest payments, and distributions on such equity, will also be considered maintenance and replacement capital expenditures.

Our partnership agreement provides that an amount equal to an estimate of the average quarterly maintenance and replacement capital expenditures necessary to maintain the operating capacity of or the revenue generated by our capital assets over the long term be subtracted from operating surplus each quarter, as opposed to the actual amounts spent. In the partnership agreement, we refer to these estimated maintenance and replacement capital expenditures to be subtracted from operating surplus as “estimated maintenance capital expenditures.” The amount of estimated maintenance and replacement capital expenditures deducted from operating surplus is subject to review and change by our board of directors at least once a year, provided that any change must be approved by our conflicts committee. The estimate is made at least annually and whenever an event occurs that is likely to result in a material adjustment to the amount of our maintenance and replacement capital expenditures, such as a major acquisition or the introduction of new governmental regulations that will affect our fleet. For purposes of calculating operating surplus, any adjustment to this estimate is prospective only. Our board of directors has elected not to deduct any replacement capital expenditures from our operating surplus since 2011.

Definition of Capital Surplus

Any available cash that is distributed after we distribute the operating surplus is capital surplus. Capital surplus generally is expected to be generated by:

- borrowings other than working capital borrowings;
- sales of debt and equity securities; and
- sales or other dispositions of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or non-current assets sold as part of normal retirements or replacements of assets.

Characterization of Cash Distributions

We will treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since we began operations equals the operating surplus as of the most recent date of determination of available cash. We will treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus. As described above, operating surplus includes an amount up to two times the amount needed for any one quarter for us to pay a distribution on all of our units (including the general partner units) and the incentive distribution rights at the same per unit amount as was distributed in the immediately preceding quarter. This amount does not reflect actual cash on hand available to pay distributions to unitholders. Rather, it is a provision that will enable us, if we choose, to distribute as operating surplus up to this amount of cash we receive in the future from non-operating sources, such as asset sales, issuances of securities and long-term borrowings, that would otherwise be distributed as capital surplus. We have not yet made any distributions from capital surplus and do not anticipate doing so in the future.

Distributions of Available Cash From Operating Surplus

We make quarterly distributions of available cash from operating surplus in the following manner, after payment of any amounts owed on the Class B Units and subject to applicable law:

- first, 98% to all unitholders, pro rata, and 2.0% to our General Partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and
- thereafter, in the manner described in “—Incentive Distribution Rights” below.

The preceding paragraph is based on the assumption that our General Partner maintains its 2.0% general partner interest.

Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our General Partner currently holds the incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in the partnership agreement. Except for transfers of incentive distribution rights to an affiliate or another entity as part of our General Partner’s merger or consolidation with or into, or sale of substantially all of its assets to such entity, the approval of a majority of our common units and Class B Units, considered together as a single class (excluding those common units held by our General Partner and its affiliates), voting separately as a class, generally is required for a transfer of the incentive distribution rights to a third party prior to March 31, 2017. Please read “The Partnership Agreement—Transfer of Incentive Distribution Rights.” Any transfer by our General Partner of the incentive distribution rights would not change the percentage allocations of quarterly distributions with respect to such rights.

If for any quarter:

- we have paid to the holders of our Class B units the minimum quarterly amount we have promised to them, and all arrearages;
- we have paid to the holders of any other outstanding units that are senior in right of distribution to our common units the agreed amount of distribution; and
- we have distributed available cash from operating surplus to the common unitholders in an amount equal to the minimum quarterly distribution,
- then, we will distribute any additional available cash from operating surplus for that quarter among the unitholders and our General Partner in the following manner:
- first, 98% to all unitholders, pro rata, and 2.0% to our General Partner, until each unitholder receives a total of \$0.2425 per unit for that quarter (the “first target distribution”);
- second, 85% to all unitholders, pro rata, and 15% to our General Partner, until each unitholder receives a total of \$0.2675 per unit for that quarter (the “second target distribution”);
- third, 75% to all unitholders, pro rata, and 25% to our General Partner, until each unitholder receives a total of \$0.2925 per unit for that quarter (the “third target distribution”); and

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- thereafter, 65% to all unitholders, pro rata, and 35% to our General Partner.

The percentage interests set forth above assume that our General Partner maintains its 2.0% general partner interest and has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities.

Following discussion with, and with the unanimous support of, the conflicts committee of our board of directors, Capital Maritime permanently waived its rights to receive quarterly incentive distributions between \$0.2425 and \$0.25. This waiver effectively increases the first target distribution and the lower bound of the second target distribution (as referenced in the table below) from \$0.2425 to \$0.25.

Arrearages on Class B Units do not accrue interest. In addition, holders of Class B Units are not entitled to any distributions, whether payable in cash, property or partnership interests, in excess of the then arrearage plus the minimum quarterly distribution on the Class B Units for the relevant quarter.

Percentage Allocations of Available Cash From Operating Surplus

The following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders and our General Partner up to the various target distribution levels. The percentage allocations in the table are subject to the distribution rights of the holders of our Class B Units. The amounts set forth under “Marginal Percentage Interest in Distributions” are the percentage interests of the unitholders and our General Partner in any available cash from operating surplus we distribute up to and including the corresponding amount in the column “Total Quarterly Distribution Target Amount,” until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders and our General Partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests shown for our General Partner assume that, upon conversion of its general partner units, our General Partner maintains a 2.0% general partner interest and assume our General Partner has not transferred the incentive distribution rights.

	<u>Total Quarterly Distribution Target Amount</u>	<u>Marginal Percentage Interest in Distributions</u>	
		<u>Unitholders</u>	<u>General Partner</u>
Minimum Quarterly Distribution	\$0.2325	98%	2%
First Target Distribution	up to \$0.2425 ⁽¹⁾	98%	2%
Second Target Distribution	above \$0.2425 ⁽¹⁾ up to \$0.2675	85%	15%
Third Target Distribution	above \$0.2675 up to \$0.2925	75%	25%
Thereafter	above \$0.2925	65%	35%

- (1) As disclosed on our Current Report on Form 6-K furnished on August 26, 2014, Capital Maritime unilaterally notified the Partnership that it decided to waive its rights to receive quarterly incentive distributions between \$0.2425 and \$0.25. Capital Maritime permanently waived these rights after discussion with, and with the unanimous support of, the conflicts committee of our board of directors. This waiver effectively increases the First Target Distribution and the lower bound of the Second Target Distribution (as referenced in the table above) from \$0.2425 to \$0.25.

Distributions From Capital Surplus

How Distributions From Capital Surplus Will Be Made

We will make distributions of available cash from capital surplus, if any, in the following manner:

- first, 100% to the Class B unitholders, pro rata, until we distribute in respect of each outstanding unit an aggregate amount of available cash from capital surplus equal to the sum of: (i) the per unit purchase price of \$9.00, plus (ii) arrearages in payment of the minimum quarterly distribution on the Class B units, plus (iii) the accrued minimum quarterly distribution rate for the Class B units since the close of the last complete quarter; and
- second, 98% to the common unitholders, pro rata, and 2% to our General Partner, until we distribute for each common unit an aggregate amount of available cash from capital surplus equal to the initial unit price of the common units issued in our initial public offering; and
- thereafter, we will make distributions of available cash from capital surplus as if they were from operating surplus.

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The preceding paragraph is based on the assumption that our General Partner maintains its 2.0% general partner interest and that we do not issue additional classes of equity securities.

Effect of a Distribution From Capital Surplus

The partnership agreement treats a distribution of capital surplus as a return of capital. Each time a distribution of capital surplus is made, the minimum quarterly distribution and the target distribution levels will be reduced in the same proportion as the distribution had to the fair market value of the common units prior to the announcement of the distribution. Because distributions of capital surplus will reduce the minimum quarterly distribution, after any of these distributions are made, it may be easier for our General Partner to receive incentive distributions.

However, any distribution of capital surplus before the minimum quarterly distribution is reduced to zero cannot be applied to the payment of the minimum quarterly distribution or any arrearages.

Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels

In addition to adjusting the minimum quarterly distribution and target distribution levels to reflect a distribution of capital surplus, if we combine our units into fewer units or subdivide our units into a greater number of units, we will proportionately adjust:

- the minimum quarterly distribution; and
- the target distribution levels.

For example, if a two-for-one split of the common and subordinated units should occur, the minimum quarterly distribution, the target distribution levels would be reduced to 50% of its initial level. We will not make any adjustment by reason of the issuance of additional units for cash or property.

In addition, if legislation is enacted or the official interpretation of any existing legislation is modified by a governmental taxing authority, and as a result any of our subsidiaries becomes subject to taxation as an entity for U.S. federal, state, local or foreign tax purposes, our partnership agreement specifies that the minimum quarterly distribution and the target distribution levels for each quarter will be reduced by multiplying each distribution level by a fraction, the numerator of which is available cash for that quarter and the denominator of which is the sum of available cash for that quarter plus our board of directors' estimate of our direct or indirect aggregate liability for the quarter for such taxes payable by reason of such legislation or interpretation. To the extent that the actual tax liability differs from the estimated tax liability for any quarter, the difference will be accounted for in subsequent quarters.

Distributions of Cash Upon Liquidation

If we dissolve in accordance with the partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will apply the proceeds of liquidation in the manner set forth below.

Holders of outstanding Class B Units will be entitled to receive, prior and in preference to any distribution to the holders of common units (or any class or series of partnership interests ranking junior to the Class B Units) a sum of:

- the per unit purchase price of \$9.00; plus
- arrearages in payment of the minimum quarterly distribution on the Class B units; plus
- the accrued minimum quarterly distribution rate for the Class B units since the close of the last complete quarter.

Once the Class B units have been paid the full liquidation value described above, the remaining proceeds will be distributed to common unitholders as follows.

If, as of the date three trading days prior to the announcement of the proposed liquidation, the average closing price for our common units for the preceding 20 trading days (or the current market price) is greater than the sum of:

- any arrearages in payment of the minimum quarterly distribution on the common units issued in our initial public offering for any prior quarters during the subordination period (as described below); plus
- the initial unit price of the common units issued in our initial public offering (less any prior capital surplus distributions and any prior cash distributions made in connection with a partial liquidation);

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then the proceeds of the liquidation will be applied as follows:

- first, 98.0% to the common unitholders, pro rata, and 2.0% to our General Partner, until we distribute for each outstanding common unit an amount equal to the current market price of our common units; and
- thereafter, 50.0% to all unitholders, pro rata, 48.0% to holders of incentive distribution rights and 2.0% to our General Partner.

If, as of the date three trading days prior to the announcement of the proposed liquidation, the current market price of our common units is equal to or less than the sum of:

- any arrearages in payment of the minimum quarterly distribution on the common units issued in our initial public offering for any prior quarters during the subordination period; plus
- the initial unit price of the common units issued in our initial public offering (less any prior capital surplus distributions and any prior cash distributions made in connection with a partial liquidation);
- then the proceeds of the liquidation will be applied as follows:
- first, 98.0% to the common unitholders, pro rata, and 2.0% to our General Partner, until we distribute for each outstanding common unit an amount equal to such initial unit price (less any prior capital surplus distributions and any prior cash distributions made in connection with a partial liquidation);
- second, 98.0% to the common unitholders, pro rata, and 2.0% to our General Partner, until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period; and
- thereafter, 50.0% to all unitholders, pro rata, 48.0% to holders of incentive distribution rights and 2.0% to our General Partner.

The preceding paragraph is based on the assumption that our General Partner maintains its 2.0% general partner interest and has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities.

Subordination Period

The subordination period, which terminated on February 14, 2009, was a period during which the common units had the right to receive available cash from operating surplus in an amount equal to the minimum quarterly distribution per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus were made on the “subordinated units”, which were issued in addition to the common units in our initial public offering. Upon termination of the subordination period, the subordinated units were converted into common units on a one-for-one basis.

B. Significant Changes

No significant changes have occurred since the date of our Financial Statements included herein except for those set out below:

On January 18, 2017, we declared a cash distribution of \$0.08 per common unit for the fourth quarter of 2016, which will be paid on February 15, 2017 to unitholders of record on February 6, 2017.

On January 18, 2017, we declared a cash distribution of \$0.21375 per Class B Unit for the fourth quarter of 2016, in line with our partnership agreement. The fourth quarter Class B Unit cash distribution will be paid on February 10, 2017, to Class B unitholders of record on February 3, 2017.

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Item 9. The Offer and Listing.

Our common units started trading on the Nasdaq Global Select Market under the symbol “CPLP” on March 30, 2007. The following table sets forth the high and low closing sales prices in U.S. Dollars for our common units for each of the periods indicated.

	<u>High</u>	<u>Low</u>
Year Ended: December 31,		
2016	5.25	2.51
2015	9.94	5.05
2014	11.56	6.79
2013	10.57	6.81
2012	8.74	6.21
Quarter Ended:		
December 31, 2016	3.29	2.77
September 30, 2016	3.95	2.80
June 30, 2016	3.83	2.56
March 31, 2016	5.25	2.51
December 31, 2015	7.57	5.05
September 30, 2015	8.18	5.94
June 30, 2015	9.93	7.78
March 31, 2015	9.94	7.84
Month Ended:		
February 28, 2017 ⁽¹⁾	3.70	3.70
January 31, 2017	3.69	3.16
December 31, 2016	3.27	2.87
November 30, 2016	3.12	2.77
October 31, 2016	3.29	3.04
September 30, 2016	3.70	3.24
August 31, 2016	3.72	3.35

(1) Through February 1, 2017.

Item 10. Additional Information.

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

THE PARTNERSHIP AGREEMENT

The following is a summary of the material provisions of our partnership agreement. The partnership agreement, as amended, is filed as Exhibit I to our Current Report on Form 6-K dated February 24, 2010, as Exhibit I to our Current Report on Form 6-K dated September 30, 2011, as Exhibit II to our Current Report on Form 6-K/A dated May 23, 2012, as Exhibit II to our Current Report on Form 6-K dated March 21, 2013 and as Exhibit A to Exhibit I to our Current Report on Form 6-K dated August 26, 2014. We will provide prospective investors with a copy of our limited partnership agreement and any amendments thereto upon request at no charge.

We summarize the following provisions of our partnership agreement elsewhere in this annual report:

- with regard to distributions of available cash, please read “Item 8: Financial Information—How We Make Cash Distributions”; and

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- with regard to the fiduciary duties of our General Partner and our directors, please read “Item 7.B: Related Party Transactions—Conflicts of Interest and Fiduciary Duties.”

Organization and Duration

We were organized on January 16, 2007 and have perpetual existence.

Purpose

Our purpose under the partnership agreement is to engage in any business activities that may lawfully be engaged in by a limited partnership pursuant to the MILPA.

Our General Partner has delegated to our board of directors the authority to oversee and direct our operations, management and policies on an exclusive basis. Our General Partner, subject to the direction and supervision of our board of directors, manages our business and affairs and carry out our purpose.

Power of Attorney

Each limited partner, and each person who acquires a unit from another unitholder grants to our General Partner and, if appointed, a liquidator, a power of attorney to, among other things, execute and file documents required for our qualification, continuance or dissolution. The power of attorney also grants our General Partner the authority to make consents and waivers under the partnership agreement.

Capital Contributions

Unitholders are not obligated to make additional capital contributions, except as described below under “—Limited Liability.”

Voting Rights

Each outstanding common unit is entitled to one vote on matters subject to a vote of common unitholders.

The holders of the Class B Units have voting rights that are identical to the voting rights of the common units on an as converted basis and will vote with the common units as a single class on all matters with respect to which each common unit is entitled to vote, provided, however, that except in the circumstances described below, holders of Class B Units have no right to vote for, elect or appoint any director, or to nominate any individual to stand for election or appointment as a director. *Therefore, whenever we refer to a vote of the common unit holders in this summary, you should be aware that the holders of the Class B Units will vote with the common unit holders on an as converted basis as a single class, except on any election of a director on our board of directors.*

To preserve our ability to be exempt from U.S. federal income tax under Section 883 of the Code, if at any time, any person or group, other than our General Partner or its affiliates, owns beneficially 5% or more of any class of units then outstanding, any units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders to vote on any matter (unless otherwise required by law), calculating required votes, except for purposes of nominating a person for election to our board, determining the presence of a quorum or for other similar purposes under our partnership agreement. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other unitholders holding less than 4.9% of the voting power of the same class of units entitled to vote. Our partnership agreement provides certain exceptions to such limitation, including when a person acquired securities directly from our General Partner or its affiliates or with the approval of our board of directors, but only for so long as such exception would not jeopardize our tax exemption under Section 883 of the Code.

We will 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 meeting. The sole member of our General Partner, CMTC, has the right to appoint three of the eight members of our board of directors with the remaining five directors being elected by our common unitholders. Holders of the Class B Units do not have the right to elect directors, except upon the occurrence of certain triggering events. Among other consequences, if we fail to pay the minimum Class B Unit distribution, as set out in our partnership agreement, for six or more quarters, the holders of the Class B Units will have the right to appoint a director to our board and, if such arrearages exist on or after March 1, 2018, to replace the directors appointed by our General Partner, in each case by the affirmative vote of the holders of a majority of the Class B Units, subject to exceptions and conditions contained in our partnership agreement.

In voting their units, our General Partner and its affiliates will have no fiduciary duty or obligation whatsoever to us or limited partners, including any duty to act in good faith or in the best interests of us and the limited partners.

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The matters described in the table below require the unitholder vote specified below. Matters requiring the approval of a “unit majority” require the approval of a majority of the common units and, as long as our Class B Units are outstanding, our Class B Units voting on such matters with the common units as a single class on a converted basis (except for the election of directors on our board of directors). You should note that our General Partner has approval rights in respect of certain of the matters described below.

<u>Action</u>	<u>Unitholder Approval Required and Voting Rights</u>
Issuance of additional units	No approval rights (although our General Partner has approval rights in certain instances)
Amendment of the partnership agreement	Certain amendments may be made by our board of directors without the approval of the unitholders if those amendments are also approved by our General Partner. Other amendments generally require the approval of a unit majority and can only be proposed by or with the written consent of our General Partner and our board of directors. Please read “—Amendment of the Partnership Agreement.”
Amendment of the operating agreement of the operating company (as defined in our limited partnership agreement)	Unit majority if such amendment would adversely affect our limited partners in any material respect.
Merger of our partnership or the sale of all or substantially all of our assets	Unit majority if such amendment would adversely affect our limited partners in any material respect and approval of our General Partner and board of directors. Please read “—Merger, Sale, or Other Disposition of Assets.”
Dissolution of our partnership	Unit majority and approval of our General Partner and our board of directors. Please read “—Termination and Dissolution.”
Reconstitution of our partnership upon dissolution	Unit majority. Please read “—Termination and Dissolution.”
Election of five of the eight members of our board of directors	A plurality of the votes of the holders of the common units.
Withdrawal of the General Partner	Under most circumstances, the approval of a majority of the common units and Class B Units, voting on an as converted basis (as long as they are outstanding), excluding such units held by our General Partner and its affiliates, is required for the withdrawal of our General Partner prior to March 31, 2017 in a manner which would cause a dissolution of our partnership. Please read “—Withdrawal or Removal of the General Partner.”
Removal of the General Partner	Not less than 66 2/3% of the outstanding units, including units held by our General Partner and its affiliates, voting together as a single class and a majority vote of our board of directors. Please read “—Withdrawal or Removal of the General Partner.”
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 unitholders 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 the common units and Class B Units, voting on an as converted basis (as long as they are outstanding), excluding such 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, 2017. Please read “—Transfer of General Partner Interest.”
Transfer of incentive distribution rights	Except for transfers to an affiliate or another person as part of the General Partner’s 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 the common units and Class B Units, voting on an as converted basis (as long as they are outstanding), excluding such units held by our General Partner and its affiliates, voting separately as a class, is required in most circumstances for a transfer of the incentive distribution rights to a third party prior to March 31, 2017. Please read “—Transfer of Incentive Distribution Rights.”
Transfer of ownership interests in the General Partner	No approval required at any time. Please read “—Transfer of Ownership Interests in General Partner.”

Limited Liability

Assuming that a limited partner does not participate in the control of our business within the meaning of the MILPA and that such limited partner otherwise acts in conformity with the provisions of our partnership agreement, that partner's liability under the MILPA will be limited, subject to possible exceptions, to the amount of capital he or she is obligated to contribute to us for his or her units plus his or her share of any undistributed profits and assets. If a court determined, however, that limited partners "participated in the control" of our business for the purposes of the MILPA, then such limited partners could be held personally liable for our obligations under the laws of Marshall Islands, to the same extent as our General Partner, to persons who transact business with us who reasonably believe, based on the limited partner's conduct, that the limited partner is a general partner. Neither our partnership agreement nor the MILPA specifically provides for legal recourse against our General Partner if a limited partner were to lose limited liability through any fault of our General Partner. *While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Marshall Islands case law.*

Under the MILPA, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, exceeds the fair value of the assets of the limited partnership, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds that liability. The MILPA provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the MILPA shall be liable to the limited partnership for the amount of the distribution for three years after the date of such distribution. Under the MILPA, a purchaser of units who becomes a limited partner of a limited partnership is liable for the obligations of the transferor to make contributions to the partnership, except that the transferee is not obligated for liabilities unknown to him at the time he became a limited partner and that could not be ascertained from the partnership agreement.

Maintenance of our limited liability may require compliance with legal requirements in the jurisdictions in which we conduct business, which may include qualifying to do business in those jurisdictions.

Issuance of Additional Securities

The partnership agreement authorizes us to issue an unlimited amount 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 the unitholders. Our General Partner will have the right to approve issuances of additional securities that are not reasonably expected to be accretive to equity within 12 months of issuance or which would otherwise have a material adverse impact on our General Partner or its interest in us. However, as long as Class B Units are outstanding, we may not authorize, create or issue any equity interests senior to the Class B Units or amend the provisions of an existing class of securities to make such class senior in priority to the Class B Units without the affirmative vote or written consent of the holders of at least 75% of the outstanding Class B Units, voting separately as a class based on one vote per unit.

We intend to fund acquisitions through borrowings and the issuance of additional common units or other equity securities and the issuance of debt, subject to market conditions, as further described elsewhere herein. Holders of any additional common units we issue will be entitled to share equally with the then-existing holders of common units in our distributions of available cash. In addition, the issuance of additional common units or other equity securities interests may dilute the value of the interests of the then-existing holders of common units in our net assets.

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 rights to which the common units are not entitled.

Upon issuance of additional partnership securities, 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, which is currently 1.96%. Our General Partner's interest in us will thus be reduced if we issue additional partnership securities in the future and our General Partner does not elect to maintain its then-applicable General Partner interest in us. Our General Partner will 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 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, 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. Upon issuance of additional partnership interests that, with respect to distributions, rank *pari passu* with our Class B Units, holders of Class B Units shall have the right to purchase their pro rata portion of such issuance.

Tax Status

The partnership agreement provides that the partnership will elect to be taxed as a corporation for U.S. federal income tax purposes.

Amendment of the Partnership Agreement

General

Amendments to our partnership agreement may be proposed only by or with the consent of our General Partner and our board of directors. However, neither our General Partner nor our board of directors will have a duty or obligation to propose any amendment and may decline to do so free of any fiduciary duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us or the limited partners. In order to adopt a proposed amendment, other than the amendments discussed below, approval of both our board of directors and our General Partner is required, as well as written approval of the holders of the number of units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. Except as we describe below, an amendment must be approved by a unit majority.

Prohibited Amendments

Except as set forth below, no amendment may:

- increase the obligations of any limited partner without its consent, unless such increase is deemed to occur as a result of an amendment approved in accordance with sub-paragraph (2) below;
- have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests unless approved by the holders of not less than a majority of the outstanding units of the class affected, voting together as a single class;
- increase the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our General Partner or any of its affiliates without the consent of the General Partner, which may be given or withheld at its option;
- change the term of our partnership;
- provide that our partnership is not dissolved upon an election to dissolve our partnership by our General Partner and our board of directors that is approved by the holders of a unit majority; or
- give any person the right to dissolve our partnership other than the right of our General Partner and our board of directors to dissolve our partnership with the approval of the holders of a unit majority.

The provision of our partnership agreement preventing the amendments having the effects described in clauses (1) through (6) above can be amended upon the approval of the holders of at least 90% of the outstanding units voting together as a single class (including units owned by our General Partner and its affiliates).

No Unitholder Approval

Our board of directors may generally make amendments to our partnership agreement without the approval of any limited partner to reflect:

- a change in our name, the location of our principal place of business, our registered agent or our registered office;
- the admission, substitution, withdrawal or removal of partners in accordance with our partnership agreement;
- a change that our board of directors determines to be necessary or appropriate for us to qualify or to continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any jurisdiction;
- an amendment that is necessary, upon the advice of our counsel, to prevent us or our directors or our General Partner or its directors, officers, agents, or trustees from in any manner being subjected to the provisions of the U.S. Investment Company Act of 1940, the U.S. Investment Advisers Act of 1940, or “plan asset” regulations adopted under the U.S. Employee Retirement Income Security Act of 1974, or ERISA, whether or not substantially similar to plan asset regulations currently applied or proposed;
- an amendment that our board of directors and, if required by the terms of the partnership agreement, our General Partner determines to be necessary or appropriate for the authorization of additional partnership securities or rights to acquire partnership securities;
- any amendment expressly permitted in the partnership agreement to be made by our board of directors acting alone;

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- an amendment effected, necessitated, or contemplated by a merger agreement that has been approved under the terms of the partnership agreement;
- any amendment that our board of directors determines to be necessary or appropriate for the formation by us of, or our investment in, any corporation, partnership or other entity, as otherwise permitted by the partnership agreement;
- a change in our fiscal year or taxable year and related changes;
- certain mergers or conveyances as set forth in our partnership agreement; or
- any other amendments substantially similar to any of the matters described in (1) through (10) above.

All amendments reflecting matters described in (1) through (11) above require the approval of our General Partner.

In addition, our board of directors may make amendments to the partnership agreement without the approval of any limited partner if our board of directors determines that those amendments:

- do not adversely affect the limited partners (or any particular class of limited partners) in any material respect;
- are necessary or appropriate to satisfy any requirements, conditions, or guidelines contained in any opinion, directive, order, ruling or regulation of any Marshall Islands or other authority or contained in any statute;
- are necessary or appropriate to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading;
- are necessary or appropriate for any action taken by our board of directors relating to splits or combinations of units under the provisions of the partnership agreement; or
- are required to effect the intent expressed in this prospectus or the intent of the provisions of the partnership agreement or are otherwise contemplated by the partnership agreement.

All amendments reflecting matters described in (1) through (5) above require the approval of our General Partner.

Opinion of Counsel and Unitholder Approval

Neither our General Partner nor our board of directors will be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under “—No Unitholder Approval” should occur. No other amendments to our partnership agreement will become effective without the approval of holders of at least 90% of the outstanding units voting as a single class unless we obtain an opinion of counsel to the effect that the amendment will not affect the limited liability of any of our limited partners under applicable law.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or privileges of any type or class of outstanding units in relation to other classes of units will require the approval of at least a majority of the type or class of units so affected. Any amendment that reduces the voting percentage required to take any action must be approved by the affirmative vote of limited partners whose aggregate outstanding units constitute not less than the voting requirement sought to be reduced.

Action Relating to the Operating Subsidiaries

We effectively control our operating subsidiaries by being their sole member or shareholder, as applicable.

Merger, Sale, or Other Disposition of Assets

A merger or consolidation of us requires the approval of our board of directors and the prior consent of our General Partner. However, our General Partner will have no duty or obligation to consent to any merger or consolidation and may decline to do so free of any fiduciary duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us or the limited partners. In addition, our partnership agreement generally prohibits our board of directors, without the prior approval of our General Partner and the holders of units representing a unit majority, from causing us to, among other things, sell, exchange, or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, including by way of merger, consolidation, or other combination, or approving on our behalf the sale, exchange, or other disposition of all or substantially all of the assets of our subsidiaries. Our board of directors may, however, cause us to mortgage, pledge, hypothecate, or grant a security interest in all or substantially all of our assets without the prior approval of the holders of units representing a unit majority, although it is required to obtain the prior approval of our General Partner if any such mortgage, pledge or hypothecation is done for purposes other than securing indebtedness that does not result in our over-leverage, taking into account customary industry leverage levels, our structure and our other assets and liabilities. Our General Partner and our board of directors may also cause us to sell all or substantially all of our assets under a foreclosure or other realization upon those encumbrances without the approval of the holders of units representing a unit majority.

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If conditions specified in our partnership agreement are satisfied, our board of directors, with the consent of our General Partner, may convert us or any of our subsidiaries into a new limited liability entity or merge us or any of our subsidiaries into, or convey some or all of our assets to, a newly formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our legal form into another limited liability entity. The unitholders are not entitled to dissenters' rights of appraisal under our partnership agreement or applicable law in the event of a conversion, merger or consolidation, a sale of substantially all of our assets, or any other transaction or event.

Additionally, our board of directors is permitted, with the prior consent of our General Partner, to merge or consolidate the Partnership with or into another entity in certain circumstances, provided that each unit outstanding immediately prior to the effective date of the merger is to be an identical unit after the effective date of the merger and the number of units issued by the Partnership in such merger does not exceed 20% of units outstanding immediately prior to the effective date of such merger.

Termination and Dissolution

We will continue as a limited partnership until terminated or converted under our partnership agreement. We will dissolve upon:

- the election of our General Partner and our board of directors to dissolve us, if approved by the holders of units representing a unit majority;
- the sale, exchange, or other disposition of all or substantially all of our assets and properties and our subsidiaries;
- the entry of a decree of judicial dissolution of us;
- the withdrawal or removal of our General Partner or any other event that results in its ceasing to be our general partner other than by reason of a transfer of its general partner interest in accordance with the partnership agreement or withdrawal or removal following approval and admission of a successor; or
- such time when there are no limited partners, unless we are continued without dissolution in accordance with the MILPA.

Upon a dissolution under clause (4), the holders of a unit majority may also elect, within specific time limitations, to continue our business on the same terms and conditions described in the partnership agreement by appointing as general partner an entity approved by the holders of units representing a unit majority, subject to our receipt of an opinion of counsel to the effect that the action would not result in the loss of limited liability of any limited partner.

Liquidation and Distribution of Proceeds

Upon our dissolution, unless we are continued as a new limited partnership, the liquidator authorized to wind up our affairs will, acting with all of the powers of our General Partner that are necessary or appropriate, liquidate our assets and apply the proceeds of the liquidation as provided in "How We Make Cash Distributions—Distributions of Cash Upon Liquidation". The liquidator may defer liquidation or distribution of our assets for a reasonable period or distribute assets to partners in kind if it determines that a sale would be impractical or would cause undue loss to our partners.

Withdrawal or Removal of our General Partner

Except as described below, our General Partner has agreed not to withdraw voluntarily as our General Partner prior to March 31, 2017 without giving at least 90 days' written notice and obtaining the approval of our board of directors and the holders of at least a majority of the outstanding common units (and, as long as they are outstanding, the Class B Units, voting on an as converted basis), excluding such units held by our General Partner and its affiliates, and furnishing an opinion of counsel regarding limited liability. On or after March 31, 2017, our General Partner may withdraw as general partner without first obtaining approval of any unitholder or our board of directors by giving 90 days' written notice, and that withdrawal will not constitute a violation of the partnership agreement. Notwithstanding the information above, our General Partner may withdraw without unitholder approval upon 90 days' notice to the limited partners if at least 50% of the outstanding units (other than general partner units and incentive distribution rights) are held or controlled by one person and its affiliates other than our General Partner and its affiliates. In addition, the partnership agreement permits our General Partner in some instances to sell or otherwise transfer all of its general partner interest in us without the approval of the unitholders. Please read "—Transfer of General Partner Interests" and "—Transfer of Incentive Distribution Rights."

Upon withdrawal of our General Partner under any circumstances, other than as a result of a transfer by our General Partner of all or a part of its general partner interest in us, the holders of a majority of the outstanding common units (and, as long as they are outstanding, the Class B Units, voting on an as converted basis) may select a successor to that withdrawing General Partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability cannot be obtained, we will be dissolved, wound up and liquidated, unless within a specified period of time after that withdrawal, the holders of a unit majority agree in writing to continue our business and to appoint a successor general partner. Please read "—Termination and Dissolution."

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Our General Partner may not be removed unless that removal is approved by the vote of the holders of not less than 66 2/3% of the outstanding units, including units held by our General Partner and its affiliates, voting together as a single class and a majority vote of our board of directors, and we receive an opinion of counsel regarding limited liability. The ownership of more than 33 1/3% of the outstanding units by our General Partner and its affiliates or controlling our board of directors would provide the practical ability to prevent our General Partner's removal. Any removal of our General Partner is also subject to the successor general partner being approved by the vote of the holders of a majority of the outstanding common units, Class B Units, voting on an as converted basis (as long as they are outstanding) and general partner units, voting as a single class.

Our partnership agreement also provides that if our General Partner is removed as our general partner under circumstances where cause (as defined in our partnership agreement) does not exist and units held by our General Partner and its affiliates are not voted in favor of that removal, our General Partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests based on the fair market value of the interests at the time.

In the event of removal of our General Partner under circumstances where cause exists or withdrawal of our General Partner where that withdrawal violates the partnership agreement, a successor general partner will have the option to purchase the general partner interest and incentive distribution rights of the departing General Partner for a cash payment equal to the fair market value of those interests. Under all other circumstances where our General Partner withdraws or is removed by the limited partners, the departing general partner will have the option to require the successor general partner to purchase the general partner interest of the departing general partner and its incentive distribution rights for their fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. If the departing general partner and the successor general partner cannot agree upon an expert, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner's general partner interest and its incentive distribution rights will automatically convert into common units equal to the fair market value of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing general partner for all amounts due to the departing general partner, including, without limitation, any employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for our benefit.

Transfer of General Partner Interest

Except for the transfer by our General Partner of all, but not less than all, of its general partner interest in us to:

- an affiliate of our General Partner (other than an individual); or
- another entity as part of the merger or consolidation of our General Partner with or into another entity or the transfer by our General Partner of all or substantially all of its assets to another entity,

our General Partner may not transfer all or any part of its General Partner interest in us to another person prior to March 31, 2017 without the approval of the holders of at least a majority of the outstanding common units (and, as long as they are outstanding, the Class B Units, voting on an as converted basis), excluding such units held by our General Partner and its affiliates. As a condition of this transfer, the transferee must, among other things, assume the rights and duties of the general partner, agree to be bound by the provisions of the partnership agreement and furnish an opinion of counsel regarding limited liability.

Our General Partner and its affiliates may at any time transfer units to one or more persons, without unitholder approval.

Transfer of Ownership Interests in General Partner

At any time, the members of our General Partner may sell or transfer all or part of their respective membership interests in our General Partner to an affiliate or a third party without the approval of our unitholders. However, this may trigger a "Change of Control" (as defined in our limited partnership agreement) which, among other things, causes the minimum distribution rate of the Class B Units to increase to 1.25 times the then applicable rate.

Transfer of Incentive Distribution Rights

Prior to March 31, 2017, our General Partner or its affiliates or a subsequent holder may transfer its incentive distribution rights to an affiliate of the holder (other than an individual) or another entity as part of the merger or consolidation of such holder with or into another entity, or sale of all or substantially all of its assets to that entity without the prior approval of the unitholders. Any

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other transfers of the incentive distribution rights prior to March 31, 2017 will require the affirmative vote of holders of a majority of the outstanding common units (and, as long as they are outstanding, the Class B Units, voting on an as converted basis), excluding such units held by our General Partner and its affiliates. On or after March 31, 2017, the incentive distribution rights will be freely transferable.

Change of Management Provisions

The partnership agreement contains specific provisions that are intended to discourage a person or group from attempting to remove Capital GP L.L.C. as our General Partner or otherwise change management. If any person or group other than our General Partner and its affiliates acquires beneficial ownership of 5% or more of any class of units then outstanding, that person or group loses voting rights on all of its units in excess of 4.9% of all units (subject to certain exceptions).

The partnership agreement also provides that if our General Partner is removed under circumstances where cause does not exist and units held by our General Partner and its affiliates are not voted in favor of that removal, our General Partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests.

Limited Call Right

If at any time our General Partner and its affiliates hold more than 90% of the then-issued and outstanding limited partnership interests of any class, 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 acquire all, but not less than all, of the remaining limited partnership interests of the class held by unaffiliated persons as of a record date to be selected by the General Partner, on at least ten but not more than 60 days' notice at the greater of (x) the average of the daily closing prices of the limited partnership interests of such class over the 20 trading days preceding the date three days before the notice of exercise of the call right is first mailed and (y) the highest price paid by our General Partner or any of its affiliates for limited partnership interests of such class during the 90-day period preceding the date such notice is first mailed. Our General Partner is not obligated to obtain a fairness opinion regarding the value of the limited partnership interests to be repurchased by it upon the exercise of this limited call right.

As a result of the General Partner's right to purchase outstanding limited partnership interests, a holder of limited partnership interests may have the holder's limited partnership interests purchased at an undesirable time or price. The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of units in the market. Please read "Material U.S. Federal Income Tax Considerations—United States Federal Income Taxation of U.S. Holders—Sale, Exchange or Other Disposition of Common Units" and "Material U.S. Federal Income Tax Considerations—United States Federal Income Taxation of Non-U.S. Holders—Disposition of Common Units."

Board of Directors

Under our partnership agreement, our General Partner delegates to our board of directors the authority to oversee and direct our operations, policies and management on an exclusive basis, and such delegation will be binding on any successor General Partner of the partnership. Our board of directors is comprised of eight persons, three of whom are appointed by our General Partner in its sole discretion and five of whom are elected by the common unitholders. Three of the five elected directors (a) shall not be security holders, officers or employees of our General Partner, directors, officers or employees of any affiliate of our General Partner or holders of any interest in the partnership group (other than our common units) and (b) shall meet the required independence standards. Among other consequences, if we fail to pay the minimum Class B Unit distribution, as set out in our partnership agreement, for six or more quarters, the holders of the Class B Units will have the right to appoint a director to our board and, if such arrearages exist on or after March 31, 2018, to replace the directors appointed by our General Partner, in each case by the affirmative vote of the holders of a majority of the Class B Units and subject to exceptions and conditions contained in our partnership agreement.

Our board of directors nominates individuals to stand for election as elected board members on a staggered basis at an annual meeting of our limited partners. In addition, any limited partner or group of limited partners that beneficially owns 10% or more of the outstanding common units is entitled to nominate one or more individuals to stand for election as elected board members at the annual meeting by providing written notice to our board of directors not more than 120 days nor less than 90 days prior to the meeting. However, if the date of the annual meeting is not publicly announced by us at least 100 days prior to the date of the meeting, the notice must be delivered to our board of directors not later than ten days following the public announcement of the meeting date. The notice must set forth:

- the name and address of the limited partner or limited partners making the nomination or nominations;
- the number of common units beneficially owned by the limited partner or limited partners;
- the information regarding the nominee(s) proposed by the limited partner or limited partners as required to be included in a proxy statement relating to the solicitation of proxies for the election of directors filed pursuant to the proxy rules of the SEC;

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- the written consent of the nominee(s) to serve as a member of our board of directors if so elected; and
- a certification that the nominee(s) qualify as “elected directors” within the meaning of the partnership agreement.

Our General Partner may remove an appointed board member, other than those appointed by the holders of Class B unitholders (if any), with or without cause at any time. “Cause” generally means a court’s final, non-appealable judgment finding a person liable for actual fraud or willful misconduct in his or her capacity as a director. Any board member appointed by the holders of Class B unitholders, if applicable, may be removed with or without cause, by the affirmative decision of a majority of Class B unitholders. Any elected board member may be removed at any time for cause by the affirmative vote of a majority of the other elected board members. Any elected board member may be removed for cause at a properly called meeting of the limited partners by a majority of the outstanding units that are entitled to vote in an election of elected directors. Any appointed board member, other than those appointed by the holders of Class B unitholders, may be removed for cause at a properly called meeting of the limited partners by a majority of the outstanding units. If any appointed board member is removed, resigns or is otherwise unable to serve as a board member, our General Partner may fill the vacancy. If any board member elected by the common unitholders is removed, resigns or is otherwise unable to serve as a board member, the vacancy may be filled by a majority of the other elected board members then serving. If any board member elected by the Class B unitholders is removed, resigns or is otherwise unable to serve as a board member, the Class B unitholders will appoint an individual to fill the vacancy.

Meetings; Voting

Except as described below regarding a person or group owning 5% or more of any class of units then outstanding, unitholders who are record holders of units on the record date will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited.

We will 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 meeting. Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or, if authorized by our board of directors, without a meeting if consents in writing describing the action so taken are signed by holders of the number of units necessary to authorize or take that action at a meeting at which all limited partners were present and voted. Special meetings of the unitholders may be called by our General Partner, our board of directors or by unitholders owning at least 20% of the outstanding units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding units of the class or classes for which a meeting has been called, represented in person or by proxy, will constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage of the units, in which case the quorum will be the greater percentage; provided, however, that if any meeting has been adjourned for a second time due to absence of a quorum, the act of the limited partners holding at least 25% of all outstanding units and which are represented in person or by proxy at such meeting shall be deemed to constitute the act of all limited partners, unless a greater or different percentage is required with respect to such action under the provisions of our partnership agreement.

Each record holder of a common unit may vote according to the holder’s percentage interest in us, although additional limited partner interests having special voting rights could be issued. Please read “—Issuance of Additional Securities.” Units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise. The holders of the Class B Units have voting rights that are identical to the voting rights of the common units on an as converted basis and will vote with the common units as a single class on all matters with respect to which each common unit is entitled to vote, provided, however, that holders of Class B Units have no right to vote for, elect or appoint any director, or to nominate any individual to stand for election or appointment as a director, except, that if we fail to pay the minimum Class B Unit distribution, as set out in our partnership agreement, for six or more quarters, the holders of the Class B Units will have the right to appoint a director to our board and, if such arrearages exist on or after March 31, 2018, to replace the directors appointed by our General Partner, in each case by the affirmative vote of the holders of a majority of the Class B Units and subject to exceptions and conditions contained in our partnership agreement.

To preserve our ability to be exempt from U.S. federal income tax under Section 883 of the Code, if at any time, any person or group, other than our General Partner and its affiliates, owns beneficially 5% or more of any class of units then outstanding, any units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders to vote on any matter (unless otherwise required by law), calculating required votes, except for purposes of nominating a person for election to our board, determining the presence of a quorum or for other similar purposes under our partnership agreement. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other unitholders holding less than 4.9% of the voting power of the same class of units entitled to vote. Our partnership agreement provides certain exceptions to such limitation, including when a person acquired securities directly from our General Partner or its affiliates or with the approval of our board of directors, but only for so long as such exception would not jeopardize our tax exemption under Section 883 of the Code.

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Any notice, demand, request report, or proxy material required or permitted to be given or made to record holders of units under the partnership agreement will be delivered to the record holder by us or by the transfer agent.

Status as Limited Partner or Assignee

Except as described above under “—Limited Liability,” the common units and Class B Units will be fully paid, and unitholders will not be required to make additional contributions. By transfer of common units or Class B Units in accordance with our partnership agreement, each transferee of common units or Class B Units shall be admitted as a limited partner with respect to the common units or Class B Units transferred when such transfer and admission is reflected in our books and records.

Indemnification

Under the partnership agreement, in most circumstances, we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages or similar events:

- our General Partner;
- any departing general partner;
- any person who is or was an affiliate of our general partner or any departing general partner;
- any person who is or was an officer, director, member, partner fiduciary or trustee of any entity described in (1), (2) or (3) above;
- any person who is or was serving as a director, officer, member, partner, fiduciary or trustee of another person at the request of our General Partner or any departing general partner;
- any person designated by our board of directors; and
- the members of our board of directors.

Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our General Partner will not be personally liable for, or have any obligation to contribute or lend funds or assets to us to enable us to effectuate, indemnification. We may purchase insurance against any liabilities that may be asserted against, and any expenses that may be incurred by, persons for our activities or such person’s activities on our behalf, regardless of whether we would have the power to indemnify the person against liabilities under the partnership agreement.

Reimbursement of Expenses

Our partnership agreement requires us to reimburse our General Partner for all direct and indirect expenses it incurs or payments it makes on our behalf and all other expenses allocable to us or otherwise incurred by our General Partner in connection with operating our business. These expenses include salary, bonus, incentive compensation and other amounts paid to persons who perform services for us or on our behalf, and expenses allocated to our General Partner by its affiliates. Our General Partner and the members of our board of directors are entitled to determine in good faith the expenses that are allocable to us. Members of our Board of Directors are entitled to be reimbursed for out-of-pocket costs and expenses incurred in the course of their services to us.

Books and Reports

Our General Partner is required to keep appropriate books of our business at our principal offices. The books will be maintained for financial reporting purposes on an accrual basis in accordance with U.S. GAAP. For tax and fiscal reporting purposes, our fiscal year is the calendar year.

We will furnish or make available to record holders of units, within 120 days after the close of each fiscal year, an annual report containing audited financial statements, including a balance sheet and statement of operations, our equity and cash flow, and a report on those financial statements by our independent chartered accountants. Except for our fourth quarter, we will also furnish or make available summary financial information within 90 days after the close of each quarter.

Right to Inspect Our Books and Records

The partnership agreement provides that a limited partner can, for a purpose reasonably related to his or her interest as a limited partner, upon reasonable demand and at the limited partner’s own expense, have furnished to the limited partner:

- a current list of the name and last known addresses of each partner;
- information as to the amount of cash, and a description and statement of the agreed value of any other capital contribution or services contributed or to be contributed by each partner and the date on which each became a partner;

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- copies of the partnership agreement, the certificate of limited partnership of the partnership, related amendments and powers of attorney under which they have been executed;
- information regarding the status of our business and financial position; and
- any other information regarding our affairs as is just and reasonable.

Our board of directors may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which our board of directors believes in good faith is not in our best interests or that we are required by law or by agreements with third parties to keep confidential.

Registration Rights

Under our partnership agreement, we have agreed to register for resale under the Securities Act of 1933 and applicable state securities laws any common units, Class B Units or other partnership securities proposed to be sold by our General Partner or any of its affiliates or their assignees if an exemption from the registration requirements is not otherwise available or advisable. These registration rights generally continue for two years following any withdrawal or removal of Capital GP L.L.C. as our general partner and for so long thereafter as is required for our General Partner or its affiliates and assignees to sell all of the partnership securities with respect to which it has requested during such two-year period, inclusion in a registration statement otherwise filed or that a registration statement be filed. We are obligated to pay all expenses incidental to the registration, excluding underwriting discounts and commissions.

Transfer of Common Units

By acceptance of the transfer of common units in accordance with our partnership agreement, each transferee of common units:

- shall 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;
- represents that the transferee has the capacity, power and authority to become bound by our partnership agreement;
- is bound by our partnership agreement; and
- grants the power of attorney and gives the consents and waivers contained in our partnership agreement.

A transferee will become a substituted limited partner of our partnership for the transferred common units automatically upon the recording of the transfer on our books and records.

We may, at our discretion, treat the nominee holder of a common unit as the owner of such common units without further inquiry, except as otherwise provided by law or stock exchange regulations. In that case, we expect that the beneficial holder's rights will be 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 our 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 owner for all purposes, except as otherwise required by law or stock exchange regulations.

C. Material Contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which we or any of our subsidiaries are a party, for the two years immediately preceding the date of this Annual Report, each of which is included in the list of exhibits in Item 19.

Please read "Item 7B: Related-Party Transactions" for transactions entered into with related parties, as well as further details on certain of the transactions described below.

- Purchase Agreement, dated October 24, 2016, with Capital Maritime to acquire the shares of the vessel owning company of the M/T Amor.
- Equity Distribution Agreement, dated September 12, 2016, with UBS Securities LLC in connection with our ATM offering, filed on September 12, 2016 as Exhibit 1.1 to Form 6-K.

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- Purchase Agreement, dated February 26, 2016, with Capital Maritime to acquire the shares of the vessel owning company of the M/V CMA CGM Magdalena.
- Purchase Agreement, dated September 18, 2015, with Capital Maritime to acquire the shares of the vessel owning company of the M/V CMA CGM Uruguay.
- Purchase Agreement, dated June 30, 2015, with Capital Maritime to acquire the shares of the vessel owning company of the M/T Amadeus.
- Purchase Agreement, dated June 10, 2015, with Capital Maritime to acquire the shares of the vessel owning company of the M/V CMA CGM Amazon.
- Amendments, dated April 30, 2015, to each of our 2007, 2008 and 2011 credit facilities. Please read “Item 5B: Liquidity and Capital Resources—Borrowings” for further details on these amendments.
- Purchase Agreement, dated March 31, 2015, with Capital Maritime to acquire the shares of the vessel owning company of the M/T Active.
- Purchase Agreement, dated September 3, 2014, with Capital Maritime to acquire 5,950,610 of our common units.
- Fourth Amendment to the Second Amended and Restated Partnership Agreement, dated August 25, 2014, in connection with our entry into the Master Vessel Acquisition Agreement, filed on August 26, 2014 as Exhibit 99.1 to Form 6-K. This amendment reset the thresholds for our incentive distribution rights.
- Amendment to Omnibus Incentive Compensation Plan. On August 21, 2014, following approval of our unitholders at our 2014 annual meeting, our board of directors amended the Plan to increase the aggregate number of restricted units issuable under the Plan to 1,650,000 from 800,000.
- Master Vessel Acquisition Agreement dated July 24, 2014, with Capital Maritime to acquire the Dropdown Vessels and a right of first refusal over six additional newbuild Samsung eco medium range product tankers, including M/T Amor delivered during October 2016.
- Loan Agreement between Filonikis Product Carrier S.A., among other borrowers, and ING Bank N.V., London Branch as Facility Agent and Security Trustee and ING Bank N.V. as Swap Bank, dated November 19, 2015.

D. Exchange Controls and Other Limitations Affecting Unitholders

We are not aware of any governmental laws, decrees or regulations, including foreign exchange controls, in the Republic of the Marshall Islands that restrict the export or import of capital, or that affect the remittance of dividends, interest or other payments to non-resident holders of our securities. We are not aware of any limitations on the right of non-resident or foreign owners to hold or vote our securities imposed by the laws of the Republic of the Marshall Islands or our partnership agreement.

E. Taxation

Marshall Islands Taxation

The following is a discussion of the material Marshall Islands tax consequences of our activities to unitholders who are not citizens of and do not reside in, maintain offices in or engage in business in the Marshall Islands (“non-resident holders”). Because we, our subsidiaries and our controlled affiliates do not, and we do not expect that we, our subsidiaries and our controlled affiliates will, conduct business or operations in the Marshall Islands, under current Marshall Islands law non-resident holders of our securities will not be subject to Marshall Islands taxation or withholding on distributions, including upon a return of capital, we make to such non-resident holders. In addition, non-resident holders will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of our securities, and will not be required by the Republic of the Marshall Islands to file a tax return relating to such securities.

Taxation of the Partnership

Because we, our subsidiaries and our controlled affiliates do not, and we do not expect that we, our subsidiaries and our controlled affiliates will conduct business or operations in the Marshall Islands, under current Marshall Islands law neither we, our subsidiaries nor our controlled affiliates will be subject to income, capital gains, profits or other taxation, other than taxes or fees due to (i) the continued existence of legal entities registered in the Republic of the Marshall Islands, (ii) the incorporation or dissolution of legal entities registered in the Republic of the Marshall Islands, (iii) filing certificates (such as certificates of incumbency, merger, or redomiciliation) with the Marshall Islands registrar, (iv) obtaining certificates of goodstanding from, or certified copies of documents filed with, the Marshall Islands registrar, or (v) compliance with Marshall Islands law concerning vessel ownership, such as tonnage tax. As a result, distributions by our subsidiaries and our controlled affiliates to us will not be subject to Marshall Islands taxation.

Material U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax considerations that may be relevant to current and prospective common unitholders. This discussion is based upon provisions of the Code, Treasury Regulations, and current administrative rulings and court decisions, all as currently in effect or existence on the date of this Annual Report and all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below.

The following discussion applies only to beneficial owners of our common units that own such units as “capital assets” (generally, for investment purposes) and does not comment on all aspects of U.S. federal income taxation which may be important to particular common unitholders in light of their individual circumstances, such as unitholders subject to special tax rules (e.g., financial institutions, insurance companies, broker-dealers, tax-exempt organizations, or former citizens or long-term residents of the United States), persons that will hold the common units as part of a straddle, hedge, conversion, constructive sale, wash sale or other integrated transaction for U.S. federal income tax purposes, persons that own (actually or constructively) 10.0% or more of the total combined voting power of all classes of our units entitled to vote, or U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds our common units, the tax treatment of a partner thereof will generally depend upon the status of the partner and upon the tax treatment of the partnership. If you are a partner in a partnership holding our common units, you should consult your tax advisor.

No ruling has been or will be requested from the IRS regarding any matter affecting us or our common unitholders. The statements made here may not be sustained by a court if contested by the IRS.

This discussion does not contain information regarding any U.S. state or local, estate or alternative minimum tax considerations concerning the ownership or disposition of our common units. Each common unitholder is urged to consult its tax advisor regarding the U.S. federal, state, local and other tax consequences of the ownership or disposition of our common units.

Election to be Taxed as a Corporation

We have elected to be taxed as a corporation for U.S. federal income tax purposes. As such, among other consequences, U.S. Holders (as defined below) will, subject to the discussion of certain rules relating to PFICs below (please see “Item 10E: Taxation—Material U.S. Federal Income Tax Considerations—U.S. Federal Income Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences”), generally not be directly subject to U.S. federal income tax on our income, but rather will be subject to U.S. federal income tax on distributions received from us and dispositions of common units, as described below. As a corporation, we may be subject to U.S. federal income tax on our income as discussed below. Additionally, our distributions to common unitholders will generally be reported on IRS Form 1099-DIV.

Taxation of Operating Income

We expect that substantially all of our gross income will continue to be attributable to the transportation of crude oil and related oil products, as well as dry cargo and containerized goods. For this purpose, gross income attributable to transportation (or “Transportation Income”) includes income derived from, or in connection with, the use (or hiring or leasing for use) of a vessel to transport cargo, or the performance of services directly related to the use of any vessel to transport cargo, and thus includes spot charter, time charter and bareboat charter income.

Transportation Income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States (or “U.S. Source International Transportation Income”) will be considered to be 50% derived from sources within the United States. Transportation Income attributable to transportation that both begins and ends in the United States (or “U.S. Source Domestic Transportation Income”) will be considered to be 100% derived from sources within the United States. Transportation Income attributable to transportation exclusively between non-U.S. destinations will be considered to be 100% derived from sources outside the United States. Transportation Income derived from sources outside the United States generally will not be subject to U.S. federal income tax.

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Based on our current operations, we do not expect to have U.S. Source Domestic Transportation Income. However, certain of our activities give rise to U.S. Source International Transportation Income, and future expansion of our operations could result in an increase in the amount of U.S. Source International Transportation Income, as well as give rise to U.S. Source Domestic Transportation Income, all of which could be subject to U.S. federal income taxation unless exempt from U.S. taxation under Section 883 of the Code (or the “Section 883 Exemption”), as discussed below.

The Section 883 Exemption

In general, the Section 883 Exemption provides that if a non-U.S. corporation satisfies the requirements of Section 883 of the Code and the Treasury Regulations thereunder (the “Section 883 Regulations”), it will not be subject to the net basis and branch profits taxes or the 4% gross basis tax described below on its U.S. Source International Transportation Income. The Section 883 Exemption applies to U.S. Source International Transportation Income and other forms of related income, such as gain from the sale of a vessel. As discussed below, we believe that under our current ownership structure, the Section 883 Exemption will apply and that, accordingly, we will not be taxed on our U.S. Source International Transportation Income. The Section 883 Exemption does not apply to U.S. Source Domestic Transportation Income.

We will qualify for the Section 883 Exemption if, among other matters, we meet the following three requirements:

- We are organized in a jurisdiction outside the United States that grants an equivalent exemption from tax to corporations organized in the United States (an “Equivalent Exemption”);
- We satisfy the “Publicly Traded Test” (as described below); and
- We meet certain substantiation, reporting and other requirements.

The Publicly Traded Test requires that the stock of a non-U.S. corporation be “primarily and regularly traded” on an established securities market either in the United States or in a jurisdiction outside the United States that grants an Equivalent Exemption. The Section 883 Regulations provide, in pertinent part, that equity interests in a non-U.S. corporation will be considered to be “primarily traded” on an established securities market in a given country if the number of units of each class of equity relied upon to meet the “regularly traded” test that are traded during any taxable year on all established securities markets in that country exceeds the number of units in each such class that are traded during that year on established securities markets in any other single country. Equity of a non-U.S. corporation will be considered to be “regularly traded” on an established securities market under the Section 883 Regulations if one or more classes of equity of the corporation that, in the aggregate, represent more than 50% of the total combined voting power and value of the non-U.S. corporation are listed on such market and certain trading volume requirements are met or deemed met as described below. For this purpose, if one or more “5% Unitholders” (i.e., a unitholder holding, actually or constructively, at least 5% of the vote and value of a class of equity) own in the aggregate 50% or more of the vote and value of a class of equity (the “Closely Held Block”), such class of equity will not be counted towards meeting the “primarily and regularly traded” test (the “Closely Held Block Exception”).

We are organized under the laws of the Republic of the Marshall Islands. The U.S. Treasury Department has recognized the Republic of the Marshall Islands as a jurisdiction that grants an Equivalent Exemption. Consequently, our U.S. Source International Transportation Income (including, for this purpose, (i) any such income earned by our subsidiaries that have properly elected to be treated as partnerships or disregarded as entities separate from us for U.S. federal income tax purposes and (ii) any such income earned by subsidiaries that are corporations for U.S. federal income tax purposes, are organized in a jurisdiction that grants an Equivalent Exemption and whose outstanding stock is owned 50% or more by value by us) will be exempt from U.S. federal income taxation provided we meet the Publicly Traded Test. In addition, since our common units are only traded on the Nasdaq Global Select Market, which is considered to be an established securities market, our common units will be deemed to be “primarily traded” on an established securities market.

We believe we meet the trading volume requirements of the Section 883 Exemption because the pertinent regulations provide that trading volume requirements will be deemed to be met with respect to a class of equity traded on an established securities market in the United States where, as will be the case for our common units, the units are regularly quoted by dealers who regularly and actively make offers, purchases and sales of such units to unrelated persons in the ordinary course of business. Additionally, the pertinent regulations also provide that a class of equity will be considered to be “regularly traded” on an established securities market if (i) such class of stock is listed on such market; (ii) such class of stock is traded on such market, other than in minimal quantities, on at least 60 days during the taxable year or one sixth of the days in a short taxable year and (iii) the aggregate number of shares of such class of stock traded on such market during the taxable year is at least 10% of the average number of shares of such class of stock outstanding during such year, or as appropriately adjusted in the case of a short taxable year. We believe that trading of our common units has satisfied these conditions in the past, and we expect that such conditions will continue to be satisfied. Finally, we believe that our common units represent more than 50% of our voting power and value and accordingly we believe that our units should be considered to be “regularly traded” on an established securities market.

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These conclusions, however, are based upon legal authorities that do not expressly contemplate an organizational structure such as ours. In particular, although we have elected to be treated as a corporation for U.S. federal income tax purposes, for corporate law purposes we are organized as a limited partnership under Marshall Islands law and our General Partner is responsible for managing our business and affairs and has been granted certain veto rights over decisions of our board of directors. Accordingly, it is possible that the IRS could assert that our units do not meet the “regularly traded” test.

We expect that our units will not lose eligibility for the Section 883 Exemption as a result of the Closely Held Block Exception, because our partnership agreement provides that the voting rights of any 5% Unitholders (other than our General Partner and its affiliates, their transferees and persons who acquired such units with the approval of our board of directors) are limited to a 4.9% voting interest in us regardless of how many common units are held by that 5% Unitholder. (The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote). If Capital Maritime and our General Partner own 50% or more of our common units, they will provide the necessary documents to establish an exception to the application of the Closely Held Block Exception. This exception is available when shareholders residing in a jurisdiction granting an Equivalent Exemption and meeting certain other requirements own sufficient shares in the Closely Held Block to preclude shareholders who have not met such requirements from owning 50% or more of the outstanding class of equity relied upon to satisfy the Publicly Traded Test.

Thus, although the matter is not free from doubt, we believe that we will satisfy the Publicly Traded Test. Should any of the facts described above cease to be correct, our ability to satisfy the test will be compromised.

Taxation of Operating Income in the Absence of the Section 883 Exemption

If we earn U.S. Source International Transportation Income and the Section 883 Exemption does not apply, the U.S. source portion of such income may be treated as effectively connected with the conduct of a trade or business in the United States (or “Effectively Connected Income”) if we have a fixed place of business in the United States and substantially all of our U.S. Source International Transportation Income is attributable to regularly scheduled transportation or, in the case of bareboat charter income, is attributable to a fixed place of business in the United States. Based on our current operations, none of our potential U.S. Source International Transportation Income is attributable to regularly scheduled transportation or is received pursuant to bareboat charters attributable to a fixed place of business in the United States. As a result, we do not anticipate that any of our U.S. Source International Transportation Income will be treated as Effectively Connected Income. However, there is no assurance that we will not earn income pursuant to regularly scheduled transportation or bareboat charters attributable to a fixed place of business in the United States in the future, which would result in such income being treated as Effectively Connected Income. In addition, any U.S. Source Domestic Transportation Income generally will be treated as Effectively Connected Income.

Any income we earn that is treated as Effectively Connected Income would be subject to U.S. federal corporate income tax (the highest statutory rate is currently 35%). In addition, a 30% branch profits tax imposed under Section 884 of the Code also would apply to such income, and a branch interest tax could be imposed on certain interest paid or deemed paid by us.

Taxation of Gain on the Sale of a Vessel

Provided we qualify for the Section 883 Exemption, gain from the sale of a vessel should be exempt from tax under Section 883. If, however, we do not qualify for the Section 883 Exemption, then such gain could be treated as effectively connected income (determined under rules different from those discussed above) and subject to the net income and branch profits tax regime described above.

The 4% Gross Basis Tax

If the Section 883 Exemption does not apply and the net basis tax does not apply, we would be subject to a 4% U.S. federal income tax on the U.S. source portion of our U.S. Source International Transportation Income, without the benefit of deductions.

U.S. Federal Income Taxation of U.S. Holders

As used herein, the term U.S. Holder means a beneficial owner of our common units that is an individual U.S. citizen or resident (as determined for U.S. federal income tax purposes), a corporation or other entity organized under the laws of the United States or its political subdivisions and classified as a corporation for U.S. federal income tax purposes, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

Distributions

Subject to the discussion of the rules applicable to PFICs below, any distributions made by us with respect to our common units to a U.S. Holder generally will constitute dividends, which may be taxable as ordinary income or “qualified dividend income” as described in more detail below, to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits 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 on a dollar-for-dollar basis 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 any distributions they receive from us. Dividends paid with respect to our common units generally will be treated as “passive” income from sources outside the United States for purposes of computing allowable foreign tax credits for U.S. federal income tax purposes.

Dividends paid on our common units to a U.S. Holder who is an individual, trust or estate (or a “U.S. Individual Holder”) will be treated as qualified dividend income that is taxable to such U.S. Individual Holder at preferential rates applicable to long-term capital gain provided that: (i) our common units are readily tradable on an established securities market in the United States (such as the Nasdaq Global Select Market, on which our common units are traded); (ii) we are not a PFIC (which we do not believe we are, have been or will be, as discussed below); (iii) the U.S. Individual Holder has owned the common units for more than 60 days in 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 units) and (iv) the U.S. Individual Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. 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 “extraordinary dividend” paid by us. An extraordinary dividend is, generally, a dividend with respect to a unit if the amount of the dividend is equal to or in excess of 10 percent of a unitholder’s adjusted basis (or fair market value in certain circumstances) in such unit. If we pay an “extraordinary dividend” on our common units that is treated as “qualified dividend income”, then any loss derived by a U.S. Individual Holder from the sale or exchange of such units will be treated as long-term capital loss to the extent of the amount of such dividend.

Sale, Exchange or other Disposition of Common Units

Subject to the discussion of PFICs below, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common units in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder’s tax basis in such units. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder’s holding period is greater than one-year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes. A U.S. Holder’s ability to deduct capital losses is subject to certain limitations. Long-term capital gain of a U.S. Individual Holder is generally subject to tax at preferential rates.

PFIC Status and Significant Tax Consequences

Special and adverse U.S. federal income tax rules apply to a U.S. Holder that owns an equity interest in a non-U.S. entity taxed as a corporation and classified as a PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder held our common units, either:

- at least 75% of our gross income (including the gross income of our vessel owning subsidiaries) for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of the assets held by us (including the assets of our vessel-owning subsidiaries) during such taxable year produce, or are held for the production of, passive income.

Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute “passive income” unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business. Based on our current and projected methods of operation, we believe that we are not currently a PFIC, nor do we expect to become a PFIC. Although there is no legal authority directly on point, and we are not obtaining a ruling from the IRS on this issue, we will take the position that, for purposes of determining whether we are a PFIC, the gross income we derive or are deemed to derive from the time and spot chartering activities of our wholly owned subsidiaries constitutes services income, rather than rental income. Correspondingly, such income should not constitute passive income, and the assets that we or our wholly owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels we or our subsidiaries own that are subject to time charters, should not constitute passive assets for purposes of determining whether we were a PFIC.

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As noted above, there is, however, no direct legal authority under the PFIC rules addressing our method of operation. Moreover, in a case not specifically interpreting the PFIC rules, *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), the Fifth Circuit held that the vessel time charters at issue generated predominantly rental income rather than services income. However, the court's ruling was contrary to the position of the IRS that the time charter income should have been treated as services income. Additionally, the IRS later affirmed its position in *Tidewater*, adding further that the time charters at issue would be treated as giving rise to services income under the PFIC rules.

No assurance, however, can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine we are or were a PFIC. 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 U.S. Holders that the nature of our operations will not change in the future, or that we can avoid PFIC status in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, 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 (a "QEF election"). As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to our common units, as discussed below. In addition, if a U.S. Holder owns our common units during any taxable year that we are a PFIC, such units owned by such holder will be treated as units in a PFIC even if we are not a PFIC in a subsequent year and, if the total value of all PFIC stock that such holder directly or indirectly owns exceeds certain thresholds, such holder must file IRS Form 8621 with the holder's U.S. federal income tax return to report the holder's ownership of our common units.

Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF election (such U.S. Holder, an "Electing Holder"), the Electing Holder must report each year for U.S. federal income tax purposes his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. The Electing Holder's adjusted tax basis in the common units will be increased to reflect taxed but undistributed income. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common units and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common units. A U.S. Holder would make a QEF election with respect to any year that we are a PFIC by filing one copy of IRS Form 8621 with his U.S. federal income tax return and a second copy in accordance with the instructions to such form. If contrary to our expectations, we determine that we are treated as a PFIC for any taxable year, we will attempt to provide each U.S. Holder with all necessary information in order to make the QEF election described above.

Taxation of U.S. Holders Making a "Mark-to-Market" Election

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate, our common units were treated as "marketable stock", a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common units, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common units at the end of the taxable year over such holder's adjusted tax basis in the common units. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common units over the fair market value thereof at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in his common units would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common units would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common units would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

Taxation of U.S. Holders not making a timely QEF or mark-to-market election

Finally, if we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a “mark-to-market” election for that year (a “Non-Electing Holder”) would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common units in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder’s holding period for the common units), and (2) any gain realized on the sale, exchange or other disposition of our common units. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder’s aggregate holding period for the common units;
- the amount allocated to the current taxable year and any year prior to the year we were first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a qualified pension, profit sharing or other retirement trust or other tax-exempt organization that did not borrow money or otherwise utilize leverage in connection with its acquisition of our common units. If we were treated as a PFIC for any taxable year and a Non-Electing Holder who is an individual dies while owning our common units, such holder’s successor generally would not receive a step-up in tax basis with respect to such units.

U.S. Federal Income Taxation of Non-U.S. Holders

A beneficial owner of our common units (other than a partnership, including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is a Non-U.S. Holder.

Distributions

Distributions we pay to a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax if the Non-U.S. Holder is not engaged in a U.S. trade or business. If the Non-U.S. Holder is engaged in a U.S. trade or business, distributions we pay may be subject to U.S. federal income tax to the extent those distributions constitute income effectively connected with that Non-U.S. Holder’s U.S. trade or business. However, distributions paid to a Non-U.S. Holder who is engaged in a trade or business may be exempt from taxation under an income tax treaty if the income represented thereby is not attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder.

Disposition of Common Units

The U.S. federal income taxation of Non-U.S. Holders on any gain resulting from the disposition of our common units is generally the same as described above regarding distributions. However, individual Non-U.S. Holders may be subject to tax on gain resulting from the disposition of our common units if they are present in the United States for 183 days or more during the taxable year in which those shares are disposed and meet certain other requirements.

Backup Withholding and Information Reporting

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

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that he has failed to report all interest or corporate distributions required to be shown 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 on payments within the United States by certifying their status on IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8IMY, as applicable. Backup withholding is not an additional tax. Rather, a common unitholder generally may obtain a credit for any amount withheld against his liability for U.S. federal income tax (and a refund of any amounts withheld in excess of such liability) by filing a return with the IRS.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

We have filed with the SEC a registration statement on Form F-1, a registration statement on Form F-4 and one effective registration statements on Form F-3 regarding our common units, among other securities. This Annual Report does not contain all of the information found in these registration statements. For further information regarding us and our common units, you may wish to review the full registration statements, including their exhibits. The registration statements, including the exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., 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, N.E., Washington, D.C. 20549, at prescribed rates or from the SEC's web site on the Internet at <http://www.sec.gov> free of charge. Please call the SEC at 1-800-SEC-0330 for further information on public reference room. Our registration statements can also be inspected and copied at the offices of the Nasdaq Global Select Market, One Liberty Plaza, New York, New York 10006.

I. Subsidiary Information

Please see Exhibit 8.1 to this Annual Report for a list of our significant subsidiaries as of December 31, 2016

Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Our Risk Management Policy

Our policy is to continuously monitor our exposure to business risks, including the impact of changes in interest rates and currency rates, as well as inflation on earnings and cash flows. We intend to assess these risks and, when appropriate, take measures to minimize our exposure to the risks.

Foreign Exchange Risk

We do not have a material currency exposure risk. We generate all of our revenues in U.S. Dollars and incur less than 20% of our expenses in currencies other than U.S. Dollars. For accounting purposes, expenses incurred in currencies other than the U.S. Dollar are translated into U.S. Dollars at the exchange rate prevailing on the date of each transaction. As of December 31, 2016, less than 5% of our liabilities were denominated in currencies other than U.S. Dollars (mainly in Euros). These liabilities were translated into U.S. Dollars at the exchange rate prevailing on December 31, 2016. We have not hedged currency exchange risks and our operating results could be adversely affected as a result.

Interest Rate Risk

The international tanker industry is capital intensive, requiring significant amounts of investment, a significant portion of which is provided in the form of long-term debt. Our current debt contains interest rates that fluctuate with LIBOR. Our 2007 credit facility and 2008 credit facility each bear an interest margin of 3.0% per annum over US\$ LIBOR, respectively. Our 2011 credit facility bears an interest margin of 3.25% per annum over US\$ LIBOR, our 2013 credit facility bears an interest margin of 3.50% per annum over US\$ LIBOR and the 2015 credit facility bears an interest margin of 2.50% per annum over US\$ LIBOR. Therefore, we are exposed to the risk that our interest expense may increase if interest rates rise.

Currently we have, and during 2016 we had, no interest rate swap agreements outstanding. As a result of a possible market disruption in determining the cost of funds for our banks, any increases by the lenders to their "funding costs" under our credit facilities will lead to proportional increases in the relevant interest amounts payable under such credit facilities on a quarterly basis. As an indication of the extent of our sensitivity to interest rate changes based upon our debt level, an increase of 100 basis points in LIBOR would have resulted in an increase in our interest expense by approximately \$6.1 million for the year ended December 31, 2016, assuming all other variables had remained constant.

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Concentration of Credit Risk

Financial instruments which potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. We place our cash and cash equivalents, consisting mostly of deposits, with creditworthy financial institutions as rated by qualified rating agencies. We do not obtain rights to collateral to reduce our credit risk. Please refer to “Item 5B: Liquidity and Capital Resources—Borrowings—Our Credit Facilities” for more information on our interest rate swap agreements.

Inflation

Inflation has had a minimal impact on vessel operating expenses, drydocking expenses and general and administrative expenses to date. Our management does not consider inflation to be a significant risk to direct expenses in the current and foreseeable economic environment. However, in the event that inflation becomes a significant factor in the global economy, inflationary pressures would result in increased operating, voyage and financing costs.

Item 12. Description of Securities Other than Equity Securities.

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

No material modifications to the rights of security holders.

Item 15. Controls and Procedures.

A. Disclosure Controls and Procedures

As of December 31, 2016, our management (with the participation of the chief executive officer and chief financial officer of our General Partner) conducted an evaluation pursuant to Rule 13a-15(b) and 15d-15 promulgated under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Our management, including the chief executive and chief financial officer of our General Partner, recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the partnership have been detected. Further, in the design and evaluation of our disclosure controls and procedures our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Based on this evaluation, the chief executive officer and chief financial officer of our General Partner concluded that, as of December 31, 2016, our disclosure controls and procedures, which include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including the chief executive officer and chief financial officer of our General Partner, as appropriate to allow timely decisions regarding required disclosure, were effective in providing reasonable assurance that information that was required to be disclosed by us in reports we file or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

B. Management’s Annual Report on Internal Control over Financial Reporting

Our management (with the management of our General Partner) is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal controls were designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation and presentation of our Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States.

Our internal controls over financial reporting includes those policies and procedures that 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our Financial Statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made in accordance with authorizations of management and the directors of the Partnership and 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the 2013 framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management believes that our internal control over financial reporting was effective as of December 31, 2016.

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However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements even when determined to be effective and can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with relevant policies and procedures may deteriorate.

Deloitte Certified Public Accountants S.A. (“Deloitte”), our independent registered public accounting firm, has audited the Financial Statements included herein and our internal control over financial reporting and has issued an attestation report on the effectiveness of our internal control over financial reporting which is reproduced in its entirety in Item 15(c) below.

C. Attestation Report of the Registered Public Accounting Firm.

To the Board of Directors and Unitholders of
Capital Product Partners L.P.
Majuro, Republic of the Marshall Islands.

We have audited the internal control over financial reporting of Capital Product Partners L.P. and subsidiaries (the “Partnership”) as of December 31, 2016, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Partnership’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Management’s Annual Report on Internal Control over Financial Reporting.” Our responsibility is to express an opinion on the Partnership’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Partnership and our report dated February 3, 2017 expressed an unqualified opinion on those financial statements.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece
February 3, 2017

D. Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during the year covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 16A. Audit Committee Financial Expert.

Our board of directors has determined that director Abel Rasterhoff, the chairman of our audit committee, qualifies as an audit committee financial expert for purposes of the U.S. Sarbanes-Oxley Act of 2002 and is independent under applicable Nasdaq Global Select Market and SEC standards.

Item 16B. Code of Ethics.

Our board of directors has adopted a Code of Business Conduct and Ethics that includes a Code of Ethics (the "Code of Ethics") that applies to the Partnership and all of its employees, directors and officers, including its chief executive officer, chief financial officer, chief accounting officer or controller, its agents and persons performing similar functions, including for the avoidance of doubt any employees, officers or directors of Capital Ship Management, wherever located, as well as to all of the Partnership's subsidiaries and other business entities controlled by it worldwide. The Code of Ethics incorporates terms and conditions consistent with the FCPA and U.K. Bribery Act, and includes a Gifts and Entertainment policy.

This document is available under "Corporate Governance" in the Investor Relations area of our web site (www.capitalplp.com). We will also provide a hard copy of our Code of Ethics free of charge upon written request. We intend to disclose, under "Corporate Governance" in the Investor Relations area of our web site, any waivers to or amendments of the Code of Ethics for the benefit of any of our directors and executive officers within five business days of such waiver or amendment.

Item 16C. Principal Accountant Fees and Services.

Our principal accountant for 2016 and 2015 was Deloitte. The following table shows the fees we paid or accrued for audit services provided by Deloitte for these periods (in thousands of U.S. Dollars).

<u>Fees</u>	<u>2016</u>	<u>2015</u>
Audit Fees(1)	\$405.2	\$553.0
Audit-Related Fees	—	—
Tax Fees(2)	26.6	28.2
Total	\$431.8	\$581.2

- (1) Audit fees represent fees for professional services provided in connection with the audit of our Financial Statements included herein, review of our quarterly consolidated financial information, audit services provided in connection with other regulatory filings, issuance of consents and assistance with and review of documents filed with the SEC.
- (2) Tax fees represent fees for professional services provided in connection with various U.S. income tax compliance and information reporting matters.

The audit committee of our board of directors has the authority to pre-approve permissible audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees. Engagements for proposed services either may be separately pre-approved by the audit committee or entered into pursuant to detailed pre-approval policies and procedures established by the audit committee, as long as the audit committee is informed on a timely basis of any engagement entered into on that basis. The audit committee separately pre-approved all engagements and fees paid to our principal accountant in 2016 and 2015.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

None.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

In October 2016, we issued 283,696 new common units to Capital Maritime in connection with the acquisition of M/T Amor, at a price of \$3.21 per common unit.

In May 2016, Capital Maritime announced that it has acquired 459,799 common units in open market transactions and that it entered into a Rule 10b5-1 trading plan (the “10b5-1 Plan”) with an independent broker-dealer for the further purchase of up to 5,000,000 common units, subject to pre-determined pricing parameters. The 10b5-1 Plan has expired. No further purchase of common units was made thereunder.

Following these transactions, Capital Maritime owned 17,291,768 common units, representing a 14.2% interest in us. As of December 31, 2016, the Marinakis family, including Evangelos M. Marinakis, may be deemed to beneficially own on a fully converted basis a 16.7% interest in us (18.5% on a non-fully converted basis), through, among others, Capital Maritime.

Item 16F. Change in Registrant’s Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance.

The Nasdaq Global Select Market requires limited partnerships with listed units to comply with its corporate governance standards. As a foreign private issuer, we are not required to comply with all of the rules that apply to listed U.S. limited partnerships. However, we have generally chosen to comply with most of the Nasdaq Global Select Market’s corporate governance rules as though we were a U.S. limited partnership. Although we are not required to have a majority of independent directors on our board of directors or to establish a compensation committee or a nominating/corporate governance committee, our board of directors has established an audit committee and a conflicts committee comprised solely of independent directors. Accordingly, we do not believe there are any significant differences between our corporate governance practices and those that would typically apply to a U.S. domestic issuer that is a limited partnership under the corporate governance standards of the Nasdaq Global Select Market. Please see “Item 6C: Board Practices” and “Item 10B: Memorandum and Articles of Association” for more detail regarding our corporate governance practices.

PART III**Item 17. Financial Statements**

Not Applicable.

Item 18. Financial Statements**INDEX TO FINANCIAL STATEMENTS****CAPITAL PRODUCT PARTNERS L.P.**[Report of Independent Registered Public Accounting Firm](#)**Page**

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[Consolidated Balance Sheets as of December 31, 2016 and 2015](#)

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[Consolidated Statement of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014](#)

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[Consolidated Statement of Changes in Partners' Capital for the years ended December 31, 2016, 2015 and 2014](#)

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[Consolidated Statement of Cash Flows for the years ended December 31, 2016, 2015 and 2014](#)

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[Notes to the Consolidated Financial Statements](#)

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Item 19. Exhibits

The following exhibits are filed as part of this Annual Report:

<u>Exhibit No.</u>	<u>Description</u>
1.1	Certificate of Limited Partnership of Capital Product Partners L.P.(1)
1.2	Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated February 22, 2010(7)
1.3	Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated September 30, 2011(8)
1.4	Second Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated March 19, 2013(14)
1.5	Third Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated May 22, 2012(15)
1.6	Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated August 25, 2014(17)
1.7	Certificate of Formation of Capital GP L.L.C.(1)
1.8	Limited Liability Company Agreement of Capital GP L.L.C.(1)
1.9	Certificate of Formation of Capital Product Operating GP L.L.C.(1)
4.1	Revolving \$370.0 Million Credit Facility, dated March 22, 2007(1)
4.2	First Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated September 19, 2007(2)
4.3	Second Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated June 11, 2008(3)
4.4	Third Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated April 7, 2009(6)
4.5	Fourth Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated April 8, 2009(6)
4.6	Fifth Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated October 2, 2009(6)
4.7	Sixth Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated June 30, 2010(9)

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<u>Exhibit No.</u>	<u>Description</u>
4.8	Seventh Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated November 30, 2010 ⁽⁹⁾
4.9	Eighth Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated December 23, 2011 ⁽¹³⁾
4.10	Ninth Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated May 21, 2012 ⁽¹⁴⁾
4.11	Tenth Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated November 4, 2013 ⁽²¹⁾
4.12	Eleventh Supplemental Agreement to Revolving \$370.0 Million Credit Facility, dated April 30, 2015 ⁽²¹⁾
4.13	Revolving \$350.0 Million Credit Facility, dated March 19, 2008 ⁽²⁾
4.14	First Supplemental Agreement to Revolving \$350.0 Million Credit Facility, dated October 2, 2009 ⁽⁶⁾
4.15	Second Supplemental Agreement to Revolving \$350.0 Million Credit Facility, dated June 30, 2010 ⁽⁹⁾
4.16	Third Supplemental Agreement to Revolving \$350.0 Million Credit Facility, dated May 21, 2012 ⁽¹⁴⁾
4.17	Fourth Supplemental Agreement to Revolving \$350.0 Million Credit Facility, dated December 21, 2012 ⁽¹⁶⁾
4.18	Fifth Supplemental Agreement to Revolving \$350.0 Million Credit Facility, dated April 28, 2015 ⁽²¹⁾
4.19	Loan Agreement with Emporiki Bank of Greece S.A., dated June 9, 2011 ⁽¹³⁾
4.20	Supplemental Deed to Loan Agreement with Emporiki Bank of Greece S.A., dated April 28, 2015 ⁽²¹⁾
4.21	Amended and Restated Loan Agreement with ING Bank N.V., HSH Nordbank AG, National Bank of Greece S.A. and Skandinaviska Enskilda Banken AB (publ), dated December 27, 2013 ⁽¹⁸⁾
4.22	Loan Agreement between Filonikis Product Carrier S.A. and others and ING Bank N.V., London Branch as Facility Agent and Security Trustee and ING Bank N.V. as Swap Bank, dated November 19, 2015.
4.23	Guarantee Relating to Loan Agreement dated 19 November 2015 between Capital Product Partners L.P as Guarantor and ING Bank N.V., London Branch as Security Trustee, dated November 19, 2015
4.24	Amended and Restated Omnibus Agreement, dated September 30, 2011 ⁽⁸⁾
4.25	Amended and Restated Management Agreement with Capital Ship Management, dated May 9, 2013 ⁽¹⁸⁾
4.26	Amended and Restated Management Agreement with Capital Ship Management, dated November 30, 2013 ⁽¹⁸⁾
4.27	Amended and Restated Management Agreement with Capital Ship Management, dated February 28, 2014 ⁽¹⁹⁾
4.28	Amended and Restated Management Agreement with Capital Ship Management, dated December 31, 2014 ⁽¹⁹⁾
4.29	Amended and Restated Management Agreement with Capital Ship Management, dated July 1, 2015 ⁽²¹⁾
4.30	Amended and Restated Management Agreement with Capital Ship Management, dated October 1, 2015 ⁽²¹⁾
4.31	Amended and Restated Management Agreement with Capital Ship Management, dated March 1, 2016
4.32	Amended and Restated Management Agreement with Capital Ship Management, dated September 28, 2016
4.33	Floating Rate Management Agreement with Capital Ship Management Corp., dated June 9, 2011 ⁽¹³⁾
4.34	Amendment 1 to Floating Rate Management Agreement with Capital Ship Management Corp., dated August 4, 2011 ⁽¹³⁾
4.35	Amendment 2 to Floating Rate Management Agreement with Capital Ship Management Corp., dated December 5, 2011 ⁽¹³⁾
4.36	Amendment 3 to Floating Rate Management Agreement with Capital Ship Management Corp., dated April 18, 2012 ⁽¹⁶⁾
4.37	Amendment 4 to Floating Rate Management Agreement with Capital Ship Management Corp., dated June 13, 2011 ⁽¹⁶⁾
4.38	Amendment 5 to Floating Rate Management Agreement with Capital Ship Management Corp., dated August 26, 2012 ⁽¹⁶⁾
4.39	Amendment 6 to Floating Rate Management Agreement with Capital Ship Management Corp., dated September 15, 2012 ⁽¹⁶⁾
4.40	Amendment 7 to Floating Rate Management Agreement with Capital Ship Management Corp., dated December 22, 2012 ⁽¹⁶⁾

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<u>Exhibit No.</u>	<u>Description</u>
4.41	Amendment 8 to Floating Rate Management Agreement with Capital Ship Management Corp., dated December 24, 2012 ⁽¹⁶⁾
4.42	Amendment 9 to Floating Rate Management Agreement with Capital Ship Management Corp., dated January 22, 2013 ⁽¹⁸⁾
4.43	Amendment 10 to Floating Rate Management Agreement with Capital Ship Management Corp., dated March 20, 2013 ⁽¹⁸⁾
4.44	Amendment 11 to Floating Rate Management Agreement with Capital Ship Management Corp., dated September 11, 2013 ⁽¹⁸⁾
4.45	Amendment 12 to Floating Rate Management Agreement with Capital Ship Management Corp., dated November 28, 2013 ⁽¹⁸⁾
4.46	Amendment 13 to Floating Rate Management Agreement with Capital Ship Management Corp., dated April 1, 2014 ⁽¹⁹⁾
4.47	Amendment 14 to Floating Rate Management Agreement with Capital Ship Management Corp., dated May 18, 2014 ⁽¹⁹⁾
4.48	Amendment 15 to Floating Rate Management Agreement with Capital Ship Management Corp., dated December 31, 2014 ⁽¹⁹⁾
4.49	Amendment 16 to Floating Rate Management Agreement with Capital Ship Management Corp., dated March 31, 2015 ⁽²¹⁾
4.50	Amendment 17 to Floating Rate Management Agreement with Capital Ship Management Corp., dated June 10, 2015 ⁽²¹⁾
4.51	Amendment 18 to Floating Rate Management Agreement with Capital Ship Management Corp., dated June 30, 2015 ⁽²¹⁾
4.52	Amendment 19 to Floating Rate Management Agreement with Capital Ship Management Corp., dated September 18, 2015 ⁽²¹⁾
4.53	Amendment 20 to Floating Rate Management Agreement with Capital Ship Management Corp., dated October 1, 2015 ⁽²¹⁾
4.54	Amendment 21 to Floating Rate Management Agreement with Capital Ship Management Corp., dated February 26, 2016
4.55	Amendment 22 to Floating Rate Management Agreement with Capital Ship Management Corp., dated September 1, 2016
4.56	Amendment 23 to Floating Rate Management Agreement with Capital Ship Management Corp., dated September 28, 2016
4.57	Amendment 24 to Floating Rate Management Agreement with Capital Ship Management Corp., dated October 24, 2016
4.58	Amendment 25 to Floating Rate Management Agreement with Capital Ship Management Corp., dated December 1, 2016
4.59	Administrative Services Agreement with Capital Ship Management ⁽¹⁾
4.60	Amendment 1 to Administrative Services Agreement with Capital Ship Management Corp., dated April 2, 2012 ⁽¹⁶⁾
4.61	Share Purchase Agreement for M/T Active, dated March 31, 2015 ⁽²¹⁾
4.62	Share Purchase Agreement for M/V CMA CGM Amazon, dated June 10, 2015 ⁽²¹⁾
4.63	Share Purchase Agreement for M/T Amadeus, dated June 30, 2015 ⁽²¹⁾
4.64	Share Purchase Agreement for M/V CMA CGM Uruguay, dated September 18, 2015 ⁽²¹⁾
4.65	Share Purchase Agreement for M/V CMA CGM Magdalena, dated February 26, 2016
4.66	Share Purchase Agreement for M/T Amor dated October 24, 2016
4.67	Master Vessel Acquisition Agreement, dated July 24, 2014 ⁽¹⁹⁾
4.68	Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan, dated April 29, 2008 ⁽⁴⁾
4.69	Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan, amended July 22, 2010 ⁽⁹⁾
4.70	Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan, amended August 21, 2014 ⁽¹⁷⁾
4.71	Crude Carriers Corp. Equity Incentive Plan, dated March 1, 2010 ⁽¹⁰⁾
4.72	Form of Management Agreement between Crude Carriers Corp. and Capital Ship Management Corp. ⁽¹⁰⁾
4.73	Amendment No. 1 to Crude Carriers Management Agreement, dated August 5, 2010 ⁽¹¹⁾

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<u>Exhibit No.</u>	<u>Description</u>
4.74	Amendment No. 2 to Crude Carriers Management Agreement, dated August 6, 2010 ⁽¹¹⁾
4.75	Memorandum of Agreement for acquisition of M/T Aristotelis (ex M/T Aristarchos), dated October 16, 2013 ⁽¹⁸⁾
4.76	Memorandum of Agreement for disposition of M/T Agamemnon II, dated October 17, 2013 ⁽¹⁸⁾
4.77	Form Restricted Unit Award of Capital Product Partners L.P. ⁽⁹⁾
4.78	Subscription Agreement, dated March 15, 2013 ⁽¹⁵⁾
4.79	Assignment of Claim Agreement, dated June 24, 2013 ⁽¹⁸⁾
4.80	Assignment of Claim Agreement, dated June 24, 2013 ⁽¹⁸⁾
4.81	Settlement Notice and Refund Modification, dated December 18, 2013 ⁽¹⁸⁾
4.82	Equity Distribution Agreement, dated September 12, 2016, with UBS Securities LLC in connection with at-the-market offering ⁽²²⁾
8.1	List of Subsidiaries of Capital Product Partners L.P.
12.1	Rule 13a-14(a)/15d-14(a) Certification of Capital Product Partners L.P.'s Chief Executive Officer
12.2	Rule 13a-14(a)/15d-14(a) Certification of Capital Product Partners L.P.'s Chief Financial Officer
13.1	Capital Product Partners L.P. Certification of Gerasimos (Jerry) Kalogiratos, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002*
13.2	Capital Product Partners L.P. Certification of Gerasimos (Jerry) Kalogiratos, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002*
15.1	Consent of Deloitte Hadjipavlou, Sofianos & Cambanis S.A.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Previously filed as an exhibit to Capital Product Partners L.P.'s Registration Statement on Form F-1 (File No. 333-141422), filed with the SEC on March 19, 2007 and hereby incorporated by reference to such Registration Statement.
- (2) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2007 and filed with the SEC on April 4, 2008.
- (3) Previously filed as an exhibit to the registrant's Registration Statement on Form F-3 filed with the SEC on August 29, 2008.
- (4) Previously filed as a Current Report on Form 6-K with the SEC on April 30, 2008.
- (5) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2008 and filed with the SEC on March 27, 2009.
- (6) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2009 and filed with the SEC on February 4, 2010.
- (7) Previously filed as a Current Report on Form 6-K with the SEC on February 24, 2010.
- (8) Previously filed as a Current Report on Form 6-K with the SEC on September 30, 2011.
- (9) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2010 and filed with the SEC on February 4, 2011.
- (10) Previously filed as an exhibit to Crude Carriers Corp.'s Registration Statement on Form F-1 (File No. 333-165138), filed with the SEC on March 1, 2010, and incorporated by reference to such Registration Statement.
- (11) Previously filed as an exhibit to Crude Carriers Corp.'s Annual Report on Form 20-F for the year ended December 31, 2010 and filed with the SEC on April 18, 2011.
- (12) Previously filed as a Current Report on Form 6-K with the SEC on May 9, 2011.

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- (13) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2011 and filed with the SEC on February 13, 2012.
- (14) Previously furnished as a Current Report on Form 6-K with the SEC on May 23, 2012.
- (15) Previously furnished as a Current Report on Form 6-K with the SEC on March 21, 2013.
- (16) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2012 and filed with the SEC on February 5, 2013.
- (17) Previously furnished as a Current Report on Form 6-K with the SEC on August 26, 2014.
- (18) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2013 and filed with the SEC on February 18, 2014.
- (19) Previously furnished as a Current Report on Form 6-K with the SEC on July 29, 2014.
- (20) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2014 and filed with the SEC on February 26, 2015.
- (21) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2015 and filed with the SEC on February 17, 2016.
- (22) Previously filed as a Current Report on Form 6-K with the SEC on September 12, 2016.
- * Furnished only and not filed

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL PRODUCT PARTNERS L.P.,

By: Capital GP L.L.C., its general partner

By: /s/ Gerasimos (Jerry) Kalogiratos

Name: Gerasimos (Jerry) Kalogiratos

Title: Chief Executive Officer and Chief
Financial Officer of Capital GP L.L.C.

Dated: February 3, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of
Capital Product Partners L.P.
Majuro, Republic of the Marshall Islands.

We have audited the accompanying consolidated balance sheets of Capital Product Partners L.P. and subsidiaries (the “Partnership”) as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in partners’ capital, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Capital Product Partners L.P. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Partnership’s internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 3, 2017 expressed an unqualified opinion on the Partnership’s internal control over financial reporting.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece
February 3, 2017

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Capital Product Partners L.P.
Consolidated Balance Sheets
(In thousands of United States Dollars, except number of units)

	As of December 31, 2016	As of December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 106,678	\$ 90,190
Trade accounts receivable, net	2,497	2,680
Prepayments and other assets	3,943	2,547
Inventories	4,761	4,407
Total current assets	117,879	99,824
Fixed assets		
Advances for vessels under construction – related party (Notes 4, 5)	—	18,172
Vessels, net (Note 5)	1,367,731	1,315,485
Total fixed assets	1,367,731	1,333,657
Other non-current assets		
Above market acquired charters (Note 6)	90,243	100,518
Deferred charges, net	4,154	3,482
Restricted cash (Note 7)	18,000	17,000
Prepayments and other assets	598	1,394
Total non-current assets	1,480,726	1,456,051
Total assets	\$ 1,598,605	\$ 1,555,875
Liabilities and Partners' Capital		
Current liabilities		
Current portion of long-term debt, net (Note 7)	\$ 39,568	\$ 11,922
Trade accounts payable	8,686	8,431
Due to related parties (Note 4)	16,095	22,154
Accrued liabilities (Note 9)	7,861	7,872
Deferred revenue, current (Note 4)	19,986	10,867
Total current liabilities	92,196	61,246
Long-term liabilities		
Long-term debt, net (Note 7)	562,619	555,888
Deferred revenue	16,033	921
Total long-term liabilities	578,652	556,809
Total liabilities	670,848	618,055
Commitments and contingencies (Note 16)		
Partners' capital		
General Partner	16,685	16,998
Limited Partners - Common (122,094,633 and 120,409,456 units issued and outstanding at December 31, 2016 and 2015, respectively)	800,566	810,239
Limited Partners - Preferred (12,983,333 Class B units issued and outstanding at December 31, 2016 and 2015)	110,506	110,583
Total partners' capital	927,757	937,820
Total liabilities and partners' capital	\$ 1,598,605	\$ 1,555,875

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)**Capital Product Partners L.P.****Consolidated Statements of Comprehensive Income****(In thousands of United States Dollars, except number of units and net income per unit)**

	For the years ended December 31,		
	2016	2015	2014
Revenues	\$ 205,594	\$ 156,613	\$ 119,907
Revenues – related party (Note 4)	36,026	63,731	72,870
Total Revenues	241,620	220,344	192,777
Expenses:			
Voyage expenses (Note 10)	9,920	6,479	5,907
Voyage expenses - related party (Notes 4, 10)	360	411	338
Vessel operating expenses (Note 10)	66,637	58,625	48,714
Vessel operating expenses - related party (Notes 4, 10)	10,866	11,708	13,315
General and administrative expenses (Note 4)	6,253	6,608	6,316
Vessel depreciation and amortization (Note 5)	71,897	62,707	57,476
Operating income	75,687	73,806	60,711
Other income / (expense), net:			
Interest expense and finance cost (Note 7)	(24,302)	(20,143)	(19,225)
Other income	1,104	1,747	2,526
Total other expense, net	(23,198)	(18,396)	(16,699)
Partnership's net income	\$ 52,489	\$ 55,410	\$ 44,012
Preferred unit holders' interest in Partnership's net income	\$ 11,101	\$ 11,334	\$ 14,042
General Partner's interest in Partnership's net income	\$ 818	\$ 879	\$ 593
Common unit holders' interest in Partnership's net income	\$ 40,570	\$ 43,197	\$ 29,377
Net income per (Note 14):			
• Common unit, basic and diluted	\$ 0.34	\$ 0.38	\$ 0.31
Weighted-average units outstanding:			
• Common units, basic and diluted	119,803,329	115,030,879	93,353,168
Total Partnership's comprehensive income:	\$ 52,489	\$ 55,410	\$ 44,012

The accompanying notes are an integral part of these consolidated financial statements.

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Capital Product Partners L.P.
Consolidated Statements of Changes in Partners' Capital
(In thousands of United States Dollars)

	<u>General Partner</u>	<u>Common Unitholders</u>	<u>Preferred Unitholders</u>	<u>Total</u>
Balance at December 31, 2013	\$12,310	\$ 606,413	\$ 162,703	\$ 781,426
Distributions declared and paid (distributions of \$0.93 per common and \$0.86 per preferred unit) (Note 12)	(1,725)	(86,027)	(15,046)	(102,798)
Partnership's net income	593	29,377	14,042	44,012
Issuance of Partnership's units (Note 12)	—	173,504	—	173,504
Repurchase from Capital Maritime & Trading Corp. ("CMTC") and cancellation of Partnership's units (Note 12)	—	(60,000)	—	(60,000)
Excess between the fair value of the contracted vessels and the contractual cash consideration (Note 5)	728	35,689	—	36,417
Conversion of Partnership's units (Note 12)	3,696	36,591	(40,287)	—
Balance at December 31, 2014	\$15,602	\$ 735,547	\$ 121,412	\$ 872,561
	<u>General Partner</u>	<u>Common Unitholders</u>	<u>Preferred Unitholders</u>	<u>Total</u>
Balance at December 31, 2014	\$15,602	\$ 735,547	\$ 121,412	\$ 872,561
Distributions declared and paid (distributions of \$0.94 per common and \$0.87 per preferred unit) (Note 12)	(2,225)	(109,027)	(11,521)	(122,773)
Partnership's net income	879	43,197	11,334	55,410
Issuance of Partnership's units (Note 12)	—	132,588	—	132,588
Equity compensation expense (Note 13)	—	34	—	34
Conversion of Partnership's units (Note 12)	2,742	7,900	(10,642)	—
Balance at December 31, 2015	\$16,998	\$ 810,239	\$ 110,583	\$ 937,820
	<u>General Partner</u>	<u>Common Unitholders</u>	<u>Preferred Unitholders</u>	<u>Total</u>
Balance at December 31, 2015	\$16,998	\$ 810,239	\$ 110,583	\$937,820
Distributions declared and paid (distributions of \$0.46 per common and \$0.86 per preferred unit) (Note 12)	(1,131)	(55,884)	(11,178)	(68,193)
Partnership's net income	818	40,570	11,101	52,489
Issuance of Partnership's units (Note 12)	—	4,567	—	4,567
Equity compensation expense (Note 13)	—	1,074	—	1,074
Balance at December 31, 2016	\$16,685	\$ 800,566	\$ 110,506	\$927,757

The accompanying notes are an integral part of these consolidated financial statements.

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Capital Product Partners L.P.
Consolidated Statements of Cash flows
(In thousands of United States Dollars)

	For the year ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	52,489	55,410	44,012
Adjustments to reconcile net income to net cash provided by operating activities:			
Vessel depreciation and amortization (Note 5)	71,897	62,707	57,476
Amortization and write off of deferred financing costs	1,250	908	809
Amortization of above market acquired charters (Note 6)	14,542	14,864	16,000
Equity compensation expense (Note 13)	1,074	34	—
Changes in operating assets and liabilities:			
Trade accounts receivable	183	(92)	1,777
Due from related parties	—	55	612
Prepayments and other assets	(600)	(2,102)	(463)
Inventories	(354)	(973)	(694)
Trade accounts payable	(595)	1,929	(1,570)
Due to related parties	(6,059)	4,657	3,811
Accrued liabilities	662	1,114	178
Deferred revenue	24,267	(2,207)	3,919
Dry docking costs paid	(3,670)	(2,095)	(590)
Net cash provided by operating activities	155,086	134,209	125,277
Cash flows from investing activities:			
Vessel acquisitions and improvements including time charter agreements (Notes 5, 6)	(90,782)	(207,937)	(103)
Advances for vessels under construction – related party (Note 5)	—	—	(30,224)
Increase in restricted cash	(1,000)	(2,000)	—
Net cash used in investing activities	(91,782)	(209,937)	(30,327)
Cash flows from financing activities:			
Proceeds from issuance of Partnership units (Note 12)	4,546	133,327	173,932
Expenses paid for issuance of Partnership units	(784)	(739)	(416)
Repurchase from CMTC and cancellation of Partnership's units (Note 12)	—	—	(60,000)
Proceeds from issuance of long-term debt (Note 7)	35,000	115,000	—
Payments of long-term debt (Note 7)	(17,354)	(121,299)	(5,400)
Deferred financing costs paid	(31)	(1,797)	(41)
Dividends paid (Note 12)	(68,193)	(122,773)	(102,798)
Net cash (used in) / provided by financing activities	(46,816)	1,719	5,277
Net increase / (decrease) in cash and cash equivalents	16,488	(74,009)	100,227
Cash and cash equivalents at the beginning of the year	90,190	164,199	63,972
Cash and cash equivalents at the end of the year	106,678	90,190	164,199
Supplemental cash flow information			
Cash paid for interest	\$ 23,763	\$ 16,759	\$ 16,564
Non-Cash Investing and Financing Activities			
Excess between the fair value of the contracted vessels and the contractual cash consideration (Note 5)	\$ —	\$ —	\$ 36,417
Capital expenditures included in liabilities	\$ 1,383	\$ 769	\$ 183
Offering expenses included in liabilities	\$ 106	\$ —	\$ 12
Capitalized dry docking costs included in liabilities	\$ 1,141	\$ 1,687	\$ —
Assumption of loan regarding the acquisition of the shares of Filonikis Product Carrier S.A. ("Filonikis") (Notes 3, 7)	\$ 15,750	\$ —	\$ —
Units issued to acquire Filonikis (Note 3)	\$ 911	\$ —	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

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Capital Product Partners L.P.

Notes to the Consolidated Financial Statements

(In thousands of United States Dollars, except number of units)

1. Basis of Presentation and General Information

Capital Product Partners, L.P. was formed on January 16, 2007, under the laws of the Marshall Islands. The Partnership is an international shipping company. Its fleet of thirty six modern high specification vessels consists of four suezmax crude oil tankers, twenty-one modern medium range tankers, all of which are classed as IMO II/III chemical/product carriers, ten post-panamax container carrier vessels and one capesize bulk carrier. Its vessels are capable of carrying a wide range of cargoes, including crude oil, refined oil products, such as gasoline, diesel, fuel oil and jet fuel, edible oils and certain chemicals, such as ethanol, as well as dry cargo and containerized goods under short-term voyage charters and medium to long-term time and bareboat charters.

The consolidated financial statements include Capital Product Partners, L.P. and the following vessel-owning companies and operating companies (collectively the "Partnership") which were all incorporated or formed under the laws of the Marshall Islands and Liberia.

Subsidiary	Date of Incorporation	Name of Vessel Owned by Subsidiary	DWT	Date acquired by the Partnership	Date acquired by CMTC
Capital Product Operating LLC	01/16/2007	—	—	—	—
Crude Carriers Corp.	10/29/2009	—	—	09/30/2011	—
Crude Carriers Operating Corp.	01/21/2010	—	—	09/30/2011	—
Shipping Rider Co.	09/16/2003	M/T Atlantias II	36,760	04/04/2007	04/26/2006
Canvey Shipmanagement Co.	03/18/2004	M/T Assos	47,872	08/16/2010 04/04/2007	05/17/2006
Centurion Navigation Limited	08/27/2003	M/T Aktoras (M/T British Envoy)	36,759	04/04/2007	07/12/2006
Polarwind Maritime S.A.	10/10/2003	M/T Agisilaos	36,760	04/04/2007	08/16/2006
Carnation Shipping Company	11/10/2003	M/T Arionas	36,725	04/04/2007	11/02/2006
Apollonas Shipping Company	02/10/2004	M/T Avax	47,834	04/04/2007	01/12/2007
Tempest Maritime Inc.	09/12/2003	M/T Aiolos (M/T British Emissary)	36,725	04/04/2007	03/02/2007
Iraklitos Shipping Company	02/10/2004	M/T Axios	47,872	04/04/2007	02/28/2007
Epicurus Shipping Company	02/11/2004	M/T Atrotos	47,786	03/01/2010 05/08/2007	05/08/2007
Laredo Maritime Inc.	02/03/2004	M/T Akeraios	47,781	07/13/2007	07/13/2007
Lorenzo Shipmanagement Inc.	05/26/2004	M/T Apostolos	47,782	09/20/2007	09/20/2007
Splendor Shipholding S.A.	07/08/2004	M/T Anemos I	47,782	09/28/2007	09/28/2007
Ross Shipmanagement Co.	12/29/2003	M/T Attikos	12,000	09/24/2007	01/20/2005
Sorrel Shipmanagement Inc.	02/07/2006	M/T Alexandros II (M/T Overseas Serifos)	51,258	01/29/2008	01/29/2008
Baymont Enterprises Incorporated	05/29/2007	M/T Amore Mio II	159,982	03/27/2008	07/31/2007
Forbes Maritime Co.	02/03/2004	M/T Aristofanis	12,000	04/30/2008	06/02/2005
Wind Dancer Shipping Inc.	02/07/2006	M/T Aristotelis II (M/T Overseas Sifnos)	51,226	06/17/2008	06/17/2008
Belerion Maritime Co.	01/24/2006	M/T Aris II (M/T Overseas Kimolos)	51,218	08/20/2008	08/20/2008
Mango Finance Corp.	07/14/2006	M/T Agamemnon II	51,238	04/07/2009	11/24/2008
Navarro International S.A.	07/14/2006	M/T Ayrton II	51,260	04/13/2009	04/10/2009
Adrian Shipholding Inc.	06/22/2004	M/T Alkiviadis	36,721	06/30/2010	03/29/2006
Patroklos Marine Corp.	06/17/2008	M/V Cape Agamemnon	179,221	06/09/2011	01/25/2011
Cooper Consultants Co. renamed to Miltiadis M II Carriers Corp.	04/06/2006	M/T Miltiadis M II	162,397	09/30/2011	04/26/2006

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Capital Product Partners L.P.

Notes to the Consolidated Financial Statements

(In thousands of United States Dollars, except number of units)

1. Basis of Presentation and General Information – Continued

Subsidiary	Date of Incorporation	Name of Vessel Owned by Subsidiary	DWT	Date acquired by the Partnership	Date acquired by CMTC
Amoureux Carriers Corp.	04/14/2010	M/T Amoureux	149,993	09/30/2011	—
Aias Carriers Corp.	04/14/2010	M/T Aias	150,393	09/30/2011	—
Agamemnon Container Carrier Corp.	04/19/2012	M/V Agamemnon	108,892	12/22/2012	06/28/2012
Archimidis Container Carrier Corp.	04/19/2012	M/V Archimidis	108,892	12/22/2012	06/22/2012
Aenaos Product Carrier S.A.	10/16/2013	M/T Aristotelis	51,604	11/28/2013	—
Anax Container Carrier S.A.	04/08/2011	M/V Hyundai Prestige	63,010	09/11/2013	02/19/2013
Hercules Container Carrier S.A.	04/08/2011	M/V Hyundai Premium	63,010	03/20/2013	03/11/2013
Iason Container Carrier S.A.	04/08/2011	M/V Hyundai Paramount	63,010	03/27/2013	03/27/2013
Theseas Container Carrier S.A.	04/08/2011	M/V Hyundai Privilege	63,010	09/11/2013	05/31/2013
Cronus Container Carrier S.A.	07/19/2011	M/V Hyundai Platinum	63,010	09/11/2013	06/14/2013
Miltiadis M II Corp.	08/28/2012	—	—	—	—
Dias Container Carrier S.A.	05/16/2013	M/V Akadimos (renamed to “CMA CGM Amazon”) (1)	115,145	06/10/2015	06/10/2015
Poseidon Container Carrier S.A.	05/16/2013	M/V Adonis (renamed to “CMA CGM Uruguay”) (1)	115,639	09/18/2015	09/18/2015
Isiodos Product Carrier S.A.	05/31/2013	M/T Active (1)	50,136	03/31/2015	03/31/2015
Titanas Product Carrier S.A.	05/31/2013	M/T Amadeus (1)	50,108	06/30/2015	06/30/2015
Atrotos Container Carrier S.A.	10/25/2013	M/V Anaxagoras (renamed to “CMA CGM Magdalena”) (1)	115,639	02/26/2016	02/26/2016
Filonikis Product Carrier S.A.	05/31/2013	M/T Amor	49,999	10/24/2016	09/30/2015

(1) Vessels that were acquired according to the terms of the Master Vessel Acquisition Agreement (“Master Agreement”) (Notes 5, 12).

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
(In thousands of United States Dollars)

2. Significant Accounting Policies

- (a) **Principles of Consolidation:** The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), and include the accounts of the legal entities comprising the Partnership as discussed in Note 1. Intra-group balances and transactions have been eliminated upon consolidation.
- (b) **Use of Estimates:** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.
- (c) **Accounting for Revenue, Voyage and Operating Expenses:** The Partnership generates its revenues from charterers for the charter hire of its vessels. Vessels are chartered on time charters, bareboat charters or voyage charters. A time charter is a contract for the use of a vessel for a specific period of time and a specified daily charter hire rate, which is generally payable monthly in advance. Some of the Partnership’s time charters also include profit sharing provisions, under which the Partnership can realize additional revenues in the event that spot rates are higher than the base rates in these time charters. A bareboat charter is a contract in which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate, which is generally payable monthly in advance, and the charterer generally assumes all risk and costs of operation during the bareboat charter period. A voyage charter is a contract, in which the vessel owner undertakes to transport a specific amount and type of cargo on a load port-to-discharge port basis, subject to various cargo handling terms. Under a typical voyage charter, the vessel owner is paid on the basis of moving cargo from a loading port to a discharge port. In voyage charters the vessel owner is generally responsible for paying both vessel operating costs and voyage expenses, and the charterer generally is responsible for any delay at the loading or discharging ports. A voyage is deemed to commence upon the later of the completion of discharge of the vessel’s previous cargo or upon vessel arrival to the agreed upon port, based on the terms of a voyage contract that is not cancellable and voyage is deemed to end upon the completion of discharge of the delivered cargo. Revenues under voyage charter agreements are recognized on a pro-rata basis.

Time, bareboat and voyage charter revenues are recognized when a charter agreement exists, charter rate is fixed and determinable, the vessel is made available to the lessee, and collection of the related revenue is reasonably assured. Revenues are recognized ratably on a straight line basis over the period of the respective charter. Revenues from profit sharing arrangements in time charters represent a portion of time charter equivalent (voyage income less direct expenses, divided by operating days), that exceeds the agreed base rate and are recognized in the period earned.

Deferred revenue represents cash and other assets received in advance of being earned and deferred revenue resulting from straight-line revenue recognition in respect of charter agreements that provide for varying charter rates. The portion of the deferred revenue that will be earned within the next twelve months is classified as current liability and the rest as long-term liability.

Vessel voyage expenses are direct expenses to voyage revenues and primarily consist of commissions, port expenses, canal dues and bunkers. Commissions are expensed over the related charter period and all the other voyage expenses are expensed as incurred. In general, under time and bareboat charter agreements, all voyages expenses, except commissions are assumed by the charterer. For voyage charters, all voyage expenses are paid by the Partnership.

Vessel operating expenses presented in the consolidated financial statements mainly consist of:

- Management fees payable to the Partnership’s manager, Capital Shipmanagement Corp. (the “Manager” or “CSM”) under three different types of Management agreements (Note 4); and
- Actual operating expenses, such as crewing, repairs and maintenance, insurance, stores, spares, lubricants and other operating expenses.

Vessel operating expenses are expensed as incurred.

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
(In thousands of United States Dollars)

2. Significant Accounting Policies – Continued

- (d) **Foreign Currency Transactions:** The functional currency of the Partnership is the U.S. Dollar because the Partnership's vessels operate in international shipping markets that utilize the U.S. Dollar as the functional currency. The accounting records of the Partnership are maintained in U.S. Dollars. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in currencies other than the U.S. Dollar, are translated into the functional currency using the exchange rate at those dates. Gains or losses resulting from foreign currency transactions are included in other income in the accompanying consolidated statements of comprehensive income.
- (e) **Cash and Cash Equivalents:** The Partnership considers highly-liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.
- (f) **Restricted cash:** For the Partnership to comply with debt covenants under its credit facilities, it must maintain minimum cash deposits. Such deposits are considered by the Partnership to be restricted cash.
- (g) **Trade Accounts Receivable, Net:** The amount shown as trade accounts receivable primarily consists of earned revenue that has not been billed yet or that it has been billed but not yet collected. At each balance sheet date all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate write off. As of December 31, 2016 and 2015 the respective write off amounted to \$0 and \$22, respectively.
- (h) **Inventories:** Inventories consist of consumable bunkers, lubricants, spares and stores and are stated at the lower of cost or market value. The cost is determined by the first-in, first-out method.
- (i) **Fixed Assets:** Fixed assets consist of vessels, which are stated at cost, less accumulated depreciation. Vessel cost consists of the contract price for the vessel and any material expenses incurred upon their construction (improvements and delivery expenses, on-site supervision costs incurred during the construction periods, as well as capitalized interest expense during the construction period). Vessels acquired through acquisition of businesses are recorded at their acquisition date fair values. The cost of each of the Partnership's vessels is depreciated; beginning when the vessel is ready for its intended use, on a straight-line basis over the vessel's remaining economic useful life, after considering the estimated residual value. Management estimates the scrap value of the Partnership's vessels to be \$0.2 per light weight ton (LWT) and useful life to be 25 years.
- (j) **Impairment of Long-lived Assets:** An impairment loss on long-lived assets is recognized when indicators of impairment are present and the carrying amount of the long-lived asset is greater than its fair value and not believed to be recoverable. In determining future benefits derived from use of long-lived assets, the Partnership performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the asset, including any related intangible assets and liabilities, exceeds its undiscounted future net cash flows, the carrying value is reduced to its fair value. Various factors including future charter rates and vessel operating costs are included in this analysis.
- In recent years, market conditions, as compared to previous years, have changed significantly as a result of the global credit crisis and resulting slowdown in world trade. Charter rates decreased and values of assets were affected. The Partnership considered these market developments as indicators of potential impairment of the carrying amount of its long-lived assets. The Partnership has performed an undiscounted cash flow test based on US GAAP as of December 31, 2016 and 2015, determining undiscounted projected net operating cash flows for the vessels and comparing them to the carrying values of the vessels, and any related intangible assets and liabilities. In developing estimates of future cash flows, the Partnership made assumptions about future charter rates, utilization rates, vessel operating expenses, future dry docking costs and the estimated remaining useful life of the vessels. These assumptions are based on historical trends as well as future expectations that are in line with the Partnership's historical performance and expectations for the vessels' utilization under the current deployment strategy. Based on these assumptions, the Partnership determined that the vessels' and their related intangible assets and liabilities were not impaired as of December 31, 2016 and 2015.
- (k) **Intangible assets:** The Partnership records all identified tangible and intangible assets or any liabilities associated with the acquisition of a business or an asset at fair value. When an asset or a business that owns a vessel is acquired with an existing charter agreement, the Partnership determines the present value of the difference between: (i) the contractual charter rate and (ii) the prevailing market rate for a charter of equivalent duration. When determining present value, the Partnership uses Weighted Average Cost of Capital ("WACC"). The resulting above-market (assets) and below-market (liabilities) charters are amortized using the straight line method as a reduction and increase, respectively, to revenues over the remaining term of the charters.

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
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2. Significant Accounting Policies – Continued

- (l) **Deferred charges net:** are comprised mainly of dry docking costs. The Partnership's vessels are required to be dry docked every thirty to sixty months for major repairs and maintenance that cannot be performed while the vessels are under operation. The Partnership has adopted the deferral method of accounting for dry docking activities whereby costs incurred are deferred and amortized on a straight line basis over the period until the next scheduled dry docking activity.
- (m) **Net Income Per Limited Partner Unit:** Basic net income per limited partner unit is calculated by dividing the Partnership's net income less net income allocable to preferred unit holders, general partner's interest in net income (including incentive distribution rights) and net income allocable to unvested units, by the weighted-average number of common units outstanding during the period (Note 14). Diluted net income per limited partner unit reflects the potential dilution that could occur if securities or other contracts to issue limited partner units were exercised.
- (n) **Segment Reporting:** The Partnership reports financial information and evaluates its operations by charter revenues and not by the length, type of vessel or type of ship employment for its customers, i.e. time or bareboat charters. The Partnership does not use discrete financial information to evaluate the operating results for each such type of charter or vessel. Although revenue can be identified for these types of charters or vessels, management cannot and does not identify expenses, profitability or other financial information for these various types of charters or vessels. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet, and thus the Partnership has determined that it operates as one reportable segment. Furthermore, when the Partnership charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographic information is impracticable.
- (o) **Omnibus Incentive Compensation Plan:** Equity compensation expense represents vested and unvested units granted to employees and to non-employee directors, for their services as directors, as well as to non-employees and are included in general and administrative expenses in the consolidated statements of comprehensive income. Units granted to employees are measured at their fair value equal to the market value of the Partnership's common units on the grant date. Unvested units granted to non-employees are initially and subsequently measured at their then current fair value as of the financial reporting dates. The units that contain a time-based service vesting condition are considered unvested units on the grant date and the total fair value of such units is recognized on a straight-line basis over the requisite service period. In addition, unvested awards granted to non-employees are measured at their then-current fair value as of the financial reporting dates (Note 13).

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
(In thousands of United States Dollars)

2. Significant Accounting Policies – Continued

(p) **Recent Accounting Pronouncements:** In January 2017, the Financial Accounting Standards Board (“FASB”) issued the Accounting Standard Update (“ASU”) 2017-01 Business Combinations to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets or businesses. Under current implementation guidance the existence of an integrated set of acquired activities (inputs and processes that generate outputs) constitutes an acquisition of business. This ASU provides a screen to determine when a set of assets and activities does not constitute a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. The amendments of this ASU should be applied prospectively on or after the effective date. Early adoption is permitted, including adoption in an interim period 1) for transactions for which the acquisition date occurs before the issuance date or effective date of the ASU, only when the transaction has not been reported in financial statements that have been issued or made available for issuance and 2) for transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occur before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. The Partnership is currently evaluating the impact, if any, of the adoption of this new standard.

In November 2016 the FASB issued the ASU 2016-18 – Restricted cash. This ASU requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted, including adoption in an interim period. The implementation of this update affects disclosures only and has no impact on the Partnership’s balance sheet and statement of comprehensive income. The Partnership has not elected early adoption.

In August 2016, the FASB issued the ASU 2016-15 – classification of certain cash payments and cash receipts. This ASU addresses certain cash flow issues with the objective of reducing the existing diversity in practice. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted, including adoption in an interim period. It must be applied retrospectively to all periods presented but may be applied prospectively from the earliest date practicable, if retrospective application would be impracticable. The Partnership believes that the implementation of this update will not have any material impact on its financial statements and has not elected early adoption.

In March 2016, the FASB issued the ASU No 2016-09, Stock Compensation, which is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance will be effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. The Partnership believes that the implementation of this update will not have any material impact on its financial statements.

In February 2016, the FASB issued the ASU 2016-02, Leases (Topic 842). The main provision of this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The FASB decided to not fundamentally change lessor accounting. However, some changes have been made to lessor accounting to conform and align that guidance with the lessee guidance and other areas within U.S. GAAP. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. This update is effective for public entities with reporting periods beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted. The Partnership is currently evaluating the impact, if any, of the adoption of this new standard.

In July 2015, the FASB issued the ASU 2015-11, Simplifying the Measurement of Inventory to simplify the measurement of inventory using first-in, first out (FIFO) or average cost method. According to this ASU an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices less reasonably predictable costs of completion, disposal and transportation. This update is effective for public entities with reporting periods beginning after December 15, 2016. Early adoption is permitted. The Partnership believes that the implementation of this update will not have any material impact on its financial statements and has not elected the early adoption.

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
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2. Significant Accounting Policies – Continued

On May 28, 2014, the FASB issued the ASU No 2014-09 Revenue from Contracts with Customers. ASU 2014-09, as amended, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This standard is effective for public entities with reporting periods beginning after December 15, 2017. Early application is permitted only as of annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. The Partnership believes that the implementation of this standard will not have a material impact on the financial statements since the revenues are generated largely from medium and long charters and has not elected early adoption.

3. Acquisition of Filonikis Product Carrier S.A. (M/T Amor)

On October 24, 2016, following the unanimous recommendation of the conflicts committee and the unanimous approval of the board of directors, the Partnership acquired the shares of Filonikis, the owning company of the M/T Amor from CMTC for a total consideration of \$16,911. The Partnership also assumed, on the acquisition date, CMTC's guarantee with respect to the outstanding balance of \$15,750 of the loan that Filonikis had entered into and was arranged by CMTC (Note 7). The vessel at the time of her acquisition by the Partnership was fixed on a two year time charter with Cargill International S.A. ("Cargill") ending October 2017, with the option to terminate 30 days earlier, and immediately thereafter with CMTC for a two-month period time charter.

The Partnership accounted for the acquisition of Filonikis as an acquisition of a business. All assets and liabilities of Filonikis except the vessel, necessary permits, the time charter agreements and the loan, were retained by CMTC. The purchase price of the acquisition has been allocated to the identifiable assets acquired and liabilities assumed.

• **Purchase Price**

The total purchase consideration of \$16,911 was funded by \$16,000 from the Partnership's cash and the issuance of 283,696 new Partnership's common units at a price of \$3.21 per unit as quoted on the Nasdaq Stock Exchange on October 24, 2016 the day of the acquisition of Filonikis (Note 12).

• **Acquisition related costs**

Acquisition related costs of \$264 are included in general and administrative expenses in the Partnership's consolidated statements of comprehensive income for the year ended December 31, 2016.

• **Purchase price allocation**

The allocation of the purchase price to acquired identifiable assets and liabilities assumed was based on their estimated fair values at the date of acquisition. The fair value allocated to each class of identifiable assets acquired and liabilities assumed of Filonikis was calculated as follows:

	As of October 24, 2016
Vessel	\$ 31,600
Above market acquired time charters	\$ 1,061
Identifiable assets	\$ 32,661
Loan	\$ (15,750)
Net assets acquired	\$ 16,911
Purchase price	\$ (16,911)

The Partnership concluded that its measurements for the assets acquired appropriately reflect consideration of all available information that existed as of the acquisition date. The fair value of the vessel of \$31,600 was quoted by independent ship brokers at the time of her acquisition by the Partnership and the fair value of the loan of \$15,750 was determined to be its face value.

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
(In thousands of United States Dollars)

3. Acquisition of Filonikis Product Carrier S.A. (M/T Amor) - Continued

• **Identifiable intangible assets**

The following table sets forth the component of the identifiable intangible asset acquired on the purchase of Filonikis which is being amortized over its duration on a straight-line basis as a reduction of revenue:

Intangible assets	As of October 24, 2016	Duration of time charters acquired
Above market acquired time charter	\$ 1,061	1 year

The fair value of the above market time charter acquired was determined as the difference between the time charter rate at which the vessel was fixed and the market rate for comparable charters as provided by independent ship brokers on the business combination date discounted at a WACC of approximately 7.5%.

Total revenues and net income of Filonikis since its acquisition by the Partnership were \$980 and \$222 respectively and are included in the Partnership's consolidated statements of comprehensive income for the year ended December 31, 2016.

• **Unaudited Pro Forma Financial Information**

The supplemental pro forma financial information was prepared using the acquisition method of accounting and is based on the following:

- The Partnership's actual results of operations for the years ended December 31, 2016 and 2015
- Pro forma results of operations of Filonikis for the period from the vessel's delivery from the shipyard on September 30, 2015 (vessel inception) to December 31, 2015 and from January 1, 2016 to October 24, 2016 as if the vessel was operating under post acquisition revenue and cost structure.

The combined results do not purport to be indicative of the results of the operations which would have resulted had the acquisition been effected at beginning of the applicable period noted above, or the future results of operations of the combined entity.

The following table summarizes total net revenues; net income and net income per common unit of the combined entity had the acquisition of Filonikis occurred on September 30, 2015 (vessel inception):

	For the year ended December, 31	
	2016	2015
Total revenues	\$ 245,825	\$ 221,638
Partnership's net income	\$ 53,677	\$ 55,430
Preferred unit holders' interest in Partnership's net income	\$ 11,101	\$ 11,334
General Partner's interest in Partnership's net income	\$ 850	\$ 881
Common unit holders interest in Partnership's net income	\$ 41,726	\$ 43,215
Net income per common unit basic and diluted	\$ 0.35	\$ 0.38

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
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4. Transactions with Related Parties

The Partnership and its subsidiaries have related party transactions with CMTC which is a related party unit holder. The Partnership and its subsidiaries have also related party transactions with the Manager, arising from certain terms of the following three different types of management agreements.

1. **Fixed fee management agreement:** At the time of the completion of its Initial Public Offering (“IPO”), the Partnership entered into an agreement with its Manager, according to which the Manager provides the Partnership with certain commercial and technical management services for a fixed daily fee per managed vessel which covers the commercial and technical management services, the respective vessels’ operating costs such as crewing, repairs and maintenance, insurance, stores, spares, and lubricants as well as the cost of the first special survey or next scheduled dry-docking, of each vessel. In addition to the fixed daily fees payable under the management agreement, the Manager is entitled to supplementary compensation for additional fees and costs (as defined in the agreement) of any direct and indirect additional expenses it reasonably incurs in providing these services, which may vary from time to time. The Partnership also pays a fixed daily fee per bareboat chartered vessel in its fleet, mainly to cover compliance and commercial costs, which include those costs incurred by the Manager to remain in compliance with the oil majors’ requirements, including vetting requirements;
2. **Floating fee management agreement:** On June 9, 2011, the Partnership entered into an agreement with its Manager based on actual expenses per managed vessel. Under the terms of this agreement, the Partnership compensates its Manager for expenses and liabilities incurred on the Partnership’s behalf while providing the agreed services, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating costs. Costs and expenses associated with a managed vessel’s next scheduled dry docking are borne by the Partnership and not by the Manager. The Partnership also pays its Manager a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index; and
3. **Crude management agreement:** On September 30, 2011, the Partnership completed the acquisition of Crude Carriers Corp. and its subsidiaries (“Crude”). Three of the five crude tanker vessels that the Partnership acquired at the time of the completion of the merger with Crude continue to be managed under a management agreement entered into in March 2010 with the Manager, whose initial term expires on December 31, 2020. Under the terms of this agreement the Partnership compensates the Manager for all of its expenses and liabilities incurred on the Partnership’s behalf while providing the agreed services, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating and administrative costs. The Partnership also pays its Manager the following fees:
 - (a) a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index;
 - (b) a sale & purchase fee equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of a vessel acquired/disposed by Crude; and
 - (c) a commercial services fee equal to 1.25% of all gross charter revenues generated by each vessel for commercial services rendered.

The Manager has the right to terminate the Crude management agreement and, under certain circumstances, could receive substantial sums in connection with such termination. In March 2016 this termination fee was adjusted to \$9,858 from \$9,760.

Effective from January 1, 2017 the Manager agreed to waive going forward (i) the sale and purchase fee equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of the three vessels and (ii) the commercial services fee equal to 1.25% of all gross charter revenues generated by each of the three vessels for commercial services rendered.

All the above three agreements constitute the “Management Agreements” and the related management fees are included in “Vessel operating expenses – related party” in the accompanying consolidated statements of comprehensive income.

Under the terms of the fixed fee management agreement, the Manager charges the Partnership for additional fees and costs, relating to insurances deductibles, vetting, and repairs and spares that related to unforeseen events. For the years ended December 31, 2016, 2015 and 2014 such fees amounted to \$205, \$489 and \$840, respectively and are included in “Vessel operating expenses – related party” in the consolidated statements of comprehensive income.

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Notes to the Consolidated Financial Statements
(In thousands of United States Dollars)**4. Transactions with Related Parties – Continued**

On April 4, 2007, the Partnership entered into an administrative services agreement with the Manager, pursuant to which the Manager has agreed to provide certain administrative management services to the Partnership such as accounting, auditing, legal, insurance, IT, clerical, and other administrative services. Also the Partnership reimburses the Manager and its general partner, Capital GP L.L.C. (the “CGP”) for reasonable costs and expenses incurred in connection with the provision of these services after the Manager submits to the Partnership an invoice for such costs and expenses, together with any supporting detail that may be reasonably required. These expenses are included in general and administrative expenses in the consolidated statements of comprehensive income. In 2015, as amended in 2016, the Partnership entered into an executive services agreement with CGP according to which CGP provides certain executive officers services for the management of the Partnership’s business as well as investor relation and corporate support services to the Partnership.

For the years ended December 31, 2016 and 2015 such fees amounted to \$1,688 and \$1,624 and are included in “General and administrative expenses” in the consolidated statements of comprehensive income.

Balances and transactions with related parties consisted of the following:

<u>Consolidated Balance Sheets</u>	<u>As of December 31, 2016</u>	<u>As of December 31, 2015</u>
Assets:		
Advances for vessels under construction Note (5a)	—	18,172
Total assets	\$ —	\$ 18,172
Liabilities:		
Manager – payments on behalf of the Partnership (a)	\$ 15,126	\$ 21,264
Management fee payable to CSM (b)	969	890
Due to related parties	\$ 16,095	\$ 22,154
Deferred revenue – current (e)	2,925	4,253
Total liabilities	\$ 19,020	\$ 26,407

<u>Consolidated Statements of Income</u>	<u>For the year ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues (c)	\$36,026	\$63,731	\$72,870
Voyage expenses	360	411	338
Vessel operating expenses	10,866	11,708	13,315
General and administrative expenses (d)	2,076	2,569	2,996

(a) Manager—Payments on Behalf of the Partnership: This line item represents the amount outstanding for payments for operating and voyage expenses made by the Manager on behalf of the Partnership and its subsidiaries.

(b) Management fee payable to CSM: The amount outstanding as of December 31, 2016 and 2015 represents the management fee payable to CSM as a result of the Management Agreements the Partnership entered into with the Manager.

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Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
(In thousands of United States Dollars)

4. Transactions with Related Parties – Continued

(c) Revenues: The following table includes information regarding the charter agreements that were in place between the Partnership and CMTC and its subsidiaries during 2016 and 2015.

Vessel Name	Time Charter (TC) in years	Commencement of Charter	Termination or earliest expected redelivery	Gross (Net) Daily Hire Rate
M/T Agisilaos	1 TC	09/2014	09/2015	\$14.3 (\$14.1)
M/T Agisilaos	1 TC	09/2015	06/2016	\$14.5 (\$14.3)
M/T Axios	1 TC	07/2014	06/2015	\$14.8 (\$14.6)
M/T Arionas	1.2 TC	12/2014	01/2016	\$15.0 (\$14.8)
M/T Amore Mio II	1 TC	12/2013	04/2015	\$17.0 (\$16.8)
M/T Amore Mio II	1 to 1.2 TC	04/2015	09/2015	\$27.0 (\$26.7)
M/T Amore Mio II	0.9 TC	08/2016	06/2017	\$21.0 (\$20.7)
M/T Avax	1 TC	09/2014	06/2015	\$14.8 (\$14.6)
M/T Akeraios	1.5 TC	07/2013	03/2015	\$15.0 (\$14.8)
M/T Akeraios	2 TC	03/2015	04/2016	\$15.6 (\$15.4)
M/T Apostolos	1.2 to 1.5 TC	10/2013	04/2015	\$14.9 (\$14.7)
M/T Apostolos	2 TC	04/2015	01/2016	\$15.6 (\$15.4)
M/T Anemos I	1.2 to 1.5 TC	12/2013	06/2015	\$14.9 (\$14.7)
M/T Anemos I	1 TC	06/2015	01/2016	\$17.3 (\$17.0)
M/T Aristotelis	1.5 to 2 TC	12/2013	12/2015	\$17.0 (\$16.8)
M/T Aristotelis	1.1 to 1.3 TC	12/2015	12/2016	\$19.0 (\$18.8)
M/T Amoureux	1 TC	01/2014	04/2015	\$24.0 (\$23.7)
M/T Aias	1 TC	12/2013	02/2015	\$24.0 (\$23.7)
M/T Assos	1 TC	06/2014	04/2015	\$14.8 (\$14.6)
M/T Atrotos	1 TC	05/2014	05/2015	\$14.8 (\$14.6)
M/T Atrotos	1 TC	05/2015	12/2015	\$15.3 (\$15.1)
M/T Ayrton II	2 TC	02/2016	01/2018	\$18.0 (\$17.8)
M/T Miltiadis M II	0.6 TC	09/2015	05/2016	\$35.0 (\$34.6)
M/T Miltiadis M II	0.9 TC	08/2016	06/2017	\$25.0 (\$24.7)
M/T Active	2 TC	04/2015	06/2015	\$17.0 (\$16.8)
M/T Amadeus	2 TC	06/2015	05/2017	\$17.0 (\$16.8)
M/T Atlantis II	1TC	10/2016	08/2017	\$13.0 (\$12.8)

(d) General and administrative expenses: This line item mainly includes fees relating to internal audit, investor relations and consultancy fees.

(e) Deferred Revenue: As of December 31, 2016 and 2015 the Partnership had received cash in advance for charter hire relating to revenue earned in a subsequent period from CMTC.

Capital Product Partners L.P.
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5. Fixed assets

(a) Advances for vessels under construction – related party

An analysis of advances for vessels under construction – related party is as follows:

	Advances for vessels under construction – related party
Balance as at January 1, 2015	\$ 66,641
Additions	—
Transfer to vessels	(48,469)
Balance as at December 31, 2015	\$ 18,172
Additions	—
Transfer to vessels	(18,172)
Balance as at December 31, 2016	\$ —

On July 24, 2014, the Partnership entered into a Master Agreement with CMTC to acquire five companies that own five vessels under construction (the “new buildings”) with attached time charters, subject to the amendment of the partnership agreement to reset the target distributions to holders of the Incentive Distribution Rights (the “IDRs”) (Note 12). As the reset of the IDRs was a pre-condition for the acquisition of the vessels, the amount of \$36,417, representing the difference between the fair value of \$347,917 of the respective new buildings at the time of the approval of this transaction in August 2014 at the Partnership’s annual general meeting and the contractual cash consideration of \$311,500, was considered to be the deemed equity contribution and thus the fair value of the reset of the IDRs. The fair value of the IDRs reset has been accounted for in Partner’s capital and is presented as “Excess between the fair value of the contracted vessels and the contractual cash consideration” in the consolidated statements of changes in partners’ capital in the Partnership’s consolidated balance sheet as of December 31, 2014. The fair value of the new buildings amounting to \$347,917 was based on the average of three valuations obtained from three independent shipbrokers.

Two of these five vessels are 50,000 dwt product carriers and the remaining three are 9,100 TEU post-panamax container carriers.

During 2015 the Partnership acquired from CMTC the shares of four out of the five vessel owning companies. As a result, as of December 31, 2015, the amount of \$18,172 consisted of advances totalling \$7,921 that the Partnership paid to CMTC for the acquisition of the remaining vessel owning company and the fair value from the reset of the IDRs of \$10,251 which was attributable to this vessel, and is presented as “Advances for vessels under construction–related party” in the Partnership’s consolidated balance sheet as of December 31, 2015. On February 26, 2016 the Partnership acquired the company owning the M/V CMA CGM Magdalena, which was the last out of the five vessel owning companies the Partnership agreed to acquire from CMTC according to the terms of the Master Agreement. As a result there were no “Advances for vessels under construction–related party” as of December 31, 2016.

(b) Vessels, net

An analysis of vessels is as follows:

	Vessel Cost	Accumulated depreciation	Net book value
Balance as at January 1, 2015	\$1,396,735	\$ (276,665)	\$ 1,120,070
Acquisitions and improvements	208,523	—	208,523
Transfer from Advances for vessels under construction-related party	48,469	—	48,469
Depreciation for the period	—	(61,577)	(61,577)
Balance as at December 31, 2015	\$1,653,727	\$ (338,242)	\$ 1,315,485
Acquisitions and improvements	103,790	—	103,790
Transfer from Advances for vessels under construction-related party	18,172	—	18,172
Depreciation for the period	—	(69,716)	(69,716)
Balance as at December 31, 2016	\$1,775,689	\$ (407,958)	\$ 1,367,731

Capital Product Partners L.P.
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5. Fixed assets – Continued

(b) Vessels, net - Continued

All of the Partnership's vessels as of December 31, 2016 have been provided as collateral to secure the Partnership's credit facilities.

On October 24, 2016, the Partnership acquired the shares of the company owning the M/T Amor (Note 3). The Partnership accounted for this acquisition as an acquisition of business based on the existence of an integrated set of activities (inputs and processes that generate outputs). Therefore the vessel was recorded in the Partnership's financial statements at its fair value of \$31,600 as quoted by independent ship brokers at the time of her acquisition by the Partnership.

On February 26, 2016, the Partnership acquired the shares of the company owning the M/V CMA CGM Magdalena for a total consideration of \$81,500 which was funded by loan drawdown of \$35,000 from the Partnership's 2013 credit facility (Note 7) and the remaining balance of \$46,500 by the Partnership's cash. The Partnership accounted for this transaction as acquisition of an asset based on the absence of processes attached to the inputs. Other than the new building and the attached time charter, no other inputs and no processes were acquired. The Partnership considered whether any value should be assigned to the attached charter party agreement acquired and concluded that the contracted daily charter rate was above the market rates on the transaction completion date and therefore, the total consideration was allocated to the vessel cost and the above market acquired charter. Thus the vessel was recorded in the Partnership's financial statements at a cost of \$88,545 and the above market acquired charter at a cost of \$3,206 (Note 6).

On March 31, June 10, June 30 and September 18, 2015, the Partnership acquired the shares of the companies owning the M/T Active, the M/V CMA CGM Amazon, the M/T Amadeus and the M/V CMA CGM Uruguay for a total consideration of \$230,000 which was funded by loan drawdowns of \$115,000 from the Partnership's 2013 credit facility and the remaining balance of \$115,000 through the Partnership's cash. The Partnership accounted for the acquisition of the companies owning the M/T Active, the M/V CMA CGM Amazon, the M/T Amadeus and the M/V CMA CGM Uruguay as acquisition of assets based on the absence of processes attached to the inputs. Other than the new buildings and the attached time charters, no other inputs and no processes were acquired. The Partnership considered whether any value should be assigned to the attached charter party agreements acquired and concluded that the contracted daily charter rates approximated market rates on the transaction completion dates and therefore, the total consideration was allocated to vessel cost. Thus these vessels were recorded in the Partnership's financial statements at their cost of \$256,166. As of December 31, 2014 the Partnership had paid advances of \$22,303 to CMTC for the acquisition of the shares of these vessel owning companies. The difference of \$26,166 between the vessels' cost of \$256,166 and the total consideration of \$230,000 was part of the excess of \$36,417 that the Partnership had recorded in its financial statements in August 2014 upon the approval of the Master Agreement and the IDRs reset at the Partnership's annual meeting.

During 2016, the M/T Alkiviadis, the M/T Anemos I, the M/T Amore Mio II, the M/T Miltiadis M II and the M/T Arionas underwent improvements during their scheduled special survey respectively. In addition, during 2016 the M/V Archimidis underwent improvements. The costs of these improvements amounted to \$1,817 and were capitalized as part of the vessels' cost.

During 2015, the M/T Agisilaos, the M/T Avax, the M/T Akeraios, the M/T Apostolos, the M/V Archimidis and the M/V Agamemnon underwent improvements during their scheduled special survey respectively. The costs of these improvements amounted to \$826 and were capitalized as part of the vessels' cost.

Capital Product Partners L.P.
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6. Above market acquired charters

On October, 24, 2016 the Partnership acquired the shares of the company owning the M/T Amor from CMTC with outstanding time charters to Cargill and CMTC. The time charter with Cargill was above the market rate for equivalent time charters prevailing at the time of acquisition. The present value of the above market acquired time charter was estimated by the Partnership at \$1,061 and recorded as an asset in the consolidated balance sheet as of the acquisition date (Note 3). The time charter with CMTC was equal to the market rate for equivalent time charters prevailing at the time of acquisition.

On February 26, 2016 the Partnership acquired the shares of the company owning the M/V CMA CGM Magdalena from CMTC with outstanding time charter to CMA-CGM S.A., which was above the market rate for equivalent time charters prevailing at the time of acquisition.

The present value of the above market acquired time charter of \$3,206 was determined as the difference between the time charter rate at which the vessel was fixed at and the market rate for comparable charters as provided by independent third parties on the acquisition date discounted at a WACC of approximately 7.5% and was recorded as an asset in the consolidated balance sheet as of the acquisition date.

For the years ended December 31, 2016, 2015 and 2014 revenues included a reduction of \$14,542, \$14,864 and \$16,000 as amortization of the above market acquired charters, respectively.

An analysis of above market acquired charters is as follows:

<u>Above market acquired charters</u>	<u>Book value</u>
Carrying amount as at January 1, 2015	<u>\$ 115,382</u>
Amortization	<u>\$ (14,864)</u>
Carrying amount as at December 31, 2015	<u>\$ 100,518</u>
Acquisitions	<u>\$ 4,267</u>
Amortization	<u>\$ (14,542)</u>
Carrying amount as at December 31, 2016	<u>\$ 90,243</u>

As of December 31, 2016 the remaining carrying amount of unamortized above market acquired time charters was \$90,243 and will be amortized in future years as follows:

<u>For the twelve month period ended December 31,</u>	<u>Amount</u>
2017	<u>\$15,209</u>
2018	<u>\$14,381</u>
2019	<u>\$14,381</u>
2020	<u>\$11,696</u>
2021	<u>\$ 8,417</u>
Thereafter	<u>\$26,159</u>
Total	<u>\$90,243</u>

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7. Long-Term Debt

Long-term debt consists of the following:

		As of December 31, 2016	As of December 31, 2015	Margin
	Bank loans			
(i)	Issued in March 2007 maturing in December 2019 (the "2007 credit facility")	185,975	185,975	3.00%
(ii)	Issued in March 2008 maturing in December 2019 (the "2008 credit facility")	181,641	181,641	3.00%
(iii)	Issued in June 2011 maturing in March 2018 (the "2011 credit facility")	14,000	14,000	3.25%
(iv)	Issued in September 2013 maturing in December 2020 (the "2013 credit facility")	207,646	190,000	3.50%
(v)	Assumed in October 2016 maturing in November 2022 (the "2015 credit facility")	15,750	—	2.50%
	Total long-term debt	\$ 605,012	\$ 571,616	
	Less: Deferred loan issuance costs	2,825	3,806	
	Total long-term debt, net	\$ 602,187	\$ 567,810	
	Less: Current portion of long-term debt	40,534	12,957	
	Add: Current portion of deferred loan issuance costs	966	1,035	
	Long-term debt, net	\$ 562,619	\$ 555,888	

On October 24, 2016, upon the completion of the acquisition of the shares of the company owning the M/T Amor (Notes 3, 5), the Partnership assumed CMTC's guarantee with respect to the outstanding balance of \$15,750 under the term loan that was entered into on November 19, 2015 with ING Bank N.V. The term loan is payable in 17 consecutive equal quarterly instalments starting two years after the vessel's acquisition plus a balloon payment with expected maturity date in November 2022. The term loan bears interest at LIBOR plus a margin of 2.50%.

On February 23, 2016, the Partnership drew the amount of \$35,000 from its existing 2013 credit facility in order to partly finance the acquisition of the shares of the company owning the M/V CMA CGM Magdalena (Note 5).

During 2016, the Partnership repaid the amount of \$17,354 in line with the amortization schedule of its 2013 credit facility.

In April 2015, the Partnership entered into three amendments to its 2007, 2008 and 2011 credit facilities providing for:

- the prepayments made on April 30, 2015, and funded by the proceeds of the April 2015 offering of common units (Note 12), of the scheduled four quarterly amortization payments in 2016 and the first quarter of 2017 in the respective aggregate amounts of \$64,875, \$46,024 and \$5,000;
- the deferral, following the prepayments, of any further scheduled amortization payments until November 2017 for the 2007 and 2008 credit facilities and until December 2017 for the 2011 credit facility;
- an extension of the final maturity date to December 31, 2019 for the 2007 and 2008 credit facilities; and
- an increase of the interest rate under the 2007 credit facility to 3.0% over LIBOR from 2.0% over LIBOR.

All other terms in our existing credit facilities remained unchanged.

Capital Product Partners L.P.
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7. Long-Term Debt – Continued

During 2015, the Partnership drew down the amount of \$115,000 from its 2013 credit facility in order to partly finance the acquisition of the shares of the companies owning the M/T Active, the M/V CMA CGM Amazon, the M/T Amadeus and the M/V CMA CGM Uruguay respectively (Note 5).

The Partnership's credit facilities contain customary ship finance covenants, including restrictions as to changes in management and ownership of the mortgaged vessels, the incurrence of additional indebtedness and the mortgaging of vessels and requirements such as, the ratio of EBITDA to Net Interest Expenses to be no less than 2:1, a minimum cash requirement of \$500 per vessel, and the ratio of net Total Indebtedness to the aggregate Market Value of the fleet not to exceed 0.725:1. As of December 31, 2016 and 2015, restricted cash amounted to \$18,000 and \$17,000, respectively and is presented under other non-current assets. The credit facilities also contain a collateral maintenance requirement under which the aggregate fair market value of the collateral vessels should not be less than 120% for the 2015 credit facility and 125% for the other credit facilities, of the aggregate outstanding amount under these facilities. Also the vessel-owning companies may pay dividends or make distributions when no event of default has occurred and the payment of such dividend or distribution has not resulted in a breach of any of the financial covenants. As of December 31, 2016 and 2015 the Partnership was in compliance with all financial covenants.

The credit facilities have a general assignment of the earnings, insurances and requisition compensation of the respective collateral vessel or vessels. Each also requires additional security, such as pledge and charge on current accounts and mortgage interest insurance.

As of December 31, 2016 there were no undrawn amounts under the Partnership's credit facilities. As of December 31, 2015 the Partnership had an undrawn amount of \$35,000 under its 2013 credit facility.

For the years ended December 31, 2016, 2015 and 2014, the Partnership recorded interest expense of \$22,674, \$17,856 and \$16,480 respectively which is included in "Interest expense and finance cost" in the consolidated statements of comprehensive income. As of December 31, 2016 and 2015 the weighted average interest rate of the Partnership's loan facilities was 4.01% and 3.65% respectively.

The required annual loan payments to be made subsequent to December 31, 2016 are as follows:

	2007 Credit Facility (i)	2008 Credit Facility (ii)	2011 Credit Facility (iii)	2013 Credit Facility (iv)	2015 Credit Facility (v)	Total
2017	\$ 12,975	\$ 9,205	\$ 1,000	\$ 17,354	\$ —	\$ 40,534
2018	51,900	36,819	13,000	17,354	328	119,401
2019	121,100	135,617	—	17,354	1,313	275,384
2020	—	—	—	155,584	1,313	156,897
2021	—	—	—	—	1,313	1,313
Thereafter	—	—	—	—	11,483	11,483
Total	\$ 185,975	\$ 181,641	\$ 14,000	\$ 207,646	\$ 15,750	\$605,012

Capital Product Partners L.P.
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8. Financial Instruments

(a) Fair value of financial instruments

The Partnership follows the accounting guidance for financial instruments that establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Inputs are unobservable inputs for the asset or liability.

The carrying value of cash and cash equivalents and restricted cash, which are considered Level 1 items as they represent liquid assets with short-term maturities, trade receivables, amounts due from related parties and due to related parties, trade accounts payable and accrued liabilities approximates their fair value. The fair values of long-term variable rate bank loans approximate the recorded values, due to their variable interest being the LIBOR and due to the fact the lenders have the ability to pass on their funding cost to the Partnership under certain circumstances, which reflects their current assessed risk. We believe the terms of our loans are similar to those that could be procured as of December 31, 2016. LIBOR rates are observable at commonly quoted intervals for the full terms of the loans and hence bank loans are considered Level 2 items in accordance with the fair value hierarchy.

(b) Concentration of credit risk

Financial instruments which potentially subject the Partnership to significant concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable. The Partnership places its cash and cash equivalents, consisting mostly of deposits, with creditworthy financial institutions rated by qualified rating agencies. A limited number of financial institutions hold the Partnership's cash. Most of the Partnership's revenues were derived from a few charterers. For the year ended December 31, 2016 Hyundai Merchant Marine Co Ltd ("HMM"), Petroleo Brasileiro S.A, CMA CGM and CMTC accounted for 19%, 18%, 17% and 15% of the Partnership's total revenue, respectively. For the year ended December 31, 2015 CMTC and HMM accounted for 29% and 21% of the Partnership's total revenue, respectively. For the year ended December 31, 2014 CMTC, HMM and A.P. Moller-Maersk A.S. ("Maersk") accounted for 38%, 24% and 12% of the Partnership's total revenue, respectively. The Partnership does not obtain rights of collateral from its charterers to reduce its credit risk.

9. Accrued Liabilities

Accrued liabilities consist of the following:

	As of December 31,	
	2016	2015
Accrued loan interest and loan fees	\$ 114	\$1,226
Accrued operating expenses	4,360	4,520
Accrued voyage expenses and commissions	2,453	1,188
Accrued general and administrative expenses	934	938
Total	\$7,861	\$7,872

Capital Product Partners L.P.
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10. Voyage Expenses and Vessel Operating Expenses

Voyage expenses and vessel operating expenses consist of the following:

	For the years ended December 31,		
	2016	2015	2014
Voyage expenses:			
Commissions	\$ 4,816	\$ 4,421	\$ 3,597
Bunkers	2,601	1,753	1,802
Port expenses	892	259	166
Other	1,971	457	680
Total	\$10,280	\$ 6,890	\$ 6,245
Vessel operating expenses:			
Crew costs and related costs	\$37,342	\$31,788	\$28,945
Insurance expense	5,772	5,004	4,502
Spares, repairs, maintenance and other expenses	11,688	11,521	6,710
Stores and lubricants	8,203	7,790	6,535
Management fees (Note 4)	10,661	11,219	12,475
Vetting, insurances, spares and repairs (Note 4)	205	489	840
Other operating expenses	3,632	2,522	2,022
Total	\$77,503	\$70,333	\$62,029

11. Income Taxes

Under the laws of the Marshall Islands and Liberia, the country in which the vessel-owning subsidiaries were incorporated, these companies are not subject to tax on international shipping income. However, they are subject to registration and tonnage taxes in the country in which the vessels are registered and managed from, which have been included in vessel operating expenses in the accompanying consolidated statements of comprehensive income.

Pursuant to Section 883 of the United States Internal Revenue Code (the "Code") and the regulations thereunder, a foreign corporation engaged in the international operation of ships is generally exempt from U.S. federal income tax on its U.S.-source shipping income if the foreign corporation meets both of the following requirements: (a) the foreign corporation is organized in a foreign country that grants an "equivalent exemption" to corporations organized in the United States for the types of shipping income (e.g., voyage, time, bareboat charter) earned by the foreign corporation and (b) more than 50% of the voting power and value of the foreign corporation's stock is "primarily and regularly traded on an established securities market" in the United States and certain other requirements are satisfied (the "Publicly-Traded Test").

The jurisdictions where the Partnership's vessel-owning subsidiaries are incorporated each grants an "equivalent exemption" to United States corporations with respect to each type of shipping income earned by the Partnership's vessel-owning subsidiaries. Additionally, our units are only traded on the Nasdaq Global Market, which is considered to be established securities market. The Partnership has satisfied the Publicly-Traded Test for the years ended December 31, 2016, 2015 and 2014 and the ship-owning subsidiaries are exempt from United States federal income taxation with respect to U.S.-source shipping income.

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12. Partners' Capital

General: The partnership agreement requires that within 45 days after the end of each quarter, beginning with the quarter ending June 30, 2007, all of the Partnership's available cash will be distributed to unitholders.

Definition of Available Cash: Available Cash, for each fiscal quarter, consists of all cash on hand at the end of the quarter:

- less the amount of cash reserves established by our board of directors to:
 - provide for the proper conduct of the Partnership's business (including reserves for future capital expenditures and for our anticipated credit needs);
 - comply with applicable law, any of the Partnership's debt instruments, or other agreements; or
 - provide funds for distributions to the Partnership's unitholders and to the general partner for any one or more of the next four quarters;
- plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Working capital borrowings are generally borrowings that are made under our credit agreements and in all cases are used solely for working capital purposes or to pay distributions to partners subject to certain exceptions set forth in the limited partnership agreement.

General Partner Interest and IDRs: The general partner has a 1.96% interest in the Partnership and holds the IDRs. In accordance with Section 5.2(b) of the partnership agreement, upon the issuance of additional units by the Partnership, the general partner may elect to make a contribution to the Partnership to maintain its general partner interest.

IDRs represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. The Partnership's general partner as of December 31, 2016, 2015 and 2014 holds the IDRs.

According to the partnership agreement the following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders and general partner up to the various target distribution levels. The amounts set forth under "Marginal Percentage Interest in Distributions" are the percentage interests of the unitholders and general partner in any available cash from operating surplus that is being distributed up to and including the corresponding amount in the column "Total Quarterly Distribution Target Amount per Unit," until available cash from operating surplus the Partnership distributes reaches the next target distribution level, if any. The percentage interests shown for the unitholders and general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests shown below assume that the Partnership's general partner maintains a 2% general partner interest and that it has not transferred its incentive distribution rights.

	Total Quarterly Distribution Target Amount per Unit	Marginal Percentage Interest in Distributions	
		Unitholders	General Partner
Minimum Quarterly Distribution	\$0.3750	98%	2%
First Target Distribution	up to \$0.4313	98%	2%
Second Target Distribution	above \$0.4313 up to \$0.4688	85%	15%
Third Target Distribution	above \$0.4688 up to \$0.5625	75%	25%
Thereafter	above \$0.5625	50%	50%

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12. Partners' Capital – Continued

General Partner Interest and IDRs – Continued

On August 21, 2014, the Fourth Amendment to the Second Amended and Restated Agreement of Limited Partnership of the Partnership was approved by the Partnership's annual general meeting, so as to revise the target distributions to holders of IDRs.

The Fourth Amendment resets the thresholds for the IDRs as follows:

	Total Quarterly Distribution Target Amount per Unit	Marginal Percentage Interest in Distributions	
		Unitholders	General Partner
Minimum Quarterly Distribution	\$0.2325	98%	2%
First Target Distribution	up to \$0.2425	98%	2%
Second Target Distribution	above \$0.2425 up to \$0.2675	85%	15%
Third Target Distribution	above \$0.2675 up to \$0.2925	75%	25%
Thereafter	above \$0.2925	65%	35%

Following the annual general meeting, CMTC unilaterally notified the Partnership that it has decided to waive its rights to receive quarterly incentive distributions between \$0.2425 and \$0.25. This waiver effectively increases the First Threshold and the lower band of the Second Threshold (as referenced in the table above) from \$0.2425 to \$0.25.

Distributions of Available Cash From Operating Surplus: Our partnership agreement requires that we will make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

- first, 98% to all unitholders, pro rata, and 2.0% to our general partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and
- thereafter, in the manner described in the above table.

During 2012 and 2013 the Partnership issued in total 24,655,554 Class B Convertible Preferred Units to a group of investors including CMTC according to two separate Class B Convertible Preferred Unit Subscription Agreements (the "Agreements") that the Partnership had entered with this group of investors in 2012 and 2013. The holders of the Class B Convertible Preferred Units have the right to convert all or a portion of such Class B Convertible Preferred Units at any time into Common Units at the conversion price of \$9 per Class B Convertible Preferred Unit and a conversion rate of one Common Unit per one Class B Convertible Preferred Unit. The Conversion Ratio and the Conversion Price shall be adjusted upon the occurrence of certain events described in the limited partnership agreement.

Commencing on May 23, 2015, in the event the 30-day volume-weighted average trading price ("VWAP") and the daily VWAP of the Common Units on the National Securities Exchange on which the Common Units are listed or admitted to trading exceeds 130% of the then applicable Conversion Price for at least 20 Trading Days out of the 30 consecutive Trading Day period used to calculate the 30-day VWAP (the "Partnership Mandatory Conversion Event") the Partnership acting pursuant to direction and approval of the Conflicts Committee (following consultation with the full board of directors), shall have the right to convert the Class B Convertible Preferred Units then outstanding in whole or in part into Common Units at the then-applicable Conversion Ratio.

The holders of the outstanding Class B Convertible Preferred Units as of an applicable record date shall be entitled to receive, when, as and if authorized by the Partnership's board of directors or any duly authorized committee, out of legally available funds for such purpose, (a) first, the minimum quarterly Class B Convertible Preferred Unit Distribution Rate on each Class B Convertible Preferred Unit and (b) second, any cumulative Class B Convertible Preferred Unit Arrearage then outstanding, prior to any other distributions made in respect of any other Partnership Interests pursuant to the Agreements in cash. The minimum quarterly Class B Convertible Preferred Unit Distribution Rate shall be payable quarterly which is generally expected to be February 10, May 10, August 10 and November 10, or, if any such date is not a business day, the next succeeding business day.

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12. Partners' Capital – Continued

No distribution on the Class B Convertible Preferred Units shall be authorized by the board of directors or declared or paid or set apart for payment by the Partnership at such time as the terms and provisions of any agreement of the Partnership, including any agreement relating to its indebtedness, prohibits such authorization, declaration, payment or setting apart for payment or provides that such authorization, declaration, payment or setting apart for payment would constitute a breach thereof, or a default thereunder, or if such authorization, declaration, payment or setting apart for payment shall be restricted or prohibited by law. The foregoing distributions with respect to the Class B Convertible Preferred Units shall accumulate as of the Class B Convertible Preferred Unit distribution payment date on which they first become payable whether or not any of the foregoing restrictions exist, whether or not there is sufficient Available Cash for the payment thereof and whether or not such distributions are authorized. A cumulative Class B Convertible Preferred Unit arrearage shall not bear interest and holders of the Class B Convertible Preferred Units shall not be entitled to any distributions, whether payable in cash, property or Partnership Interests, in excess of the then cumulative Class B Convertible Preferred Unit arrearage plus the minimum quarterly Class B Convertible Preferred Unit distribution rate for such quarter.

With respect to Class B Convertible Preferred Units that are converted into Common Units, the holder thereof shall not be entitled to a Class B Convertible Preferred Unit distribution and a Common Unit distribution with respect to the same period, but shall be entitled only to the distribution to be paid based upon the class of Units held as of the close of business on the record date for the distribution in respect of such period; provided, however, that the holder of a converted Class B Convertible Preferred Unit shall remain entitled to receive any accrued but unpaid distributions due with respect to such Unit on or as of the prior Class B Convertible Preferred Unit distribution payment date; and provided, further, that if the Partnership exercises the Partnership Mandatory Conversion Right to convert the Class B Convertible Preferred Units pursuant to this Agreements then the holders' rights with respect to the distribution for the Quarter in which the Partnership Mandatory Conversion Notice is received is as set forth in the limited partnership agreement.

During 2015 and 2014 various holders of Class B Convertible Preferred Units including CMTC converted 1,240,404 and 4,698,484 Class B Convertible Preferred Units into common units respectively. As a result in the Partnership's Consolidated Statements of Changes in Partners' Capital, the Partnership's Limited Partners-Preferred Unitholders decreased by \$10,642 and \$40,287 and Partnership's Limited Partners-Common Unitholders, increased by \$10,642 and \$40,287, respectively for the years ended December 31, 2015, and 2014. The conversion rate was one common unit per one Class B Convertible Preferred Unit. During 2016 no such conversion occurred.

During 2015 and 2014 CMTC converted 315,908 and 358,624 common units into general partner units respectively, in order for CGP to maintain its 2% interest in the Partnership. As a result in the Partnership's Consolidated Statements of Changes in Partners' Capital the Partnership's Limited Partners-Common Unitholders decreased by \$2,742 and \$3,696 and General Partner increased by \$2,742 and \$3,696, respectively for the years ended December 31, 2015 and 2014. During 2016 CMTC did not convert any common units into general partners units.

On October 24, 2016, the Partnership issued 283,696 common units according to the terms of the share purchase agreement that the Partnership entered into with CMTC in order to partly finance the acquisition of the shares of the vessel owning company of M/T Amor (Notes 3, 5).

In September 2016, the Partnership entered into an equity distribution agreement with UBS Securities LLC ("UBS") under which the Partnership may sell, from time to time, through UBS, as its sales agent, new common units having an aggregate offering amount of up to \$50,000 (the "ATM offering"). The equity distribution agreement provides that UBS, when it is acting as the Partnership's sales agent, will be entitled to compensation of up to 2% of the gross sales price of the common units sold through UBS from time to time. Since the launch of the ATM offering until December 31, 2016, the Partnership issued 1,401,481 new common units resulting in net proceeds of \$4,546 after the payment of commission to the sales agent, but before offering expenses. For the year ended December 31, 2016, the Partnership recognized offering expenses of \$890 in connection with the ATM offering.

In December 2015, the Partnership issued 850,000 common units under its Omnibus Incentive Compensation Plan (Note 13).

In April 2015, the Partnership completed successfully a follow-on equity offering of 14,555,000 common units, including 1,100,000 common units sold to CMTC and 1,755,000 common units representing the overallotment option at a net price of \$9.53 per common unit, receiving proceeds of \$133,327 after the deduction of the underwriters' commissions. After the deduction of expenses relating to this equity offering, the net proceeds amounted to \$132,588.

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
(In thousands of United States Dollars)

12. Partners' Capital – Continued

In September 2014, the Partnership completed successfully a follow-on equity offering of 17,250,000 common units, including 2,250,000 common units representing the overallotment option which was fully exercised, at a net price of \$10.53 per common unit, receiving proceeds of \$173,932 after the deduction of the underwriters' commissions. After the deduction of expenses relating to this equity offering the net proceeds of this offering amounted to \$173,504. The Partnership used an amount of \$60,000 of the net proceeds to acquire common units from CMTC at a price per unit equal to the offering price (net of underwriting discount). The number of units acquired was equal to an aggregate of 5,950,610 common units which were cancelled immediately, in accordance with the terms of the offering. Furthermore, the Partnership used an additional amount of \$30,224 of the net proceeds of the offering as an advance payment to CMTC in connection with the acquisition of the five new buildings described in the Master Agreement (Note 5). The remaining balance of the net proceeds of the offering was used by the Partnership to partly finance the acquisition cost of \$311,500 of the new buildings from CMTC and for general Partnership purposes.

As of December 31, 2016 and 2015 our partners' capital included the following units:

	As of December 31, 2016	As of December 31, 2015
Common units	122,094,633	120,409,456
General partner units	2,439,989	2,439,989
Preferred units	12,983,333	12,983,333
Total partnership units	137,517,955	135,832,778

13. Omnibus Incentive Compensation Plan

On April 29, 2008, the board of directors approved the Partnership's Plan according to which the Partnership may issue a limited number of awards, not to exceed 500,000 units. The Plan was amended on July 22, 2010 increasing the aggregate number of restricted units issuable under the Plan to 800,000 which was then increased to 1,650,000 common units on August 21, 2014, at the annual general meeting of the Partnership's unit holders. The Plan is administered by the general partner as authorized by the board of directors. The persons eligible to receive awards under the Plan are officers, directors, and executive, managerial, administrative and professional employees of the Manager, or CMTC, or other eligible persons (collectively, "key persons") as the general partner, in its sole discretion, shall select based upon such factors as it deems relevant. Members of the board of directors and officers of the general partner are considered to be employees of the Partnership ("Employees") for the purposes of recognition of equity compensation expense, while employees of the Manager, CMTC and other eligible persons under the plan are not considered to be employees of the Partnership ("Non-Employees"). Awards may be made under the Plan in the form of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, unrestricted stock, restricted stock units and performance shares.

On December 23, 2015 the Partnership awarded 240,000 and 610,000 unvested units to Employees and Non-Employees, respectively. Awards granted to certain Employees and Non Employees will vest in three equal annual instalments. The remaining awards will vest on December 31, 2018.

All unvested units are conditional upon the grantee's continued service as Employee and/or Non-Employee until the applicable vesting date.

The unvested units accrued distributions as declared and paid which are retained by the custodian of the Plan until the vesting date at which time they are payable to the grantee. As unvested unit grantees accrued distributions on awards that are expected to vest, such distributions are charged to Partner's capital. As of December 31, 2016 the unvested units accrued \$324 of distributions.

The following table contains details of our plan:

Unvested Units	Employee equity compensation		Non-Employee equity compensation	
	Units	Grant-date fair value	Units	Award-date fair value
Unvested on January 1, 2016	240,000	\$ 1,325	610,000	\$ 3,367
Vested	33,332	184	117,500	374
Unvested on December 31, 2016	206,668	\$ 1,141	492,500	\$ 2,993

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
(In thousands of United States Dollars)

13. Omnibus Incentive Compensation Plan - Continued

For the years ended December 31, 2016, 2015, and 2014 the equity compensation expense that has been charged in the consolidated statements of comprehensive income was \$439, \$10 and \$0 for the Employee awards and \$635, \$24 and \$0 for the Non-Employee awards, respectively. This expense has been included in general and administrative expenses in the consolidated statements of comprehensive income for each respective year.

As of December 31, 2016 the total compensation cost related to non vested awards is \$2,157 and is expected to be recognized over a weighted average period of two years. The Partnership uses the straight-line method to recognize the cost of the awards.

14. Net Income Per Unit

The general partner's and common unit holders' interests in net income are calculated as if all net income for periods subsequent to April 4, 2007, were distributed according to the terms of the partnership agreement, regardless of whether those earnings would or could be distributed. The partnership agreement does not provide for the distribution of net income; rather, it provides for the distribution of available cash (Note 12), which is a contractually-defined term that generally means all cash on hand at the end of each quarter after establishment of cash reserves determined by the Partnership's board of directors to provide for the proper resources for the Partnership's business. Unlike available cash, net income is affected by non-cash items. The Partnership follows the guidance relating to the Application of the Two-Class Method and its application to Master Limited Partnerships which considers whether the incentive distributions of a master limited partnership represent a participating security when considered in the calculation of earnings per unit under the Two-Class Method.

This guidance also considers whether the partnership agreement contains any contractual limitations concerning distributions to the IDRs that would impact the amount of earnings to allocate to the IDRs for each reporting period.

Under the partnership agreement, the holder of the IDRs in the Partnership, which is currently CGP, assuming that there are no cumulative arrearages on common unit distributions, has the right to receive an increasing percentage of cash distributions (Note 12). The Partnership excluded the effect of the 12,983,333, 12,983,333 and 14,223,737 Class B Convertible Preferred Units in calculating dilutive EPU as of December 31, 2016, 2015 and 2014, respectively as they were anti-dilutive.

As of December 31, 2016 and 2015 the Partnership excluded the effect of 699,168 and 850,000 non-vested unit awards in calculating dilutive EPU for its common unitholders as they were anti-dilutive. As of December 31, 2014 there were no non-vested units. The non-vested units are participating securities because they received distributions from the Partnership and these distributions do not have to be returned to the Partnership if the non-vested units are forfeited by the grantee.

The Partnership's net income for the years ended December 31, 2016, 2015 and 2014 did not exceed the First Target Distribution Level, and as a result, the assumed distribution of net income did not result in the use of increasing percentages to calculate CGP's interest in net income.

The two class method used to calculate EPU is as follows:

BASIC AND DILUTED	2016	2015	2014
<u>Numerators</u>			
Partnership's net income	\$ 52,489	\$ 55,410	\$ 44,012
Less:			
Preferred unit holders' interest in Partnership's net income	11,101	11,334	14,042
General Partner's interest in Partnership's net income	818	879	593
Partnership's net income allocable to unvested units	285	8	—
Common unit holders' interest in Partnership's net income	\$ 40,285	\$ 43,189	\$ 29,377
<u>Denominators</u>			
Weighted average number of common units outstanding,			
basic and diluted	119,803,329	115,030,879	93,353,168
Net income per common unit:			
Basic and Diluted	\$ 0.34	\$ 0.38	\$ 0.31

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
(In thousands of United States Dollars)

15. Hyundai Merchant Marine Co. Ltd (“HMM”) charters restructuring

HMM, the charterer of five of the Partnership’s vessels, namely Hyundai Prestige, Hyundai Premium, Hyundai Paramount, Hyundai Privilege and Hyundai Platinum (the “HMM Vessels”), each under time charter expiring in 2024 and 2025, has experienced financial difficulties and has pursued a financial restructuring involving various creditors and vessel owners.

As part of the various agreements that HMM reached with its creditors and vessel owners under its voluntary debt restructuring, the owning companies of the HMM Vessels entered into a Charter Restructuring Agreement on July 15, 2016. This agreement provides for the reduction of the gross charter rate payable under the respective charter parties by 20% to \$23.5 per day from \$29.4, for a three and a half year period starting in July 2016 and ending in December 2019 (the “Charter Reduction Period”). As compensation the Partnership received 4,398,910 HMM common shares on August 4, 2016, which the Partnership recognized as a “Trading asset” at the amount of \$29,706 being the fair value of the shares with a corresponding “Deferred revenue, current” and “Deferred revenue” to be amortized within revenue over the remaining duration of each time charter. The shares were immediately sold on the Stock Market Division of the Korean Exchange for aggregate cash consideration of \$29,706. The Charter Restructuring Agreement further provides that at the end of the Charter Reduction Period, the charter rate under the respective charter parties will be restored to the original daily rate of \$29.4 until the expiry of each charter in 2024 and 2025.

16. Commitments and Contingencies

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Partnership’s vessels. The Partnership is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

The Partnership accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, the Partnership is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the consolidated financial statements.

An estimated loss from a contingency should be accrued by a charge to expense and a liability recorded only if all of the following conditions are met:

- Information available prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statements.
- The amount of the loss can be reasonably estimated.

(a) **Lease Commitments:** Future minimum charter hire receipts, excluding any profit share revenue that may arise, based on non-cancellable long-term time and bareboat charter contracts, as of December 31, 2016 were:

<u>Year ended December 31,</u>	<u>Amount</u>
2017	\$210,265
2018	141,801
2019	102,351
2020	89,965
2021	54,585
Thereafter	167,559
Total	\$766,526

17. Subsequent Events

- (a) **Dividends:** On January 18, 2017, the board of directors of the Partnership declared a cash distribution of \$0.08 per common unit for the fourth quarter of 2016. The fourth quarter common unit cash distribution will be paid on February 15, 2017, to unit holders of record on February 6, 2017.
- (b) **Dividends:** On January 18, 2017, the board of directors of the Partnership declared a cash distribution of \$0.21375 per Class B unit for the fourth quarter of 2016. The cash distribution will be paid on February 10, 2017, to Class B unit holders of record on February 3, 2017.

Dated 19 November 2015

FILONIKIS PRODUCT CARRIER S.A.
HELIOS PRODUCT CARRIER S.A.
HERCULES PRODUCT CARRIER S.A.
IASON PRODUCT CARRIER S.A. and
ARCHON PRODUCT CARRIER S.A.
as joint and several Borrowers

and

THE BANKS AND FINANCIAL INSTITUTIONS
listed in Schedule 1
as Lenders

and

ING BANK N.V., LONDON BRANCH
as Facility Agent and Security Trustee

and

ING BANK N.V.

as Swap Bank

LOAN AGREEMENT

relating to a pre-and post-delivery secured term loan facility of up to US\$97,830,000 to refinance in part and to finance part of the construction and acquisition cost of five product oil/chemical tankers being constructed by Samsung Heavy Industries (Ningbo) Co. Ltd., the People's Republic of China

WATSON FARLEY
&
WILLIAMS

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BETWEEN:

- (1) **FILONIKIS PRODUCT CARRIER S.A., HELIOS PRODUCT CARRIER S.A., HERCULES PRODUCT CARRIER S.A., IASON PRODUCT CARRIER S.A. and ARCHON PRODUCT CARRIER S.A.**, each being a corporation in the Republic of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia (together, the **"Borrowers"**).
- (2) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1, as **Lenders**.
- (3) **ING BANK N.V. as Swap Bank**.
- (4) **ING BANK N.V., London Branch as Facility Agent and Security Trustee**.

WHEREAS

- (A) The Lenders have agreed to make available to the Borrowers, or, following a Dropdown (as defined below), to the Borrowers that are members of the relevant Group, a pre- and post-delivery secured term loan facility (divided into 5 tranches) of up to US\$97,830,000 in aggregate for the purpose of:
 - (i) in the case of Tranche A (as defined below), being in an amount of up to the lower of (i) \$19,530,000 and (ii) 60 per cent. of the market value of m.t. "AMOR", a 2015 -built medium range product tanker, and to be made available in one advance to refinance part of the acquisition cost of such ship;
 - (ii) in the case of Tranche B (as defined below), being in an amount of up to the lower of (i) \$19,530,000 and (ii) 60 per cent. of the market value of one product oil/chemical tanker with Builder's Hull No. 104 (ex Hull No. 030) on its delivery date and to be made available in one advance to finance the delivery instalment in connection with the acquisition cost of such ship and, as the case may be, refinance certain pre-delivery instalments;
 - (iii) in the case of Tranche C (as defined below), being in an amount of up to the lower of (i) \$19,530,000 and (ii) 60 per cent. of the market value of one product oil/chemical tanker with Builder's Hull No. 105 on its delivery date and to be made available in one advance to finance the delivery instalment in connection with the acquisition cost of such ship and, as the case may be, refinance certain pre-delivery instalments;
 - (iv) in the case of Tranche D (as defined below), being in an amount of up to the lower of (i) \$19,530,000 and (ii) 60 per cent. of the market value of one product oil/chemical tanker with Builder's Hull No. 106 on its delivery date and to be made available in one advance or, as the case may be, in multiple advances to finance the delivery instalment in connection with the acquisition cost of such ship and to finance or, as the case may be, refinance certain pre-delivery instalments; and
 - (v) in the case of Tranche E (as defined below), being in an amount of up to the lower of (i) \$19,710,000 and (ii) 60 per cent. of the market value of one product oil/chemical tanker with Builder's Hull No. 107 on its delivery date and to be made available in one advance or, as the case may be, in multiple advances to finance the delivery instalment in connection with the acquisition cost of such ship and to finance or, as the case may be, refinance certain pre-delivery instalments.
- (B) The Swap Bank may agree to enter into interest rate swap transactions with each Borrower from time to time to hedge that Borrower's exposure under this Agreement to interest rate fluctuations.

(C) The Lenders and the Swap Bank have agreed to share in the security to be granted to the Security Trustee pursuant to this Agreement with the obligations of the Borrowers to the Swap Bank being subordinated to those of the Borrowers to the Lenders.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Definitions

Subject to Clause 1.5, in this Agreement:

“**Acceptable Bank**” means a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of BBB+ or higher by Standard & Poor’s Rating Services or Fitch Ratings Ltd or Baa1 or higher by Moody’s Investor Service Limited or a comparable rating from an internationally recognised credit rating agency which is approved by the Majority Lenders;

“**Accounts Pledge**” means, in respect of each Earnings Account, a pledge agreement creating security in respect of that Earnings Account, in the Agreed Form, and in the plural means all of them;

“**Advance**” means the principal amount of each borrowing by the Borrowers (or any of them) under this Agreement;

“**Affected Borrower**” means a Borrower that is the subject of a Dropdown and in respect of which the conditions stated in paragraphs (a) to (f) of Clause 4.9 have been satisfied and in the plural means all of them;

“**Affected Clauses**” has the meaning given in Clause 29.2;

“**Affected Lender**” has the meaning given in Clause 5.6;

“**Age**” means, in relation to a Ship at any time, the number of whole years having elapsed from the year in which the construction of that Ship was completed;

“**Agency and Trust Agreement**” means the agency and trust agreement executed or to be executed between the Borrowers, the Lenders, the Swap Bank and the Security Trustee in the Agreed Form;

“**Agreed Form**” means, in relation to any document, that document in the form approved in writing by the Facility Agent acting reasonably (acting on the instructions of the Majority Lenders) or as otherwise approved in accordance with any other approval procedure specified in any relevant provision of any Finance Document;

“**Approved Broker**” means each of ACM Braemar, Arrow Valuations (London), H. Clarksons & Co. Ltd., Barry Rogliano Sales, Maersk Brokers K/S, Howe Robinson & Co. Ltd Shipbrokers and SSY Valuation Services Ltd. or any other brokers approved by the Majority Lenders and in the plural means all of them;

“**Approved Charterer**” means a charterer acceptable in all respects to the Lenders such acceptance not to be unreasonably withheld, delayed or conditioned and to be deemed given in respect of the Guarantor or any of its wholly-owned subsidiaries (subject to a full performance guarantee of the Guarantor) **Provided that** no more than three Ships are chartered to the Guarantor or such subsidiaries at any time;

“Approved Flag” means the Liberia or Marshall Islands or Panama or Cyprus or Malta flag or such flag as the Facility Agent may, with the authorisation of all the Lenders, approve as the flag on which a Ship shall be registered, such approval not to be unreasonably withheld;

“Approved Flag State” means any country in which the Facility Agent may with the authorisation of all the Lenders, approve that a Ship be registered, such approval not to be unreasonably withheld;

“Approved Manager” means, in relation to a Ship, Capital Ship Management Corp., a company incorporated in Panama having its registered office at Hong Kong Bank Building, 6th floor, Samuel Lewis Avenue, Panama, Republic of Panama, or any other company which the Lenders may approve (such approval not to be unreasonably withheld) from time to time as the commercial, technical and/or operational manager of that Ship;

“Approved Manager’s Undertaking” means, in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Security Trustee in the terms required by the Security Trustee agreeing certain matters in relation to the Approved Manager serving as the manager of the Ship and subordinating the rights of the Approved Manager against such Ship and the Borrower which is the owner thereof to the rights of the Creditor Parties under the Finance Documents, in the Agreed Form and in the plural means all of them;

“Availability Period” means the period commencing on the date of this Agreement and ending in respect of:

- (a) Tranche A, 31 December 2015; and
- (b) each other Tranche, on the earlier of:
 - (i) the Delivery Date of the Ship to which that Tranche relates; and
 - (ii) the latest delivery date permitted under the Shipbuilding Contract to which that Tranche relates (being the earliest date on which the Borrower which is a party to that Shipbuilding Contract may cancel, rescind or terminate the Shipbuilding Contract for delay);

“Balloon Instalment” has the meaning given to that term in Clause 8.1(b)(ii);

“Basel III” means:

- (a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated; and
- (b) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”;

“Borrower” means each of Borrower A, Borrower B, Borrower C, Borrower D and Borrower E, and in the plural, means all of them;

“Borrower A” means Filonikis Product Carrier S.A., a corporation incorporated in Liberia, whose registered office is at 80 Broad Street, Monrovia, Liberia;

“Borrower B” means Helios Product Carrier S.A., a corporation incorporated in Liberia, whose registered office is at 80 Broad Street, Monrovia, Liberia;

“**Borrower C**” means Hercules Product Carrier S.A., a corporation incorporated in Liberia, whose registered office is at 80 Broad Street, Monrovia, Liberia;

“**Borrower D**” means Iason Product Carrier S.A., corporation incorporated in the Republic of Liberia, whose registered office is at 80 Broad Street, Monrovia, Liberia;

“**Borrower E**” means Archon Product Carrier S.A., a corporation incorporated in Liberia, whose registered office is at 80 Broad Street, Monrovia, Liberia;

“**Builder**” means Samsung Heavy Industries (Ningbo) Co. Ltd., a corporation organised and existing under the laws of the People’s Republic of China whose principal office is at No.18 Haven Road, Beilun District, Ningbo, the People’s Republic of China;

“**Builder’s Parent**” means Samsung Heavy Industries Co., Ltd., a corporation organised and existing under the laws of South Korea whose registered office is at Samsung Life Seocho Tower 1321-14, Seocho-Dong, Seocho-GU, Seoul, South Korea;

“**Break Costs**” has the meaning given in Clause 21.2;

“**Business Day**” means a day on which banks are open in London, Athens and Piraeus and in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

“**Chartered Ship**” has the meaning given in Clause 4.9;

“**Charterparty**” means any bareboat charterparty or any time charterparty in respect of a Ship having a duration of at least 12 months or more (excluding options to extend contained therein), made with an Approved Charterer and at a monthly hire rate which is sufficient, in the Facility Agent’s reasonable opinion, acting on instruction of the Lenders, to allow the Tranche relative to that Chartered Ship to be repaid in full in accordance with Clause 8.1(b) and in all other respects on terms acceptable in all respects to the Lenders, such acceptance not to be unreasonably withheld;

“**Charterparty Assignment**” means, in relation to a Ship, an assignment of the rights of the Borrower which is the owner of that Ship under the Charterparty relative to that Ship executed or to be executed by the relevant Borrower in favour of the Security Trustee and notified to and acknowledged (on a best efforts basis) by an Approved Charterer in the Agreed Form and, in the plural, means all of them;

“**CMTC Group**” means the Guarantor and its subsidiaries (whether direct or indirect and including but not limited to, each Borrower (other than an Affected Borrower)) from time to time during the Security Period.

“**Code**” means the US Internal Revenue Code of 1986;

“**Commitment**” means, in relation to a Lender, the amount set opposite its name in Schedule 1, or, as the case may require, the amount specified in the relevant Transfer Certificate as that amount may be reduced, cancelled or terminated in accordance with this Agreement (and “**Total Commitments**” means the aggregate of the Commitments of all the Lenders);

“**Confidential Information**” means all information relating to a Borrower, any Security Party, any Group, the Finance Documents or the Loan of which a Creditor Party becomes aware in its capacity as, or for the purpose of becoming, a Creditor Party or which is received by a Creditor Party in relation to, or for the purpose of becoming a Creditor Party under, the Finance Documents or the Loan from either:

(a) any member of any Group or any of its advisers; or

(b) another Creditor Party, if the information was obtained by that Creditor Party directly or indirectly from any member of any Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes:

(i) information that:

- (A) is or becomes public information other than as a direct or indirect result of any breach by that Creditor Party of Clause 30; or
- (B) is identified in writing at the time of delivery as non-confidential by any member of a Group or any of its advisers; or
- (C) is known by that Creditor Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Creditor Party after that date, from a source which is, as far as that Creditor Party is aware, unconnected with the Group(s) and which, in either case, as far as that Creditor Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality; and

(ii) the Reference Bank Rate or any rate determined pursuant to Clauses 5.10 and 5.12;

“**Confirmation**” and “**Early Termination Date**”, in relation to any continuing Designated Transaction, have the meanings given in the relevant Master Agreement;

“**Contract Price**” means

- (a) in respect of Ship A, \$32,550,000;
- (b) in respect of Ship B, \$32,550,000;
- (c) in respect of Ship C, \$32,550,000;
- (d) in respect of Ship D, \$32,550,000; and
- (e) in respect of Ship E, \$32,850,000,

being in each case the price payable for that Ship under Article II of the Shipbuilding Contract relative to that Ship, subject to adjustment as provided in Article III of that Shipbuilding Contract;

“**Contract Price Instalment**” means each instalment of the Contract Price payable under Article II, 4 of each Shipbuilding Contract;

“**Contractual Currency**” has the meaning given in Clause 21.5;

“**Contribution**” means in relation to a Lender, the part of the Loan which is owing to that Lender;

“**CPLP Group**” means the Substitute Guarantor and its subsidiaries (whether direct or indirect and including any Affected Borrower) from time to time during the Security Period;

“**CRD IV**” means Directive 2013/36/EU of the European Union on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms;

“**Creditor Party**” means the Facility Agent, the Security Trustee, the Swap Bank or any Lender, whether as at the date of this Agreement or at any later time;

“**CRR**” means Regulation (EU) No 575/2013 of the European Union on prudential requirements for credit institutions and investment firms;

“**Deed of Covenant**” means, in relation to a Ship registered or to be registered under Cyprus or Malta flag, a deed of covenant collateral to the Mortgage of that Ship creating charges over the Ship, executed or to be executed by the Borrower which is the owner of that Ship in favour of the Security Trustee, in the Agreed Form, and in the plural means all of them;

“**Defaulting Lender**” means any Lender:

- (a) which has failed to make available the relevant proportion of its Commitment or has given notice to the Facility Agent that it will not make such amount available by the relevant Drawdown Date pursuant to Clause 4.6; or
- (b) which has otherwise rescinded or repudiated a Finance Document; or
- (c) with respect to which an Insolvency Event has occurred and is continuing, unless, in the case of paragraph (a) above:
 - (i) its failure to pay is caused by:
 - (A) an administrative or technical error; or
 - (B) a Disruption Event; andpayment is made within 5 Business Days of its due date; or
 - (ii) the Lender is disputing in good faith whether it is contractually obliged to make the relevant payment;

“**Delivery Advance**” means the Advance which shall finance the whole or part of the Instalment of the Contract Price due and payable to the Builder under each Shipbuilding Contract on the Delivery Date in respect of the relevant Ship;

“**Delivery Date**” means, in relation to each Ship, the date on which title to and possession of that Ship is transferred from the Builder to the relevant Borrower pursuant to the Shipbuilding Contract to which that Borrower is a party;

“**Designated Person**” means a person:

- (a) that is, or is owned or controlled by one or more persons that are listed on a Sanctions List, or is otherwise the target of any Sanctions;
- (b) located in or organized under the laws of any jurisdiction that is, or whose government is, targeted by Sanctions;
- (c) acting or purporting to act on behalf of any of the persons listed in paragraphs (a) and (b) above; or
- (d) with which any relevant Creditor Party is prohibited from (i) dealing or (ii) otherwise engaging in any transaction pursuant to any Sanctions;

“**Designated Ship**” means each of Ship D and Ship E, and in the plural means both of them;

“Designated Transaction” means a Transaction which fulfils the following requirements:

- (a) it is entered into by a Borrower pursuant to the Master Agreement to which it is a party with either Swap Bank which, at the time the Transaction is entered into, is also a Lender (or an affiliate of a Lender);
- (b) its purpose is the hedging of that Borrower’s exposure under this Agreement to fluctuations in LIBOR arising from the funding of the Loan (or any part thereof) for a period expiring no later than the final Repayment Date; and
- (c) it is designated by delivery by the Swap Bank to the Facility Agent and the Borrowers of a notice of designation in the form set out in Schedule 5, as a Designated Transaction for the purposes of the Finance Documents;

“Disruption Event” means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Loan (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, a party to this Agreement (a **“Party”**); or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other, Party:
 - (i) from performing its payment obligations under the Finance Documents; or
 - (ii) from communicating with other parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted;

“Dollars” and **“\$”** means the lawful currency for the time being of the United States of America;

“Drawdown Date” means, in relation to an Advance, the date requested by the Borrowers for the Advance to be made, or (as the context requires) the date on which the Advance is actually made;

“Drawdown Notice” means a notice in the form set out in Schedule 2 (or in any other form which the Facility Agent, acting with the authorisation of all the Lenders, approves or reasonably requires);

“Dropdown” has the meaning given in Clause 4.9;

“Earnings” means, in relation to a Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Borrower which is the owner of that Ship or the Security Trustee and which arise out of the use or operation of the Ship, including (but not limited to):

- (a) all freight, hire and passage moneys, compensation payable to that Borrower or the Security Trustee in the event of requisition of the Ship for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of the Ship;

- (b) all moneys which are at any time payable under any Insurances in respect of loss of hire; and
- (c) if and whenever the Ship is employed on terms whereby any moneys falling within paragraphs (a) or (b) above are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to the Ship;

“**Earnings Account**” means, with respect to a Borrower, an account in the name of that Borrower with the Facility Agent in London which is designated by the Facility Agent in writing as the Earnings Account with respect to that Borrower for the purposes of this Agreement and in the plural means all of them;

“**Environmental Claim**” means:

- (a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or
- (b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and “**claim**” means a claim for damages, compensation, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

“**Environmental Incident**” means:

- (a) any release of Environmentally Sensitive Material from a Ship; or
- (b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between a Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or a Ship or a Borrower and/or any operator or manager is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or
- (c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where a Borrower and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

“**Environmental Law**” means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

“**Environmentally Sensitive Material**” means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

“**Event of Default**” means any of the events or circumstances described in Clause 19.1;

“FATCA” means:

- (a) sections 1471 to 1474 of the Code and any Treasury regulations thereunder;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph(a) above; or
- (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

“FATCA Deduction” means a deduction or withholding from a payment under any Finance Document required by or under FATCA;

“FATCA Exempt Party” means a party to a Finance Document that is entitled under FATCA to receive payments free from any FATCA Deduction;

“FATCA FFI” means a foreign financial institution as defined in section 1471(d)(4) of the Code which could be required to make a FATCA Deduction;

“FATCA Non-Exempt Lender” means any Lender who is not a FATCA Exempt Party;

“Fee Letter” means a letter issued or to be issued by the Borrowers to the Facility Agent in which the Borrowers agree to pay certain fees to the Facility Agent in connection with this Agreement;

“Finance Documents” means:

- (a) this Agreement;
- (b) the Master Agreements;
- (c) the Master Agreement Assignments;
- (d) the Master Agreement Guarantees;
- (e) the Agency and Trust Agreement;
- (f) any Pre-delivery Security Assignments;
- (g) the Guarantee;
- (h) the Shares Pledges;
- (i) the General Assignments;
- (j) the Mortgages;
- (k) any Deeds of Covenant;
- (l) the Accounts Pledges;
- (m) the Fee Letter;
- (n) any Charterparty Assignments;
- (o) the Approved Manager’s Undertakings;
- (p) any New Finance Documents; and

- (q) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrowers or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lenders under this Agreement or any of the documents referred to in this definition and, in the singular, means any of them;

“Final Maturity Date” means, in relation to each Tranche, the earlier of (i) the date falling on the seventh anniversary of the Delivery Date (or, in the case of Ship A, the Drawdown Date of the Advance) in respect of the Ship to be financed by that Tranche and (ii) 31 December 2023;

“Financial Indebtedness” means, in relation to a person (the **“debtor”**), any liability of the debtor:

- (a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;
- (b) under any loan stock, bond, note or other security issued by the debtor;
- (c) under any acceptance credit, guarantee or letter of credit facility made available to the debtor;
- (d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor;
- (e) under any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount;
- (f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within (a) to (e) if the references to the debtor referred to the other person;

“General Assignment” means, in relation to a Ship, a general assignment of the Earnings, the Insurances and any Requisition Compensation of such Ship, in the Agreed Form and in the plural means all of them;

“Group” means:

- (a) in relation to the period from the date of this Agreement until the date of the first Dropdown, the CMTC Group; or
- (b) thereafter, the CMTC Group or the CPLP Group, and in the plural means both of them,

and **“member of a Group”** shall be construed accordingly;

“Guarantee” means, the guarantee of the obligations of certain Borrowers under this Agreement and the Finance Documents to which each such Borrower is a party to be given by the Guarantor in favour of the Security Trustee in the Agreed Form;

“Guarantor” means Capital Maritime & Trading Corp., a corporation incorporated under the laws of the Republic of the Marshall Islands and having its registered office at Trust Company House, Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960 the Marshall Islands;

“Impaired Agent” means the Facility Agent at any time when:

- (a) it has failed to make (or has notified a party to a Finance Document that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;
- (b) the Facility Agent otherwise rescinds or repudiates a Finance Document;
- (c) (if the Facility Agent is also a Lender), it is a Defaulting Lender under paragraph (a) or (b) of the definition of “Defaulting Lender”; or
- (d) an Insolvency Event has occurred and is continuing with respect to the Facility Agent;
unless, in the case of paragraph (a) above:
 - (i) its failure to pay is caused by:
 - (A) an administrative or technical error; or
 - (B) a Disruption Event; and
 - (ii) payment is made within 10 Business Days of its due date; or
 - (iii) the Facility Agent is disputing in good faith whether it is contractually obliged to make the payment in question;

“Initial Market Value” means, in relation to each Ship, the Market Value thereof determined by taking the average of the valuations of that Ship referred to in paragraph 4 of Schedule 3, Part B;

“Insolvency Event” in relation to a Creditor Party means that that Creditor Party:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or that Creditor Party admits in writing that it is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement, or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;
- (e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:
 - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or

- (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (f) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (other than, for so long as it is required by law or regulation not to be publicly disclosed, any such appointment which is to be made, or is made, by a person or entity described in paragraph (d) above);
- (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;
- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above; or
- (j) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

“Insurances” means, in relation to a Ship:

- (a) all policies and contracts of insurance or reinsurance, including entries of such Ship in any protection and indemnity or war risks association, which are effected in respect of such Ship, her Earnings or otherwise in relation to her; and
- (b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium or under any cut-through clause;

“Instalments” has the meaning given in Clause 8.1(b)(i);

“Interest Period” means a period determined in accordance with Clause 6;

“Intermediate Shareholder” means Capital Product Operating LLC, a limited liability company formed in the Republic of the Marshall Islands whose registered office is at Trust Company Complex Ajeltake Road, Ajeltake Island, Majuro MH 96960, the Marshall Islands;

“Interpolated Screen Rate” means, in relation to LIBOR for an Interest Period, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

- (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than that Interest Period; and
 - (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds that Interest Period,
- each as of 11.00 a.m. (London time) on the Quotation Day for the currency of the Loan;

“**ISM Code**” means the International Safety Management Code (including the guidelines on its implementation), adopted by the International Maritime Organisation as the same may be amended or supplemented from time to time (and the terms “**safety management system**”, “**Safety Management Certificate**” and “**Document of Compliance**” have the same meanings as are given to them in the ISM Code);

“**ISPS Code**” means the International Ship and Port Facility Security Code as adopted by the International Maritime Organisation, as the same may be amended or supplemented from time to time;

“**ISSC**” means a valid and current International Ship Security Certificate issued under the ISPS Code;

“**Lender**” means, subject to Clause 26.6, a bank or financial institution listed in Schedule 1 and acting through its branch indicated in Schedule 1 (or through another branch notified to the Borrowers under Clause 26.14) or its transferee, successor or assign;

“**LIBOR**” means, for an Interest Period:

- (a) the applicable Screen Rate;
- (b) (if no Screen Rate is available for that Interest Period) the Interpolated Screen Rate; or
- (c) if:
 - (i) no Screen Rate is available for the currency of the Loan; or
 - (ii) no Screen Rate is available for that Interest Period and it is not possible to calculate an Interpolated Screen Rate, the Reference Bank Rate,

as of, in the case of paragraphs (a) and (c) above, 11.00 a.m. (London time) on the Quotation Day for the currency of the Loan and for a period equal in length to that Interest Period and, if any such rate is below zero, LIBOR will be deemed to be zero;

“**Loan**” means the principal amount for the time being outstanding under this Agreement;

“**Major Casualty**” means, in relation to a Ship, any casualty to the Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds \$1,000,000 or the equivalent in any other currency;

“**Majority Lenders**” means:

- (a) at any time when no Advances are outstanding, Lenders whose Commitments exceed in total 66 2/3 per cent. of the Total Commitments; and
- (b) at any other time, Lenders whose Contributions exceed in total 66 2/3 per cent. of the Loan;

“**Management Agreement**” means, in relation to each Ship, an agreement made or to be made between (i) the Borrower which is the owner of that Ship, or, in the case of a Ship owned by an Affected Borrower, the Substitute Guarantor and (ii) the Approved Manager in respect of the commercial and technical management of that Ship to be in form and substance in all respects reasonably acceptable to the Lenders (it being agreed that the form and substance of the management agreement which has been entered into by the Substitute Guarantor as at the date of this Agreement and to which further Ships may become subject is deemed to be acceptable) and, in the plural, means all of them;

“**Margin**” means 2.50 per cent. per annum;

“**Market Value**” means, in respect of each Ship, the market value thereof determined from time to time in accordance with Clause 15.4;

“**Master Agreement**” means any master agreement (on the 1992 or, as the case may be, 2002 ISDA (Multicurrency - Crossborder) form) made between each Borrower and the Swap Bank and includes all Designated Transactions from time to time entered into and Confirmations from time to time exchanged under that master agreement and, in the plural, means all of them;

“**Master Agreement Assignment**” means, in relation to a Master Agreement, the assignment of that Master Agreement in favour of the Security Trustee executed or to be executed by the Borrower which is a party to that Master Agreement, in the Agreed Form and, in the plural, means all of them;

“**Master Agreement Guarantee**” means a guarantee to be given by each Borrower in favour of the Security Trustee, guaranteeing the obligations of each other Borrower (which is a member of the same Group as the Borrower executing the Guarantee) under the Master Agreement to which that Borrower is a party in the Agreed Form and, in the plural, means all of them;

“**Material Adverse Change**” means any event or series of events which, in the reasonable opinion of the Majority Lenders, is likely to have a Material Adverse Effect;

“**Material Adverse Effect**” means a material adverse effect on:

- (a) the business, property, assets, liabilities, operations or condition (financial or otherwise) of a Borrower and/or any Security Party taken as a whole;
- (b) the ability of a Borrower and/or any Security Party to (i) perform any of its obligations or (ii) discharge any of its liabilities, under any Finance Document as they fall due; or
- (c) the validity or enforceability of any Finance Document;

“**Mortgage**” means, in relation to a Ship, the first preferred or, as the case may be, priority ship mortgage on that Ship under the relevant Approved Flag executed by the Borrower which is the owner of that Ship in favour of the Security Trustee, in the Agreed Form;

“**Negotiation Period**” has the meaning given in Clause 5.9;

“**New Finance Documents**” means:

- (a) any New Guarantee; and
- (b) any New Shares Pledge;

“**New Guarantee**” means the guarantee of the obligations of an Affected Borrower under this Agreement and the Finance Documents to which such Affected Borrower is a party to be given by the Substitute Guarantor in substantially the same form as the Guarantee (with all logical modifications and including an express restriction on the Substitute Guarantor pledging any of its shares in the Intermediate Shareholder) executed by the Substitute Guarantor in favour of the Security Trustee in the Agreed Form,

“**New Shares Pledge**” means, in relation to an Affected Borrower, a pledge agreement executed by the Intermediate Shareholder in favour of the Security Trustee each creating a Security Interest over the share capital of that Borrower in substantially the same form as the Shares Pledge (with logical modifications) and in the plural means all of them;

“**Notifying Lender**” has the meaning given in Clause 23.1 or Clause 24.1 as the context requires;

“**Option**” has the meaning given in Clause 4.9;

“**Payment Currency**” has the meaning given in Clause 21.6;

“**Permitted Security Interests**” means:

- (a) Security Interests created by the Finance Documents;
- (b) liens for unpaid crew’s wages in accordance with usual maritime practice;
- (c) liens for salvage;
- (d) liens arising by operation of law for not more than 2 months’ prepaid hire under any charter in relation to a Ship not prohibited by this Agreement;
- (e) liens for master’s disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of a Ship, provided such liens do not secure amounts more than 45 days overdue (unless the overdue amount is being contested by the relevant Borrower in good faith by appropriate steps) and subject, in the case of liens for repair or maintenance, to Clause 14.13(e);
- (f) any Security Interest created in favour of a plaintiff or defendant in any action of the court or tribunal before whom such action is brought as security for costs and expenses where a Borrower is prosecuting or defending such action in good faith by appropriate steps; and
- (g) Security Interests arising by operation of law in respect of taxes which are not overdue for payment other than taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

“**Pertinent Document**” means:

- (a) any Finance Document;
- (b) any policy or contract of insurance contemplated by or referred to in Clause 13 or any other provision of this Agreement or another Finance Document;
- (c) any other document contemplated by or referred to in any Finance Document; and
- (d) any document which has been or is at any time sent by or to a Servicing Bank in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

“**Pertinent Jurisdiction**”, in relation to a company, means:

- (a) England and Wales;
- (b) the country under the laws of which the company is incorporated or formed;

- (c) a country in which the company has the centre of its main interests or which the company's central management and control is or has recently been exercised;
- (d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;
- (e) a country in which assets of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a branch or permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and
- (f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company, whether as a main or territorial or ancillary proceedings, or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c) above;

"Pertinent Matter" means:

- (a) any transaction or matter contemplated by, arising out of, or in connection with a Pertinent Document; or
- (b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a),

and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

"Potential Event of Default" means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Majority Lenders and/or the satisfaction of any other condition, would constitute an Event of Default;

"Post-Option Balloon Instalments" has the meaning given in Clause 8.1(b)(ii);

"Post-Option Repayment Instalments" has the meaning given in Clause 8.1(b)(i);

"Pre-Option Balloon Instalments" has the meaning given in Clause 8.1(a)(ii);

"Pre-Option Repayment Instalments" has the meaning given in Clause 8.1(a)(i);

"Pre-delivery Security Assignment" means, in relation to each Designated Ship, an assignment of the rights of the relevant Borrower under the Shipbuilding Contract and the Refund Guarantee relative to that Designated Ship executed or (as the context may require) to be executed by that Borrower in favour of the Lenders and, in the plural, means all of them;

"Quotation Date" means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document), the day on which quotations would ordinarily be given by leading banks in the London interbank market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that Interest Period or other period;

"Reference Bank Rate" means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request by each Reference Bank as the rate at which the relevant Reference Bank could borrow funds in the London interbank market in Dollars for the relevant period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in that currency and for that period;

“**Reference Banks**” means, subject to Clause 26.17, ING Bank N.V., London Branch and the London branch of any other bank or financial institution selected by the Facility Agent and in the singular means any of them;

“**Refund Guarantee**” means each of the Ship D Refund Guarantee and the Ship E Refund Guarantee, and in the plural means all of them;

“**Refund Guarantor**” means Bank of Communications Co. Ltd. (Ningbo Branch), a company incorporated and existing in the People’s Republic of China whose registered office is at RM815, No. 55 Zhongsou Road East, Ningbo, the People’s Republic of China, 315000;

“**Related Fund**” in relation to a fund (the “**first fund**”), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an affiliate of the investment manager or investment adviser of the first fund;

“**Relevant Person**” has the meaning given in Clause 19.9;

“**Relevant Proportion**” means at the time the same falls to be determined, the ratio that the Advance or, as applicable, Advances owing by any Affected Borrower bear to the Loan at the time;

“**Repayment Date**” means a date on which a repayment is required to be made under Clause 8;

“**Repayment Instalment**” has the meaning given in Clause 8.1(b)(i);

“**Representative**” means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian;

“**Requisition Compensation**” includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of “**Total Loss**”;

“**Sanctions**” means:

- (a) any trade, economic or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctions Authority;
- (b) any law or regulation enacted, promulgated or issued by any Sanctions Authority after the date of this Agreement; and
- (c) any other law, enabling legislation, executive order, or regulation promulgated under or based under the authorities of any of the foregoing;

“**Sanctions Authority**” means (i) the United States of America, (ii) the United Nations, (iii) the European Union, including its member states, (iv) Greece or (v) the governments and official institutions or agencies of any of the previous paragraphs, including without limitation OFAC and the United States Department of State and Her Majesty’s Treasury;

“**Sanctions List**” means any of the lists of specifically designated persons or entities (or equivalent) held by a Sanctions Authority, each as amended, supplemented or substituted from time to time;

“**Screen Rate**” means the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate or on the

appropriate page of such other information service which publishes that rate from time to time in place of Reuters). If such page or service ceases to be available, the Facility Agent may specify another page or service displaying the relevant rate after consultation with the Borrowers;

“**Secured Liabilities**” means all liabilities which the Borrowers, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or by virtue of the Finance Documents or any judgment relating to the Finance Documents; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

“**Security Cover Ratio**” means, in relation to either Group, the ratio which is determined at any time by comparing:

- (a) the aggregate Market Value of the Ships which are owned by members of that Group and are subject to a Mortgage at the relevant time; plus
- (b) the net realisable value of any additional security previously provided under Clause 15 securing the amounts owing by any Borrower which is a member of that Group,

against the aggregate of:

- (c) the Tranches owing by any such Borrower; plus
- (d) the aggregate Swap Exposure relating to such Tranches;

“**Security Interest**” means:

- (a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;
- (b) the rights of the plaintiff under an action *in rem* in which the vessel concerned has been arrested or a writ has been issued or similar step taken; and
- (c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

“**Security Party**” means each of the Guarantor and, after the Option has been exercised, the Substitute Guarantor and any other person (except a Creditor Party and any Approved Charterer, other than the Guarantor, of any Ship, any other charterer, the Refund Guarantor, the Builder, the Builder’s Parent or the Approved Manager (in case it is not Capital Ship Management Corp. (or an affiliate of Capital Ship Management Corp.))) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the final paragraph of the definition of “Finance Documents”;

“**Security Period**” means the period commencing on the date of this Agreement and ending on the date on which the Facility Agent notifies the Borrowers, the Security Parties and the Lenders that:

- (a) all amounts which have become due for payment by a Borrower or any Security Party under the Finance Documents have been paid;

- (b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;
- (c) neither a Borrower nor any Security Party has any future or contingent liability under Clause 20, 21 or 22 below or any other provision of this Agreement or another Finance Document; and
- (d) the Facility Agent, the Security Trustee and the Majority Lenders do not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of a Borrower or a Security Party or in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

“**Security Trustee**” means ING Bank N.V, London Branch, acting in such capacity through its office at 60 London Wall, London EC2M 5TQ, England, or any successor of it appointed under clause 5 of the Agency and Trust Agreement;

“**Servicing Bank**” means the Facility Agent or the Security Trustee;

“**Shares Pledge**” means, in relation to a Borrower, a pledge agreement executed by the Guarantor in favour of the Security Trustee creating a Security Interest over the share capital of that Borrower, in the Agreed Form and in the plural means all of them;

“**Ship A**” means m.t. “AMOR”, a 2015-built medium range product tanker, with IMO No. 9700471 registered in the name of Borrower A under the Liberian flag;

“**Ship B**” means the medium range product tanker, having Builder’s hull number 104 (ex hull number 030), which is to be constructed by the Builder for, and purchased by, Borrower B under Shipbuilding Contract B and which, on delivery, is to be registered in the name of Borrower B under an Approved Flag;

“**Ship C**” means the medium range product tanker, having Builder’s hull number 105, which is to be constructed by the Builder for, and purchased by, Borrower C under Shipbuilding Contract C and which, on delivery, is to be registered in the name of Borrower C under an Approved Flag;

“**Ship Commitment**” means, in relation to a Ship and a Lender, 1/5th of that Lender’s Commitment;

“**Ship D**” means the medium range product tanker, having Builder’s hull number 106, which is to be constructed by the Builder for, and purchased by, Borrower D under Shipbuilding Contract D and which, on delivery, is to be registered in the name of Borrower D under an Approved Flag;

“**Ship D Refund Guarantee**” means the irrevocable and unconditional letter of guarantee dated 18 September 2013 and issued by the Refund Guarantor in favour of Borrower D in respect of the refundment obligations of the Builder under Shipbuilding Contract D;

“**Ship E**” means the medium range product tanker, having Builder’s hull number 107, which is to be constructed by the Builder for, and purchased by, Borrower E under Shipbuilding Contract E and which, on delivery, is to be registered in the name of Borrower E under an Approved Flag;

“**Ship E Refund Guarantee**” means the irrevocable and unconditional letter of guarantee dated 07 October 2014 and issued by the Refund Guarantor in favour of Borrower E in respect of the refundment obligations of the Builder under Shipbuilding Contract E;

“**Shipbuilding Contract**” means each of Shipbuilding Contract A, Shipbuilding Contract B, Shipbuilding Contract C, Shipbuilding Contract D and Shipbuilding Contract E and, in the plural, means all of them;

“**Shipbuilding Contract A**” means the Shipbuilding Contract dated 17 June 2013 and made between (i) the Builder and (ii) Borrower A for the construction by the Builder of Ship A and its purchase by Borrower A (as amended and supplemented from time to time);

“**Shipbuilding Contract B**” means the Shipbuilding Contract dated 17 June 2013 and made between (i) the Builder and (ii) Borrower B for the construction by the Builder of Ship B and its purchase by Borrower B (as amended and supplemented from time to time);

“**Shipbuilding Contract C**” means the Shipbuilding Contract dated 3 September 2013 and made between (i) the Builder and (ii) Borrower C for the construction by the Builder of Ship C and its purchase by Borrower C (as amended and supplemented from time to time);

“**Shipbuilding Contract D**” means the Shipbuilding Contract dated 3 September 2013 and made between (i) the Builder and (ii) Borrower D for the construction by the Builder of Ship D and its purchase by Borrower D (as amended and supplemented from time to time);

“**Shipbuilding Contract E**” means the Shipbuilding Contract dated 10 December 2013 and made between (i) the Builder and (ii) Borrower E for the construction by the Builder of Ship E and its purchase by Borrower E (as amended and supplemented from time to time);

“**Shipbuilding Contract Parent Guarantee**” means, in relation to a Shipbuilding Contract, an irrevocable and unconditional letter of guarantee dated on the date of that Shipbuilding Contract and issued by the Builder’s Parent in favour of the Borrower which is a party to that Shipbuilding Contract in relation to the obligations of the Builder under each Shipbuilding Contract, and in the plural means all of them;

“**Ships**” means, together, Ship A, Ship B, Ship C, Ship D and Ship E, and in the singular means any of them;

“**Swap Bank**” means ING Bank N.V., acting through its office at Treasury Building, Foppingadreef 7, 1102 BD Amsterdam, The Netherlands;

“**Swap Exposure**” means, as at any relevant date, the amount certified by the Swap Bank to the Facility Agent to be the aggregate net amount in Dollars which would be payable by a Borrower to that Swap Bank under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the relevant Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Designated Transactions in respect of the Master Agreement entered into between that Borrower and that Swap Bank;

“**Substitute Guarantor**” means Capital Product Partners L.P., a limited partnership formed in the Republic of the Marshall Islands whose registered office is at Trust Company Complex Ajeltake Road, Ajeltake Island, Majuro MH 96960, the Marshall Islands;

“**Total Loss**” means, in relation to a Ship:

- (a) actual, constructive, compromised, agreed or arranged total loss of that Ship;
- (b) any expropriation, confiscation, requisition or acquisition of that Ship, whether for full consideration, a consideration less than her proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority, unless it is within 1 month from the date of such occurrence redelivered to the full control of the Borrower owning that Ship, excluding a requisition for hire for a fixed period not exceeding 360 days without any right to an extension;

- (c) any condemnation of the Ship by any tribunal or by any person or persons claiming to be a tribunal; and
- (d) any arrest, capture, seizure, confiscation or detention of the Ship (including any hijacking (piracy) or theft) unless she is within 90 days redelivered to the full control of the Borrower owning the Ship;

“**Total Loss Date**” means, in relation to a Ship:

- (a) in the case of an actual loss of that Ship, the date on which it occurred or, if that is unknown, the date when the Ship was last heard of;
- (b) in the case of a constructive, compromised, agreed or arranged total loss of the Ship, the earliest of:
 - (i) 30 days after the date on which a notice of abandonment is given to the insurers; and
 - (ii) the date of any compromise, arrangement or agreement made by or on behalf of the Borrower owning the Ship, with that Ship’s insurers in which the insurers agree to treat the Ship as a total loss; and
- (c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Facility Agent that the event constituting the total loss occurred;

“**Tranche A**” means that part of the Loan made or to be made available to the Borrowers, or, following a Dropdown, to the Borrowers that are members of the relevant Group, to refinance in part the acquisition cost of Ship A in a principal amount not exceeding in aggregate the lower of (i) \$19,530,000 and (ii) 60 per cent. of the Initial Market Value of Ship A;

“**Tranche B**” means that part of the Loan made or to be made available to the Borrowers, or, following a Dropdown, to the Borrowers that are members of the relevant Group, to finance or, as the case may be, refinance in part the acquisition cost of Ship B in a principal amount not exceeding in aggregate the lower of (i) \$19,530,000 and (ii) 60 per cent. of the Initial Market Value of Ship B;

“**Tranche C**” means that part of the Loan made or to be made available to the Borrowers, or, following a Dropdown, to the Borrowers that are members of the relevant Group, to finance or, as the case may be refinance, in part the acquisition cost of Ship C in a principal amount not exceeding in aggregate the lower of (i) \$19,530,000 and (ii) 60 per cent. of the Initial Market Value of Ship C;

“**Tranche D**” means that part of the Loan made or to be made available to the Borrowers, or, following a Dropdown, to the Borrowers that are members of the relevant Group, to finance or, as the case may be, refinance in part the acquisition cost of Ship D in a principal amount not exceeding in aggregate the lower of (i) \$19,530,000 and (ii) 60 per cent. of the Initial Market Value of Ship D;

“**Tranche E**” means that part of the Loan made or to be made available to the Borrowers, or, following a Dropdown, to the Borrowers that are members of the relevant Group, to finance or, as the case may be, refinance in part the acquisition cost of Ship E in a principal amount not exceeding in aggregate the lower of (i) \$19,710,000 and (ii) 60 per cent. of the Initial Market Value of Ship E;

“**Tranches**” means, together, Tranche A, Tranche B, Tranche C, Tranche D and Tranche E and, in the singular, means any of them;

“**Transaction**” has the meaning given in the relevant Master Agreement;

“**Transfer Certificate**” has the meaning given in Clause 26.2;

“**Trust Property**” has the meaning given in clause 3.1 of the Agency and Trust Agreement;

“**Underlying Documents**” means, together, the Shipbuilding Contracts, the Shipbuilding Contract Parent Guarantees and the Refund Guarantees and, in the singular, means any of them;

“**Unscheduled Amount**” has the meaning given in Clause 29.2;

“**US GAAP**” means generally accepted accounting principles as from time to time in effect in the United States of America; and

“**US Tax Obligor**” means:

- (a) a Borrower or any Security Party, in each case, which is a “United States person” within the meaning of section 7701(a)(30) of the Code; or
- (b) a Borrower or any Security Party, in each case, some or all of whose payments under the Finance Documents are from sources within the United States for United States federal income tax purposes.

1.2 Construction of certain terms

In this Agreement:

“**approved**” means, for the purposes of Clause 13, approved in writing by the Facility Agent;

“**asset**” includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

“**company**” includes any partnership, joint venture and unincorporated association;

“**consent**” includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

“**contingent liability**” means a liability which is not certain to arise and/or the amount of which remains unascertained;

“**document**” includes a deed; also a letter or fax;

“**excess risks**” means, in relation to a Ship, the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of the Ship in consequence of her insured value being less than the value at which the Ship is assessed for the purpose of such claims;

“**expense**” means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

“**gross negligence**” means a form of negligence which is distinct from ordinary negligence, in which the due diligence and care which are generally to be exercised have been disregarded to a particularly high degree, in which the plainest deliberations have not been made and that which should be most obvious to everybody has not been followed;

“**law**” includes any form of delegated legislation, any order or decree, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

“**legal or administrative action**” means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

“**liability**” includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

“**months**” shall be construed in accordance with Clause 1.3;

“**obligatory insurances**” means, in relation to a Ship, all insurances effected, or which the Borrower owning the Ship is obliged to effect, under Clause 13 below or any other provision of this Agreement or another Finance Document;

“**parent company**” has the meaning given in Clause 1.4;

“**person**” includes any individual, any partnership, any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

“**policy**”, in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

“**protection and indemnity risks**” means the usual risks covered by a protection and indemnity association managed in London, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 6 of the International Hull Clauses (1/11/02 or 1/11/03), clause 8 of the Institute Time Clauses (Hulls)(1/11/95) or clause 8 of the Institute Time Clauses (Hulls) (1/10/183) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

“**regulation**” includes any regulation, rule, official directive, request or guideline (either having the force of law or compliance with which is reasonable in the ordinary course of business of the party concerned) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

“**subsidiary**” has the meaning given in Clause 1.4;

“**successor**” includes any person who is entitled (by assignment, novation, merger or otherwise) to any other person’s rights under this Agreement or any other Finance Document (or any interest in those rights) or who, as administrator, liquidator or otherwise, is entitled to exercise those rights; and in particular references to a successor include a person to whom those rights (or any interest in those rights) are transferred or pass as a result of a merger, division, reconstruction or other reorganisation of it or any other person;

“**tax**” includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

“**war risks**” includes the risk of mines and all risks excluded by clause 29 of the International Hull Clauses (1/11/02 or 1/11/03), clause 24 of the Institute Time Clauses (Hulls)(1/11/1995) or clause 23 of the Institute Time Clauses (Hulls) (1/10/83).

1.3 Meaning of “month”

A period of one or more “months” ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started (“**the numerically corresponding day**”), but:

- (a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or
 - (b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day,
- and “month” and “monthly” shall be construed accordingly.

1.4 Meaning of “subsidiary”

A company (S) is a subsidiary of another company (P) if:

- (a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or
 - (b) P has direct or indirect control over a majority of the voting rights attached to the issued shares of S; or
 - (c) P has the direct or indirect power to appoint or remove a majority of the directors of S,
- and any company of which S is a subsidiary is a parent company of S.

1.5 General Interpretation

- (a) In this Agreement:
 - (i) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;
 - (ii) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise; and
 - (iii) words denoting the singular number shall include the plural and vice versa.
- (b) Clauses 1.1 to 1.4 and paragraph (a) of this Clause 1.5 apply unless the contrary intention appears.
- (c) References in Clause 1.1 to a document being in the form of a particular Appendix include references to that form with any modifications to that form which the Facility Agent (with the authorisation of the Majority Lenders in the case of substantial modifications) approves or reasonably requires.
- (d) The clause headings shall not affect the interpretation of this Agreement.
- (e) A Potential Event of Default is “**continuing**” if it has not been remedied or waived and an Event of Default is “**continuing**” if it has not been waived.

2 FACILITY

2.1 Amount of facility

Subject to the terms of this Agreement, the Lenders shall make available to the Borrowers, or, following a Dropdown, to the Borrowers that are members of the relevant Group, a pre- and post- delivery secured term loan facility in five Tranches, of which:

- (a) the Tranches relating to each Ship which is not a Designated Ship shall be available for drawing in one Advance to finance the delivery instalments due and payable to the Builder and re-finance in part the construction or delivery instalments previously paid to the Builder in respect of each of those Ships or, in the case of Ship A only, to re-finance part of the acquisition cost of that Ship; and
- (b) the Tranches relating to each Designated Ship shall be available for drawing in several Advances, each to finance or refinance in part the construction and delivery instalments of the Contract Price paid, or as the case may be, due and payable to the Builder in respect of that Designated Ship under the applicable Shipbuilding Contract,

Provided that Tranches A, B, C, D and E shall be in an aggregate amount not exceeding \$97,830,000.

2.2 Lenders' participations in an Advance

Subject to the other provisions of this Agreement, each Lender shall participate in an Advance in the proportion which, as at the Drawdown Date applicable to that Advance, its Commitment bears to the Total Commitments.

2.3 Purpose of Loan

Each Borrower undertakes with each Creditor Party to use each Advance only for the purpose stated in the preamble to this Agreement.

2.4 Monitoring

No Creditor Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

2.5 Designated Transactions under each Master Agreement

At any time during the Security Period, any Borrower may request the Swap Bank to conclude Designated Transactions for the purpose of hedging exposure to interest rate fluctuations in the context of their interest payment obligations under this Agreement. The entry by the Swap Bank into each Master Agreement does not commit the Swap Bank to conclude Designated Transactions, or even to offer terms for doing so, but does provide a contractual framework within which Designated Transactions may be concluded and secured, assuming that the Swap Bank is willing to conclude any Designated Transaction at the relevant time and that, if that is the case, mutually acceptable terms can be agreed at the relevant time. The Swap Bank may, with the prior consent of the Borrower which is a party to the relevant Master Agreement (such consent not to be unreasonably withheld and/or delayed), syndicate its exposure under that Master Agreement at any time.

3 POSITION OF THE LENDERS, THE SWAP BANK AND THE MAJORITY LENDERS

3.1 Interests of Lenders and Swap Bank several

The rights of the Lenders and the Swap Bank under this Agreement and each Master Agreement are several; accordingly:

- (a) each Lender shall be entitled to sue for any amount which has become due and payable by the Borrowers to it under this Agreement; and

- (b) the Swap Bank shall be entitled to sue for any amount which has become due and payable by the Borrowers to it under a Master Agreement, without joining the Facility Agent, the Security Trustee, any other Lender or the Swap Bank as additional parties in the proceedings.

3.2 Proceedings by individual Lender or the Swap Bank

However, without the prior consent of the Majority Lenders, no Lender or Swap Bank may bring proceedings in respect of:

- (a) any other liability or obligation of a Borrower or a Security Party under or connected with a Finance Document or a Master Agreement; or
- (b) any misrepresentation or breach of warranty by a Borrower or a Security Party in or connected with a Finance Document or the Master Agreement to which that Borrower is a party without the prior consent of the Majority Lenders.

3.3 Obligations several

The obligations of the Lenders under this Agreement and of the Swap Bank under the Master Agreements are several; and a failure of a Lender to perform its obligations under this Agreement or a failure of the Swap Bank to perform its obligations under a Master Agreement shall not result in:

- (a) the obligations of the other Lenders or the Swap Bank being increased; nor
- (b) the Borrowers, any Security Party or any other Creditor Party being discharged (in whole or in part) from its obligations under any Finance Document,

and in no circumstances shall a Lender or Swap Bank have any responsibility for a failure of another Lender or the Swap Bank to perform its obligations under this Agreement or a Master Agreement.

3.4 Parties bound by certain actions of Majority Lenders

Every Lender, the Swap Bank, Borrower and Security Party shall be bound by:

- (a) any determination made, or action taken, by the Majority Lenders under any provision of a Finance Document;
- (b) any instruction or authorisation given by the Majority Lenders to the Facility Agent or the Security Trustee under or in connection with any Finance Document;
- (c) any action taken (or in good faith purportedly taken) by the Facility Agent or the Security Trustee in accordance with such an instruction or authorisation.

3.5 Reliance on action of Facility Agent

However, the Borrowers and each Security Party:

- (a) shall be entitled to assume that the Majority Lenders have duly given any instruction or authorisation which, under any provision of a Finance Document, is required in relation to any action which the Facility Agent has taken or is about to take; and

- (b) shall not be entitled to require any evidence that such an instruction or authorisation has been given.

3.6 Construction

In Clauses 3.4 and 3.5 references to action taken include (without limitation) the granting of any waiver or consent, an approval of any document and an agreement to any matter.

4 DRAWDOWN AND DROPDOWN OPTION

4.1 Request for Advance

Subject to the following conditions, the Borrowers may request an Advance to be made by ensuring that the Facility Agent receives a completed Drawdown Notice not later than 11.00 a.m. (London time) 3 Business Days prior to the intended Drawdown Date.

4.2 Availability

The conditions referred to in Clause 4.1 are that:

- (a) a Drawdown Date has to be a Business Day during the Availability Period;
- (b) each of Tranches relating to a Ship which is not a Designated Ship shall be available for drawing in one Advance and, in the case of any such Ship other than Ship A, on its Delivery Date and will be used to finance the fifth (delivery) instalment of the Contract Price payable under the relevant Shipbuilding Contract and, as to the balance, to refinance part of the Contract Price previously paid by the relevant Borrower or, in the case of Ship A only, to re-finance part of the acquisition cost of Ship A previously paid to the Builder;
- (c) each Advance relating to a Designated Ship shall be used in refinancing or part-financing certain construction and delivery instalments of the Contract Price due to the Builder under the Shipbuilding Contract in respect of the relevant Designated Ship, and each Advance relating to a Designated Ship to be used in refinancing or part-financing any pre-delivery instalments due to the Builder under the relevant Shipbuilding Contract shall not exceed the amount of such pre-delivery instalment and the Advances in respect of such pre-delivery instalments, shall, when aggregated with the Advance in respect of the delivery instalment due in respect of either Ship, be in an amount not exceeding 60 per cent. of the Initial Market Value of each Designated Ship; and
- (d) if any part of the aggregated Lenders' Ship Commitments relative to a Ship has not been borrowed before the end of the Availability Period applying to that Ship's Tranche, those Ship Commitments shall on that date be permanently cancelled in equal shares by an amount equal to such undrawn amount and the Total Commitments shall be cancelled by the same amount.

4.3 Purpose of Advances

Each Borrower undertakes with each Creditor Party to use each Advance only for the purposes stated in the Recitals to this Agreement.

4.4 Notification to Lenders of receipt of a Drawdown Notice

The Facility Agent shall promptly notify the Lenders that it has received a Drawdown Notice and the Facility Agent shall inform each Lender of:

- (a) the amount of the Advance and the Drawdown Date;
- (b) the amount of that Lender's participation in the Advance; and

(c) the duration of the first Interest Period.

4.5 **Drawdown Notice irrevocable**

A Drawdown Notice must be duly signed by a director or other authorised person of the Borrowers; and once served, a Drawdown Notice cannot be revoked without the prior consent of the Facility Agent, acting on the authority of the Majority Lenders.

4.6 **Lenders to make available Contributions**

Subject to the provisions of this Agreement, each Lender shall, on and with value on each Drawdown Date, make available to the Facility Agent for the account of the Borrowers, or, following a Dropdown, to the Borrowers that are members of the relevant Group, the amount due from that Lender on that Drawdown Date under Clause 2.1.

4.7 **Disbursement of Advance**

Subject to the provisions of this Agreement, the Facility Agent shall on each Drawdown Date pay to the relevant Borrowers the relevant Advance for the purposes specified in the Drawdown Notice relative to such Advance the amounts which the Facility Agent receives from the Lenders under Clause 4.6; and that payment to such Borrowers shall be made:

- (a) to such account which the Borrowers specify in the Drawdown Notice; and
- (b) in the like funds as the Facility Agent received the payments from the Lenders.

4.8 **Disbursement of Advance to third party**

The payment by the Facility Agent under Clause 4.7 to the Builder or any other third party shall constitute the making of the Advance and the Borrowers, or, following a Dropdown, the Borrowers that are members of the relevant Group, shall thereupon become indebted, as principal and direct obligors, to each Lender in an amount equal to that Lender's Contribution.

4.9 **Dropdown Option**

The Guarantor may, upon entry of a Ship (the "**Chartered Ship**") into a Charterparty, elect to transfer (the "**Option**") ownership of the entire share capital of the Borrower which is the owner of that Chartered Ship so that such Borrower becomes an indirect subsidiary of the Substitute Guarantor and a direct subsidiary of the Intermediate Shareholder (the "**Dropdown**") subject to:

- (a) on or prior to the date of the Dropdown, the Tranche relative to the Chartered Ship being prepaid so that immediately following the prepayment (which shall be applied in inverse order of maturity first against the Balloon Instalment in respect of that Tranche and thereafter against the then outstanding Repayment Instalments in respect of that Tranche) the Tranche does not exceed the lower of (i) 60 per cent. of the Contract Price and (ii) 50 per cent. of the Market Value of the Chartered Ship ascertained immediately prior to such Dropdown in accordance with Clauses 15.4 and 15.8;
- (b) the Borrowers:
 - (i) serving a written notice on the Facility Agent of the Guarantor's intention to exercise the Option not later than 5 Business Days prior to the date of the Dropdown; and
 - (ii) providing valuations of the relevant Chartered Ship prepared in accordance with Clause 15.4;

- (c) not later than the date of a Dropdown:
 - (i) the Substitute Guarantor providing the New Guarantee; and
 - (ii) the Intermediate Shareholder providing any New Shares Pledge;
- (d) the parties to this Agreement entering into such documentation amending and supplementing this Agreement and any other Finance Documents as may be required to be in a form acceptable to the Facility Agent by no later than the date of Dropdown and any other document as may be required by the Facility Agent to effect the same in a manner acceptable to the Facility Agent;
- (e) the Facility Agent being satisfied that such Borrower will become a wholly-owned direct or indirect subsidiary of the Substitute Guarantor on the date of Dropdown; and
- (f) the Borrowers, the Intermediate Shareholder, the Substitute Guarantor and the Approved Manager providing:
 - (i) such evidence as each Creditor Party may reasonably require for the Parties to be able to satisfy each of their “know your customer” or similar identification procedures in relation to the transactions contemplated by the Finance Documents as amended in accordance with the supplemental documentation referred to in paragraph (e) above and the New Finance Documents; and
 - (ii) to the Facility Agent documents equivalent to these set out in paragraphs 2, 3 and 4 of Part A of Schedule 3, regarding the supplemental documentation, any New Finance Document and any other document in connection therewith, including without limitation updated organisational charts and a legal opinion in respect of the capacity of any party executing any New Finance Document.

5 INTEREST

5.1 Payment of normal interest

Subject to the provisions of this Agreement, interest on each Advance or Tranche in respect of each Interest Period shall be paid by the Borrowers (or, subject to Clause 29.2, each Affected Borrower), in arrears on the last day of that Interest Period.

5.2 Normal rate of interest

Subject to the provisions of this Agreement, the rate of interest on each Advance in respect of an Interest Period shall be the aggregate of:

- (a) the Margin; and
- (b) LIBOR for that Interest Period.

5.3 Payment of accrued interest

In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

5.4 Notification of Interest Periods and rates of normal interest

The Facility Agent shall notify the Borrowers and each Lender of:

- (a) each rate of interest; and

- (b) the duration of each Interest Period,
as soon as reasonably practicable after each is determined.

5.5 **Absence of quotations by Reference Banks**

If any Reference Bank fails to supply a quotation, the relevant rate of interest shall be set in accordance with the following provisions of this Clause 5.

5.6 **Market disruption**

The following provisions of this Clause 5 apply if:

- (a) LIBOR is to be determined by reference to the Reference Banks and no Reference Bank or only one of the Reference Banks does, before 1.00 p.m. (London time) on the Quotation Date for an Interest Period, provide quotations to the Facility Agent in order to fix LIBOR; or
- (b) at least 1 Business Day before the start of an Interest Period, a Lender notifies the Facility Agent that LIBOR fixed by the Facility Agent would not accurately reflect the cost to that Lender of funding its Contributions (or any part of them) during the Interest Period in the London interbank market at or about 11.00 a.m. (London time) on the Quotation Date for the Interest Period; or
- (c) at least 1 Business Day before the start of an Interest Period, the Facility Agent is notified by a Lender (the “**Affected Lender**”) that for any reason it is unable to obtain Dollars in the London interbank market in order to fund its Contribution (or any part of it) during the Interest Period.

5.7 **Notification of market disruption**

The Facility Agent shall promptly notify the Borrowers and each of the Lenders stating the circumstances falling within Clause 5.6 which have caused its notice to be given.

5.8 **Suspension of drawdown**

If the Facility Agent’s notice under Clause 5.7 is served before an Advance or Tranche is made:

- (a) in a case falling within paragraphs (a) or (b) of Clause 5.6, the Lenders’ obligations to make the Advance or Tranche;
- (b) in a case falling within paragraph (c) of Clause 5.6, the Affected Lender’s obligation to participate in the Advance or Tranche, shall be suspended while the circumstances referred to in the Facility Agent’s notice continue.

5.9 **Negotiation of alternative rate of interest**

If the Facility Agent’s notice under Clause 5.7 is served after an Advance or Tranche is made, the Borrowers, the Facility Agent and the Lenders or (as the case may be) the Affected Lender shall use reasonable endeavours to agree, within the 30 days after the date on which the Facility Agent serves its notice under Clause 5.7 (the “**Negotiation Period**”), an alternative interest rate or (as the case may be) an alternative basis for the Lenders or (as the case may be) the Affected Lender to fund or continue to fund their or its Contribution to the relevant Advance, Tranche, Advances or Tranches during the Interest Period concerned.

5.10 Application of agreed alternative rate of interest

Any alternative interest rate or an alternative basis which is agreed during the Negotiation Period shall take effect in accordance with the terms agreed.

5.11 Alternative rate of interest in absence of agreement

If an alternative interest rate or alternative basis is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Facility Agent shall, with the agreement of each Lender or (as the case may be) the Affected Lender, set an interest period and interest rate representing the cost of funding of the Lenders or (as the case may be) the Affected Lender in Dollars or in any available currency of their or its Contribution to the relevant Advance, Tranche, Advances or Tranches plus the Margin; and the procedure provided for by this Clause 5.11 shall be repeated if the relevant circumstances are continuing at the end of the interest period so set by the Facility Agent.

5.12 Notice of prepayment

If the Borrowers do not agree with an interest rate set by the Facility Agent under Clause 5.11, the Borrowers may give the Facility Agent not less than 15 Business Days' notice of their intention to prepay the relevant Advance, Tranche, Advances or Tranches at the end of the interest period set by the Facility Agent.

5.13 Prepayment; termination of Commitments

A notice under Clause 5.12 shall be irrevocable; the Facility Agent shall promptly notify the Lenders or (as the case may require) the Affected Lender of the Borrowers' notice of intended prepayment; and:

- (a) on the date on which the Facility Agent serves that notice, the Total Commitments or (as the case may require) the Commitment of the Affected Lender so far as they relate to the relevant Advance or Tranche shall be cancelled; and
- (b) on the last Business Day of the interest period set by the Facility Agent, the Borrowers shall prepay (without premium or penalty) the Loan or, as the case may be, the Affected Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin.

5.14 Application of prepayment

The provisions of Clause 8 shall apply in relation to the prepayment.

6 INTEREST PERIODS

6.1 Commencement of Interest Periods

The first Interest Period applicable to an Advance or Tranche shall commence on the relevant Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

6.2 Duration of normal Interest Periods

Subject to Clauses 6.3 and 6.4, each Interest Period in respect of each Advance shall be:

- (a) 1, 3, 6 or 12 months as notified by the Borrowers to the Facility Agent not later than 11.00 a.m. (London time) 3 Business Days before the commencement of the Interest Period **Provided that** the Borrowers may select no more than three 1 month Interest Periods in any calendar year;

- (b) in the case of the first Interest Period applicable to the second and any subsequent Advance of a Tranche, a period ending on the last day of the then current Interest Period applicable to such Tranche, whereupon all of the Advances in respect of such Tranche shall be consolidated and treated as a single advance;
- (c) 3 months, if the Borrowers fail to notify the Facility Agent by the time specified in paragraph (a) above; or
- (d) such other period as the Borrowers may request from the Facility Agent, which may be agreed by the Lenders in their sole discretion.

6.3 Duration of Interest Periods for Repayment Instalments

In respect of an amount due to be repaid under Clause 8 on a particular Repayment Date, an Interest Period in relation to the relevant Tranche shall end on that Repayment Date.

6.4 Non-availability of matching deposits for Interest Period selected

If, after the Borrowers have selected and the Lenders have agreed an Interest Period longer than 3 months, any Lender notifies the Facility Agent by 11.00 a.m. (London time) on the second Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London interbank market when the Interest Period commences, the Interest Period shall be of 3 months.

7 DEFAULT INTEREST

7.1 Payment of default interest on overdue amounts

The Borrowers shall pay interest in accordance with the following provisions of this Clause 7 on any amount payable by the Borrowers (or any of them) under any Finance Document which the Facility Agent, the Security Trustee or the other designated payee does not receive on or before the relevant date, that is:

- (a) the date on which the Finance Documents provide that such amount is due for payment; or
- (b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or
- (c) if such amount has become immediately due and payable under Clause 19.4, the date on which it became immediately due and payable.

7.2 Default rate of interest

Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Facility Agent to be 2 per cent. above:

- (a) in the case of an overdue amount of principal, the higher of the rates set out at paragraphs (a) and (b) of Clause 7.3; or
- (b) in the case of any other overdue amount, the rate set out at paragraph (b) of Clause 7.3.

7.3 Calculation of default rate of interest

The rates referred to in Clause 7.2 are:

- (a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);
- (b) the Margin plus, in respect of successive periods of any duration (including at call) up to 3 months which the Facility Agent may select from time to time:
 - (i) LIBOR; or
 - (ii) if the Facility Agent determines that Dollar deposits for any such period are not being made available to a Lender or (as the case may be) Lenders by leading banks in the London interbank market in the ordinary course of business, a rate from time to time determined by the Facility Agent by reference to the cost of funds to the Facility Agent from such other sources as the Facility Agent may from time to time determine.

7.4 Notification of interest periods and default rates

The Facility Agent shall promptly notify the Lenders and the Borrowers of each interest rate determined by the Facility Agent under Clause 7.3 and of each period selected by the Facility Agent for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrowers are liable to pay such interest only with effect from the date of the Facility Agent's notification.

7.5 Payment of accrued default interest

Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined; and the payment shall be made to the Facility Agent for the account of the Creditor Party to which the overdue amount is due.

7.6 Compounding of default interest

Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

7.7 Application to Master Agreements

For the avoidance of doubt, this Clause 7 does not apply to any amount payable under a Master Agreement in respect of any continuing Designated Transaction as to which section 2(e) (Default Interest; Other Amounts) of a Master Agreement shall apply.

8 REPAYMENT AND PREPAYMENT

8.1 Repayment Instalments

- (a) Prior to exercising an Option, the Borrowers shall repay each Tranche, by:
 - (i) 28 equal consecutive quarterly repayments instalments (each a "**Pre-Option Repayment Instalment**" and together, the "**Pre-Option Repayment Instalments**"), each in an amount equal to 1/60th of the aggregate of the Advances drawn down in respect of the relevant Tranche; and
 - (ii) a balloon instalment (in respect of each Tranche, a "**Pre-Option Balloon Instalment**", and together, the "**Pre-Option Balloon Instalments**") equal to 32/60ths of the aggregate of the Advances drawn down in respect of the relevant Tranche; and

- (b) after exercising an Option, the Borrowers (or, subject to Clause 29.2, each applicable Affected Borrower), shall repay the Tranche relating to the Chartered Ship in relation to which the Option has been exercised, by:
- (i) equal consecutive quarterly repayments instalments (each a “**Post-Option Repayment Instalment**” and together, the “**Post-Option Repayment Instalments**”, and together with the Pre-Option Repayment Instalments, the “**Repayment Instalments**” in the number represented by G), each in an amount of D; and
 - (ii) a balloon instalment (in respect of each Tranche, a “**Post-Option Balloon Instalment**”, and together, the “**Post-Option Balloon Instalments**”, and together with the Pre-Option Balloon Instalments, the “**Balloon Instalments**”), each in the amount of H.

In this Clause 8.1(b):

“**A**” means, subject to full compliance with, and the making of any prepayment due in accordance with Clause 4.9, the aggregate of all Advances made in respect of the Tranche relating to the Ship in respect of which the Option is exercised;

“**B**” means 13 minus the Age of the relevant Ship as at the date of exercise of the Option;

“**C**” means A divided by B;

“**D**” means C divided by 4;

“**E**” means D multiplied by G;

“**F**” means the number of months between the date on which the Option is exercised and the Final Maturity Date in respect of the relevant Tranche minus 24 **Provided that** if such number is below zero, F shall be deemed to be zero;

“**G**” means F divided by 4; and

“**H**” means, in respect of that Chartered Ship, A for that Ship minus E.

8.2 Repayment Dates

- (a) Prior to exercising the Option, the first Repayment Instalment in respect of each Tranche shall be repaid on the date falling 3 months after the Drawdown Date of the Delivery Advance of that Tranche and each subsequent Repayment Instalment shall be repaid at 3 monthly intervals thereafter and the last Repayment Instalment shall be repaid on the Final Maturity Date in respect of the Tranche together with the relevant Balloon Instalment; and
- (b) after exercising Option in respect of a Ship, the first Repayment Instalment in respect of the Tranche which relates to the Chartered Ship shall be repaid on the date falling on the second anniversary of the date on which the Option was exercised and each subsequent Repayment Instalment shall be repaid at 3-monthly intervals thereafter and the last Repayment Instalment shall be repaid on the Final Maturity Date together with the relevant Balloon Instalment.

8.3 Final Repayment Date

On the final Repayment Date, the Borrowers shall additionally pay to the Facility Agent for the account of the Creditor Parties all other sums then accrued or owing under any Finance Document.

8.4 Optional facility cancellation

The Borrowers shall be entitled, upon giving to the Facility Agent not less than 3 Business Days prior written notice (which notice shall be irrevocable), to cancel, in whole or in part, and, if in part, by an amount that reduces the undrawn balance of the Total Commitments in a minimum amount equal to a Repayment Instalment or an integral multiple thereof. Upon such cancellation taking effect on expiry of such notice the several obligations of the Lenders to make their respective Commitments available in relation to the portion of the Total Commitments to which such notice relates shall terminate and the commitment fee referred to in Clause 20.1) on such portion shall cease to accrue.

8.5 Voluntary prepayment

Subject to the following conditions, the Borrowers may prepay the whole or any part of the Loan on the last day of an Interest Period in respect thereof.

8.6 Conditions for voluntary prepayment

The conditions referred to in Clause 8.5 are that:

- (a) a partial prepayment shall be in an amount that reduces the Loan by a minimum amount equal to a Repayment Instalment or an integral multiple thereof;
- (b) the Facility Agent has received from the Borrowers at least 10 Business Days' prior written notice specifying:
 - (i) the amount to be prepaid and the date on which the prepayment is to be made; and
 - (ii) whether such prepayment will be applied against a Tranche, in which case the Borrowers will specify the Tranche against which that prepayment should be applied. A failure by the Borrowers to make such a designation shall result in the prepayment being applied against each Tranche in accordance with Clause 8.11(a); and
- (c) the Borrowers have provided evidence satisfactory to the Facility Agent that any consent required by the Borrowers or any Security Party in connection with the prepayment has been obtained and remains in force, and that any requirement relevant to this Agreement which affects the Borrowers or any Security Party has been complied with.

8.7 Effect of notice of prepayment

A prepayment notice may not be withdrawn or amended without the consent of the Facility Agent, given with the authority of the Majority Lenders, and the amount specified in the prepayment notice shall become due and payable by the Borrowers on the date for prepayment specified in the prepayment notice.

8.8 Notification of notice of prepayment

The Facility Agent shall notify the Lenders promptly upon receiving a prepayment notice, and shall provide any Lender which so requests with a copy of any document delivered by the Borrowers under Clause 8.6(c).

8.9 Mandatory prepayment

The Borrowers (or, subject to Clause 29.2, each Affected Borrower) shall be obliged to prepay the Relevant Amount:

- (a) if a Borrower transfers, assigns or novates its rights and obligations under the Shipbuilding Contract to which it is a party before the Delivery Date relative to its Ship; or

- (b) in the case of a sale at any time after the Delivery Date relative to that Ship, on or before the date on which the sale is completed by delivery of that Ship to the buyer; or
- (c) in the case of a Total Loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss;
- (d) if any of the following occurs, unless otherwise instructed by the Facility Agent (acting on the instructions of the Lenders):
 - (i) any of the events specified in Article XI (Buyer's default) of any Shipbuilding Contract occurs; or
 - (ii) any Refund Guarantee is repudiated, cancelled, rescinded or otherwise terminated or expires (other than by the return of such Refund Guarantee to the Builder and/or the Refund Guarantor following the delivery to the relevant Borrower of the relevant Ship) or the Refund Guarantor becomes subject to bankruptcy, re-organization, dissolution, insolvency, winding-up or any similar event those described in Clause 19.1(g); or
 - (iii) any Underlying Document is cancelled, terminated, rescinded or suspended or otherwise ceases to remain in force for any reason; or
 - (iv) any Underlying Document is amended or varied without the prior written consent of the Lenders except for any amendment or variation permitted by this Agreement or any other relevant Finance Document; or
 - (v) a Ship has not for any reason been delivered to, and accepted by, the Borrower which is the buyer thereof under the relevant Shipbuilding Contract by the end of the applicable Availability Period; or
 - (vi) there is a change in the legal (other than in the case of a Dropdown) or ultimate beneficial ownership or control of any Borrower, subject to Clause 19.1(m), or the Guarantor or, following a Dropdown, the Substitute Guarantor from that disclosed to the Facility Agent on or before the date of this Agreement; or
 - (vii) following a Dropdown, there is a change in the legal or ultimate beneficial ownership or control of the Affected Borrower, subject to Clause 19.1(m), from that disclosed to the Facility Agent on or before the date of the relevant Dropdown.

In this Clause 8.9, "**Relevant Amount**" means:

- (a) in the cases of sub-paragraphs (a), (b), (c) and (d) (other than (d)(vi) and (d)(vii) of this Clause 8.9, an amount equal to the higher of (A) the outstanding amount of the Tranche which has been used in part-financing the construction and/or acquisition cost of the Ship which has become subject to any of the events listed in this Clause 8.9 and (B) an amount, which after giving credit to the prepayment required to be made pursuant to this Clause 8.9, results in the applicable Security Cover Ratio being equal to or higher than the higher of (i) the applicable Security Cover Ratio maintained immediately prior to the prepayment made pursuant to this Clause 8.9 and (ii) 120 per cent.;
- (b) in the case of Clause 8.9(d)(vi), the Loan; and
- (c) in the case of Clause 8.9(d)(vii), the Tranches owing by any Affected Borrower.

8.10 Amounts payable on prepayment

A prepayment shall be made together with accrued interest (and any other amount payable under Clause 21 below or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period together with any sums payable under Clause 21.1(b) but without premium or penalty.

8.11 Application of partial prepayment

Each partial prepayment shall be applied:

- (a) if made pursuant to Clause 8.5, pro rata between the then outstanding Tranches and thereafter in respect of each Tranche, pro rata against the Repayment Instalments in respect of that Tranche which are at the time being outstanding and the relevant Balloon Instalment **Provided that** the Borrowers may, at their option, request that a prepayment made in accordance with Clause 8.5 be applied against one Tranche only in which case such prepayment shall be applied pro rata against the Repayment Instalments in respect of that Tranche which are at the time being outstanding and the relevant Balloon Instalment or in any other manner of application requested by the Borrowers and agreed by the Lenders (in the Lenders' absolute discretion);
- (b) if made pursuant to Clause 8.9, in the cases of sub-paragraphs (a), (b) (c) and (d) (other than (d)(vi) and (d)(vii), first against the Balloon Instalment in respect of the Tranche related to the Ship being sold or which has become a Total Loss or whose Shipbuilding Contract is transferred, assigned, novated or which is the subject of any of the events set out in paragraphs (d)(i), (ii), (iii), (iv) or (v), secondly towards reduction of the outstanding Repayment Instalments in respect of that Tranche in inverse order of maturity, thirdly towards reduction of the Balloon Instalments in respect of the remaining Tranches, and fourthly against the then outstanding Repayment Instalments in respect of those Tranches in inverse order of maturity and pro-rata between those Tranches; and
- (c) if made pursuant to any other clause of this Agreement, pro-rata between the Tranches, first against reduction of the Balloon Instalments of the Tranches and secondly against the outstanding Repayment Instalments in respect of such Tranches.

8.12 No reborrowing

No amount prepaid or cancelled may be reborrowed.

8.13 Unwinding of Designated Transactions

On or prior to any repayment or prepayment of the Loan under this Clause 8 or any other provision of this Agreement, the Borrowers shall wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Designated Transactions to the extent necessary to ensure that the notional principal amount of the continuing Designated Transactions thereafter remaining does not and will not in the future (taking into account the scheduled amortisation) exceed the amount of the Loan as reducing from time to time thereafter pursuant to Clause 8.1.

8.14 Prepayment of swap benefit

If a Designated Transaction is terminated in circumstances where the Swap Bank would be obliged to pay an amount to any Borrower under a Master Agreement, each Borrower hereby agrees that such payment shall be applied in prepayment of the Loan in accordance with Clause 8.11 and authorises the Swap Bank to pay such amount to the Facility Agent for such purpose.

8.15 Right of cancellation in relation to a Defaulting Lender

- (a) If any Lender becomes a Defaulting Lender, the Borrowers may, at any time whilst the Lender continues to be a Defaulting Lender, give the Facility Agent 5 Business Days' notice of cancellation of the undrawn Commitment of that Lender;
- (b) on the notice referred to in paragraph (a) above becoming effective, the undrawn Commitment of the Defaulting Lender shall immediately be reduced to zero; and
- (c) the Facility Agent shall as soon as practicable after receipt of a notice referred to in paragraph (a) above, notify all the Lenders.

8.16 Right of repayment and cancellation in relation to a single Lender

- (a) If:
 - (i) any sum payable to any Lender by a Borrower is required to be increased under paragraph (c) of Clause 22.2 or under that clause as incorporated by reference or in full in any other Finance Document; or
 - (ii) any Lender claims indemnification from a Borrower under Clause 22.3 or Clause 24,the Borrowers may whilst in the case of sub-paragraphs (i) and (ii) above the circumstance giving rise to the requirement for that increase or indemnification continues, give the Facility Agent notice of cancellation of the Commitment of that Lender and its intention to procure the repayment of that Lender's participation in the Loan.
- (b) On receipt of a notice of cancellation referred to in paragraph (a) above, the Commitment of that Lender shall immediately be reduced to zero.
- (c) On the last day of each Interest Period which ends after the Borrowers have given notice of cancellation under paragraph (a) above in relation to a Lender (or, if earlier, the date specified by the Borrowers in that notice), the Borrowers shall repay that Lender's participation in the Loan.
- (d) Any partial prepayment under this Clause 8.16 shall reduce *pro rata* the amount of each Repayment Instalment falling after that prepayment by the amount prepaid.

9 CONDITIONS PRECEDENT /SUBSEQUENT

9.1 Documents, fees and no default

Each Lender's obligation to contribute to an Advance is subject to the following conditions precedent:

- (a) that on or before the date of this Agreement, the Facility Agent receives:
 - (i) the documents described in Part A of Schedule 3 in a form and substance satisfactory to the Facility Agent and its lawyers; and
 - (ii) payment in full of any expenses payable pursuant to Clause 20.2;
- (b) that, on the Drawdown Date in respect of each Delivery Advance, the Facility Agent receives:
 - (i) the documents described in Part B of Schedule 3 in form and substance satisfactory to it and its lawyers; and
 - (ii) all accrued commitment fee due and payable pursuant to Clause 20.1; and

- (iii) payment in full of any expenses payable pursuant to Clause 20.2 which are due and payable on that Drawdown Date;
- (c) that, on or before service of a Drawdown Notice in respect of an Advance under Tranche D or E (other than the Delivery Advance), the Facility Agent receives:
 - (i) the documents described in Part C of Schedule 3 in form and substance satisfactory to it and its lawyers;
 - (ii) any accrued commitment fee due and payable pursuant to Clause 20.1; and
 - (iii) payment in full of any expenses payable pursuant to Clause 20.2 which are due and payable on the relevant Drawdown Date;
- (d) that both at the date of each Drawdown Notice and at each Drawdown Date:
 - (i) no Event of Default or Potential Event of Default has occurred and is continuing or would result from the borrowing of the relevant Advance; and
 - (ii) the representations and warranties in Clause 10 and those of any Borrower or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing; and
 - (iii) none of the circumstances contemplated by Clause 5.6 has occurred and is continuing; and
 - (iv) there is no Material Adverse Change in existence; and
 - (v) the Facility Agent receives any fees referred to in Clause 20.1 which are due and payable at that time;
- (e) that, if either Security Cover Ratio were applied immediately following the making of the relevant Advance, the Borrowers would not be obliged to provide additional security or prepay part of the Loan under that Clause; and
- (f) that the Facility Agent has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Facility Agent may, with the authorisation of the Majority Lenders, request by notice to the Borrowers prior to the relevant Drawdown Date.

9.2 Waiver of conditions precedent

If the Majority Lenders, at their discretion, permit an Advance to be borrowed before certain of the conditions referred to in Clause 9.1 are satisfied, the Borrowers shall ensure that those conditions are satisfied within 5 Business Days after the relevant Drawdown Date (or such longer period as the Facility Agent may, with the authorisation of the Majority Lenders, specify).

10 REPRESENTATIONS AND WARRANTIES

10.1 General

Each Borrower represents and warrants to each Creditor Party as follows.

10.2 Status

Each Borrower is a company duly incorporated, validly existing and in good standing under the laws of Liberia.

10.3 Capital

Each Borrower has an authorised share capital divided into 100 registered and/or bearer shares, each of no par value, all of which shares have been fully paid issued in registered form and the legal title and beneficial ownership of all shares is held free of any Security Interests (except for Permitted Security Interests) or any other claim by the person or persons disclosed by the Borrowers to the Facility Agent in writing on or prior to the date of this Agreement.

10.4 Corporate power

Each Borrower has the corporate capacity, and has taken all partnership or corporate action and obtained all consents necessary for it:

- (a) to execute the Shipbuilding Contract to which it is a party and any addenda thereto, to purchase and pay for the Ship to be owned by it under the relevant Shipbuilding Contract and register the Ship in its name under an Approved Flag;
- (b) to enter into, and perform its obligations under, any Charterparty to which it is or, as the case may be, is to become a party;
- (c) to execute the Finance Documents to which that Borrower is a party; and
- (d) to borrow under this Agreement, to enter into Designated Transactions under a Master Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents to which that Borrower is a party.

10.5 Consents in force

All the consents referred to in Clause 10.4 remain in force and nothing has occurred which makes any of them liable to revocation.

10.6 Legal validity; effective Security Interests

The Finance Documents to which each Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

- (a) constitute that Borrower's legal, valid and binding obligations enforceable against that Borrower in accordance with their respective terms; and
 - (b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate,
- subject to any relevant insolvency laws affecting creditors' rights generally.

10.7 No third party Security Interests

Without limiting the generality of Clause 10.6, at the time of the execution and delivery of each Finance Document to which that Borrower is a party:

- (a) that Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

- (b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

10.8 No conflicts

The execution by each Borrower of each Finance Document to which it is a party, and the borrowing by that Borrower of the Loan, and its compliance with each Finance Document to which it is a party will not involve or lead to a contravention of:

- (a) any law or regulation; or
- (b) the constitutional documents of that Borrower; or
- (c) any contractual or other obligation or restriction which is binding on that Borrower or any of its assets, and will not have a Material Adverse Effect.

10.9 No withholding taxes

All payments which each Borrower is liable to make under the Finance Documents may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

10.10 No default

No Event of Default or Potential Event of Default has occurred and is continuing.

10.11 Information

All information which has been provided in writing by or on behalf of each Borrower or any Security Party to any Creditor Party in connection with any Finance Document satisfied the requirements of Clause 11.5; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 11.7; and there has been no material adverse change in the financial position or state of affairs of any Borrower from that disclosed in the latest of those accounts which is likely to have a Material Adverse Effect.

10.12 No litigation

No legal or administrative action involving any Borrower or any Security Party (including action relating to any alleged or actual breach of the ISM Code or the ISPC Code) has been commenced or taken or, to any Borrower's knowledge, is likely to be commenced or taken which would, in either case, be likely to have a Material Adverse Effect.

10.13 Validity and completeness of Underlying Documents

Each of the Underlying Documents constitutes valid, binding and enforceable obligations of the parties thereto in accordance with its terms; and:

- (a) the copies of each Underlying Document delivered to the Facility Agent before the date of this Agreement is a true and complete copy thereof; and
- (b) no amendments or additions to any Underlying Document have been agreed nor has any of the parties thereto waived any of their respective rights thereunder.

10.14 No rebates etc.

There is no agreement or understanding to allow or pay any rebate, premium, commission, discount or other benefit or payment (howsoever described) to any Borrower, any other member of a Group or any affiliate thereof (including, without limitation, the Substitute Guarantor or any subsidiary of the Substitute Guarantor) in connection with the acquisition of any of the Ships.

10.15 Compliance with certain undertakings

At the date of this Agreement, each Borrower is in compliance with Clauses 11.2, 11.4, 11.7 and 11.12.

10.16 Taxes paid

Each Borrower has paid all taxes applicable to, or imposed on or in relation to that Borrower and its business.

10.17 ISM and ISPS Code compliance

All requirements of (i) the ISM Code as they relate to the Approved Manager have been complied with and (ii) the ISM Code and the ISPS Code as they relate to each Borrower and each Ship will be complied with by no later than the actual Delivery Date relative thereto.

10.18 No Money laundering

No Borrower will, and will procure that no Security Party, to the extent applicable, will, in connection with this Agreement or any of the other Finance Documents, contravene or permit any subsidiary to contravene, any law, official requirement or other regulatory measure or procedure implemented to combat “money laundering” (as defined in Article 1 of the Directive 2005/60/EC of the European Parliament and of the Council of the European Union of 26 October 2005) and comparable United States Federal and state laws. Each Borrower shall further submit any documents and declarations on request, if such documents or declarations are required by any Creditor Party to comply with its domestic money laundering and/or legal identification requirements; and

Each Borrower will promptly inform the Facility Agent by written notice, if it is not or ceases to be the beneficiary and will provide in writing the name and address of the beneficiary.

The Facility Agent shall promptly notify the Lenders of any written notice it receives under this Clause 10.8.

10.19 No Immunity

Each Borrower is subject to suit and to commercial law and neither it nor any of its properties have any right of immunity from suit, execution, attachment or other legal process in the Republic of Liberia.

10.20 Sanctions

(a) Each Borrower, the Guarantor and its subsidiaries and any other member of a Group, each other Security Party and their respective directors, officers, employees and, to the best of each Borrower’s knowledge and belief having made due and careful enquiry, agents or representatives has been and is in compliance with applicable Sanctions;

(b) no Borrower, no Security Party and no member of a Group:

(i) is a Designated Person;

(ii) has violated or is violating any applicable Sanctions;

- (iii) is using or will use, directly or indirectly, the proceeds of the Loan, or lend, contribute or otherwise make available such proceeds to any person, (i) to fund any activities or business of or with any person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any person (including any person participating in the Loan, whether as underwriter, advisor, investor, or otherwise); or
 - (iv) is subject to or involved in any inquiry, claim, action, suit, proceeding or investigation against it with respect to applicable Sanctions by any Sanctions Authority; and
- (c) no Designated Person directly or indirectly holds any of a Borrower's or Security Party's share capital.

10.21 Choice of law

The choice of the laws of England to govern the Loan Agreement and those other Finance Documents which are expressed to be governed by the laws of England constitutes a valid choice of law and the submission by each Borrower thereunder to the non-exclusive jurisdiction of the Courts of England is a valid submission and does not contravene the laws of Liberia and the laws of England will be applied by the Courts of Liberia if the Loan Agreement or those other Finance Documents or any claim thereunder comes under their jurisdiction upon proof of the relevant provisions of the laws of England.

10.22 Repetition

The representations and warranties in this Clause 10 shall be deemed to be repeated by each Borrower:

- (a) on the date of service of each Drawdown Notice;
- (b) on each Drawdown Date; and
- (c) with the exception of Clauses 10.9 and 10.12, on the first day of each Interest Period, as if made with reference to the facts and circumstances existing on each such day.

10.23 FATCA

No Borrower nor any Security Party is a FATCA FFI or a US Tax Obligor.

10.24 Delivery Security and other documentation and evidence

If a Drawdown Notice is not issued in respect of the Delivery Advance of Tranche D or Tranche E or, in the case of Tranche A, Tranche B or Tranche C, the Tranche itself or any of the aforementioned Advances or Tranches is not for any reason made available, the Borrower owning the Ship to be financed by such Tranche shall, on the Delivery Date of such Ship, execute and deliver the documents and evidence referred to in Part C of Schedule 3, with necessary modifications (if any) to reflect that the relevant Delivery Advance or such Tranche has not been made available, in form and substance satisfactory to the Facility Agent.

11 GENERAL UNDERTAKINGS

11.1 General

Each Borrower undertakes with each Creditor Party to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Facility Agent may, with the authorisation of the Majority Lenders, or, where specified, all Lenders, otherwise permit (which permission shall not be unreasonably withheld or delayed in connection with Clause 11.11).

11.2 Title; negative pledge and pari passu ranking

Each Borrower will:

- (a) as from the Delivery Date of its Ship, hold the legal title to, and own the entire beneficial interest in its Ship free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents and the effect of assignments contained in the Finance Documents and except for Permitted Security Interests;
- (b) not create or permit to arise any Security Interest over any other asset, present or future other than in the normal course of its business of owning and operating of the Ship owned by it; and
- (c) procure that its liabilities under the Finance Documents to which it is a party do and will rank at least pari passu with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law.

11.3 No disposal of assets

No Borrower will transfer, lease or otherwise dispose of:

- (a) the Shipbuilding Contract to which it is a party;
 - (b) all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not if such transfer, lease or disposal results or in the occurrence of an Event of Default; or
 - (c) any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation,
- but paragraph (a) does not apply to any charter of a Ship as to which Clause 14.14 applies.

11.4 Information provided to be accurate

All financial and other information, including, but not limited to factual information, exhibits and reports, which is provided in writing by or on behalf of a Borrower under or in connection with any Finance Document will be true and not misleading and will not omit any material fact or consideration.

11.5 No other liabilities or obligations to be incurred

No Borrower will incur any liability or obligation (including, without limitation, any Financial Indebtedness) except (a) any shareholder loan owing to the Guarantor in an amount not exceeding the amount of Tranche A provided that it is repaid by the Borrowers in full on the Drawdown Date in respect of Ship A, (b) liabilities and obligations under the Underlying Documents and the Finance Documents to which it is a party and (c) liabilities or obligations reasonably incurred in the ordinary course of operating and chartering its Ship and, should the Lenders consent to the incurrence by a Borrower of any such obligations and/or liabilities, then that Borrower shall ensure that any such obligations and/or liabilities shall at all times be subordinated in priority to the obligations and liabilities of such Borrower under this Agreement and the other Finance Documents.

11.6 Creditor notices

Each Borrower will send to the Facility Agent, at the same time as they are despatched, copies of all communications which are despatched to all of its creditors or to the whole or any class of them.

11.7 Consents

Each Borrower will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Facility Agent of, all consents required:

- (a) for that Borrower to perform its obligations under any Finance Document and any Underlying Document to which that Borrower is party;
 - (b) for the validity or enforceability of any Finance Document and any Underlying Document to which that Borrower is party; and
 - (c) after the Delivery Date of its Ship, for that Borrower to own and operate that Ship,
- and that Borrower will comply (or procure compliance as the case may be) with the terms of all such consents.

11.8 Maintenance of Security Interests

Each Borrower will:

- (a) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and
- (b) without limiting the generality of paragraph (a) above, at its own cost, promptly register, file, record or enrol any Finance Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which, in the opinion of the Majority Lenders, is or has become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

11.9 Notification of litigation

Each Borrower will provide the Facility Agent with details of any legal or administrative action involving that Borrower, any Security Party, any Underlying Document to which it is a party, its Ship, its Earnings or its Insurances as soon as such action is instituted unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

11.10 No amendment to Master Agreements; Transactions

No Borrower will:

- (a) agree to any amendment or supplement to, or waive or fail to enforce, a Master Agreement or any of its provisions; or
- (b) enter into any Transaction pursuant to a Master Agreement except Designated Transactions.

11.11 No amendment to any Underlying Document

No Borrower will agree to any amendment or supplement to, or waive or fail to enforce, any Underlying Document or any of its provisions without the prior written consent of the Lenders such consent not to be unreasonably withheld, delayed or conditioned.

11.12 Principal place of business

Each Borrower will maintain its place of business, and keep its corporate documents and records, at the address stated at Clause 28.2(a) and that Borrower will not establish nor do anything as a result of which it would be deemed to have, a place of business in England or the United States of America.

11.13 Confirmation of no default

Each Borrower will, within 2 Business Days after service by the Facility Agent of a written request, serve on the Facility Agent a notice which is signed by an officer of that Borrower and which:

- (a) states that no Event of Default has occurred; or
 - (b) states that no Event of Default has occurred, except for a specified event or matter, of which all material details are given,
- the Facility Agent may serve requests under this Clause 11.13 from time to time but only if asked to do so by a Lender or Lenders having Contributions exceeding 10 per cent. of the Loan or Commitments exceeding 10 per cent. of the Total Commitments; this Clause 11.13 does not affect that Borrower's obligations under Clause 11.14.

11.14 Notification of default

Each Borrower will notify the Facility Agent as soon as that Borrower becomes aware of:

- (a) the occurrence of a Potential Event of Default and/or an Event of Default (and the steps, if any, being taken to remedy such Potential Event of Default and/or Event of Default); or
 - (b) any matter which indicates that an Event of Default may have occurred,
- and will thereafter keep the Facility Agent fully up-to-date with all developments.

11.15 Provision of further information

Each Borrower will, as soon as practicable after receiving the request, provide the Facility Agent with any additional financial or other information relating:

- (a) to it, the Ship owned by it, its Insurances and its Earnings; or
 - (b) to any other matter relevant to, or to any provision of, a Finance Document,
- which may be requested by the Facility Agent, the Security Trustee or any Lender at any time.

11.16 General and administrative costs

Each Borrower shall ensure that the payment of all its general and administrative costs in connection with the ownership and operation of the Ship owned by it (including, without limitation, the payment of the management fees pursuant to the Management Agreements) shall be fully subordinated to its payment obligations under this Agreement and the other Finance Documents throughout the Security Period.

11.17 Provision of copies and translation of documents

Each Borrower will supply the Facility Agent with a sufficient number of copies of the documents referred to above to provide one copy for each Creditor Party; and if the Facility Agent so requires in respect of any of those documents, the Borrowers will provide a certified English translation prepared by a translator approved by the Facility Agent.

11.18 Hedging of interest rate risks

Each Borrower may from time to time enter into Designated Transactions with the Swap Bank in order to hedge all or part of the interest rate risk under this Agreement.

11.19 FATCA

No Borrower shall and each Borrower shall ensure that none of the Security Parties shall become a FATCA FFI or a US Tax Obligor.

11.20 “Know your customer” checks

If:

- (a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
- (b) any change in the status of that Borrower or any Security Party after the date of this Agreement (including a situation where a shareholder’s share in a Borrower or any Security Party rises above 25% of the total number of shares); or
- (c) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Facility Agent or any Lender (or, in the case of paragraph (c), any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrowers shall promptly upon the request of the Facility Agent or the Lender concerned supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender) or the Lender concerned (for itself or, in the case of the event described in paragraph (c), on behalf of any prospective new Lender) in order for the Facility Agent, the Lender concerned or, in the case of the event described in paragraph (c), any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

11.21 Sanctions

Each Borrower shall and shall procure that each member of a Group:

- (a) will comply in all respects with Sanctions;
- (b) will not, directly or indirectly, use the proceeds of the Loan, or lend, contribute or otherwise make available such proceeds to any person, (i) to fund any activities or business of or with any person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any person (including any person participating in the transactions contemplated by this Agreement and the Finance Documents, whether as underwriter, advisor, investor, or otherwise); and

- (c) shall not fund all or part of any payment under a Finance Document out of proceeds derived from business or transactions with a Designated Person or from any action which would be prohibited by Sanctions or would otherwise cause any person to be in breach of Sanctions.
- (d) No Borrower, no Security Party, nor any member of a Group, shall be a Designated Person.

12 CORPORATE UNDERTAKINGS

12.1 General

Each Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Facility Agent may, with the authorisation of the Majority Lenders, otherwise permit.

12.2 Maintenance of status

Each Borrower will maintain its separate existence as a company and remain in good standing under the laws of Liberia.

12.3 Negative Undertakings

(a) No Borrower will:

- (i) carry on any business other than the ownership, chartering and operation of its Ship; or
- (ii) pay any dividend or make any other form of distribution or effect any form of redemption, purchase or return of share capital if an Event of Default has occurred and is continuing or would result from such payment or distribution; or
- (iii) provide any form of credit or financial assistance to:
 - (A) a person who is directly or indirectly interested in any Borrower's share or loan capital; or
 - (B) any company in or with which such a person is directly or indirectly interested or connected,enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to any Borrower than those which it could obtain in a bargain made at arms' length;
- (iv) open or maintain any account with any bank or financial institution except accounts with the Lender for the purposes of the Finance Documents including, without limitation, its Earnings Account;
- (v) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital;
- (vi) acquire any shares or other securities other than US or UK Treasury bills and certificates of deposit issued by major North American or European banks, or enter into any transaction in a derivative;
- (vii) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation; or
- (viii) acquire any vessel other than its Ship.

13 INSURANCE

13.1 General

Each Borrower undertakes with each Creditor Party to comply with the following provisions of this Clause 13 at all times during the Security Period (as from the Delivery Date of the Ship owned by that Borrower and at all times thereafter) except as the Facility Agent may, with the authorisation of the Majority Lenders, otherwise permit.

13.2 Maintenance of obligatory insurances

Each Borrower shall keep the Ship owned by it insured at the expense of that Borrower against:

- (a) fire and usual marine risks (including hull and machinery and excess risks); and
- (b) war risks (including protection and indemnity war risks with a separate limit not less than hull value);
- (c) protection and indemnity risks (including, without limitation, pollution risks and protection and indemnity war risks in excess of the amount of war risks (hull) each in the highest amount available in the international insurance market); and
- (d) any other risks against which the Facility Agent acting on the instructions of the Majority Lenders, having regard to practices, recommendations and other circumstances prevailing at the relevant time may from time to time require by notice to that Borrower.

13.3 Terms of obligatory insurances

Each Borrower shall effect such insurances:

- (a) in Dollars;
- (b) in the case of fire and usual marine risks and war risks (including, blocking and trapping), on an agreed value basis in approved amounts but not in any event and at any time less than (i) the higher of (i) the amount which when aggregated with the insured amounts for the other Ships which are then subject to a Mortgage is equal to 120 per cent. of the Loan and (ii) the Market Value of the Ship owned by that Borrower **Provided that** the hull and machinery cover to be effected in relation to each Ship shall be equal to at least 80 per cent. of the Market Value of each Ship with the balance of the cover to be effected by way of hull interest and freight interest insurance cover;
- (c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry (with the international group of protection and indemnity clubs) and the international marine insurance market (currently \$1,000,000,000);
- (d) in relation to protection and indemnity risks in respect of the full value and tonnage of the Ship owned by that Borrower;
- (e) in relation to war risks insurance, extended to cover piracy and terrorism where piracy or, as the case may be, terrorism, are excluded under the fire and usual marine risks insurance;
- (f) on approved terms; and
- (g) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations which are members of the International Group

of Protection and Indemnity Associations, and have a Standard & Poor's rating of at least BBB or a comparable rating by any other rating agency reasonably acceptable to the Facility Agent (acting with the authorisation of the Majority Lenders).

13.4 Further protections for the Creditor Parties

In addition to the terms set out in Clause 13.3, each Borrower shall procure that:

- (a) it and any and all third parties who are named assured or co-assured under any obligatory insurance shall assign their interest in any and all obligatory insurances and other Insurances if so required by the Facility Agent;
- (b) whenever the Security Trustee requires, the obligatory insurances name (or be amended to name) the Security Trustee as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Security Trustee, but without the Security Trustee thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurances;
- (c) the interest of the Security Trustee as assignee and as loss payee shall be duly endorsed on all slips, cover notes, policies, certificates of entry or other instruments of insurance in respect of the obligatory insurances;
- (d) the obligatory insurances shall name the Security Trustee as sole loss payee with such directions for payment as the Security Trustee may specify;
- (e) the obligatory insurances shall provide that all payments by or on behalf of the insurers under the obligatory insurances to the Security Trustee shall be made without set-off, counterclaim or deductions or condition whatsoever;
- (f) the obligatory insurances shall provide that the insurers shall waive, to the fullest extent permitted by English law, their entitlement (if any) (whether by statute, common law, equity, or otherwise) to be subrogated to the rights and remedies of the Security Trustee in respect of any rights or interests (secured or not) held by or available to the Security Trustee in respect of the Secured Liabilities, until the Secured Liabilities shall have been fully repaid and discharged, except that the insurers shall not be restricted by the terms of this paragraph (f) from making personal claims against persons (other than the Borrowers or any other Creditor Party) in circumstances where the insurers have fully discharged their liabilities and obligations under the relevant obligatory insurances;
- (g) the obligatory insurances shall provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Security Trustee;
- (h) the obligatory insurances shall provide that the Security Trustee may make proof of loss if that Borrower fails to do so; and
- (i) the obligatory insurances shall provide that if any obligatory insurance is cancelled, or if any substantial change is made in the coverage which adversely affects the interest of the Security Trustee, or if any obligatory insurance is allowed to lapse for non-payment of premium, such cancellation, charge or lapse shall not be effective with respect to the Security Trustee for 30 days (or 7 days in the case of war risks) after receipt by the Security Trustee of prior written notice from the insurers of such cancellation, change or lapse.

13.5 Renewal of obligatory insurances

Each Borrower shall:

- (a) at least 21 days before the expiry of any obligatory insurance:
 - (i) notify the Security Trustee of the brokers, underwriters, insurance companies and any protection and indemnity or war risks association through or with whom that Borrower proposes to renew that insurance and of the proposed terms of renewal; and
 - (ii) in case of any substantial change in insurance cover, obtain the Majority Lenders' approval to the matters referred to in paragraph (i) above;
- (b) at least 14 days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Majority Lenders' approval pursuant to paragraph (a); and
- (c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Security Trustee in writing of the terms and conditions of the renewal.

13.6 Copies of policies; letters of undertaking

Each Borrower shall ensure that all approved brokers provide the Security Trustee with copies of all policies relating to the obligatory insurances which they effect or renew and of a letter or letters of undertaking in a form required by the Majority Lenders and including undertakings by the approved brokers that:

- (a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 13.4;
- (b) they will hold such policies, and the benefit of such insurances, to the order of the Security Trustee in accordance with the said loss payable clause;
- (c) they will advise the Security Trustee immediately of any material change to the terms of the obligatory insurances;
- (d) they will notify the Security Trustee, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from that Borrower or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Security Trustee of the terms of the instructions; and
- (e) they will not set off against any sum recoverable in respect of a claim relating to the Ship owned by that Borrower under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of that Ship or otherwise, they waive any lien on the policies or, any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of that Ship forthwith upon being so requested by the Security Trustee.

13.7 Copies of certificates of entry

Each Borrower shall ensure that any protection and indemnity and/or war risks associations in which the Ship owned by that Borrower is entered provides the Security Trustee with:

- (a) a certified copy of the certificate of entry for that Ship; and
- (b) a letter or letters of undertaking in the Agreed Form; and
- (c) where required to be issued under the terms of insurance/indemnity provided by that Borrower's protection and indemnity association, a certified copy of each United States of America voyage quarterly declaration (or other similar document or documents) made by that Borrower in relation to its Ship in accordance with the requirements of such protections and indemnity association; and

- (d) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to that Ship.

13.8 Deposit of original policies

Each Borrower shall ensure that all policies relating to obligatory insurances are deposited with the approved brokers through which the insurances are effected or renewed.

13.9 Payment of premiums

Each Borrower shall punctually pay all premiums or other sums payable in respect of the obligatory insurances and produce all relevant receipts when so required by the Security Trustee.

13.10 Guarantees

Each Borrower shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

13.11 Restrictions on employment

No Borrower shall employ the Ship owned by it, nor shall permit her to be employed, outside the cover provided by any obligatory insurances.

13.12 Compliance with terms of insurances

No Borrower shall do or omit to do (or permits to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable thereunder repayable in whole or in part; and in particular:

- (a) each Borrower shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 13.6(c) above) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Security Trustee has not given its prior approval;
- (b) no Borrower shall make any changes relating to the classification or classification society or manager or operator of the Ship owned by it approved by the underwriters of the obligatory insurances;
- (c) each Borrower shall make (and promptly supply copies to the Facility Agent (upon its request)) of all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation) and, if applicable, shall procure that the Approved Manager complies with this requirement; and
- (d) no Borrower shall employ the Ship owned by it, nor shall allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

13.13 Alteration to terms of insurances

No Borrower shall either make or agree to any alteration to the terms of any obligatory insurance or waive any right relating to any obligatory insurance other than where the alternatives are mandatory to comply with international conventions or Sanctions without the prior written consent of the Security Trustee.

13.14 Settlement of claims

No Borrower shall settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

13.15 Provision of copies of communications

Each Borrower shall provide the Security Trustee, upon its request, copies of all written communications between that Borrower and:

- (a) the approved brokers; and
- (b) the approved protection and indemnity and/or war risks associations; and
- (c) the approved insurance companies and/or underwriters, which relate directly or indirectly to:
 - (i) that Borrower's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and
 - (ii) any credit arrangements made between that Borrower and any of the persons referred to in paragraphs (a) or (b) above relating wholly or partly to the effecting or maintenance of the obligatory insurances.

13.16 Provision of information and further undertakings

In addition, each Borrower shall promptly provide the Security Trustee (or any persons which it may designate) with any information which the Security Trustee (or any such designated person) requests for the purpose of:

- (a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or
- (b) effecting, maintaining or renewing any such insurances as are referred to in Clause 13.17 below or dealing with or considering any matters relating to any such insurances,
and shall:
 - (i) do all things necessary and provide the Facility Agent and the Security Trustee with all documents and information to enable the Security Trustee to collect or recover any moneys in respect of the Insurances which are payable to the Security Trustee pursuant to the Finance Documents; and
 - (ii) promptly provide the Facility Agent with full information regarding any Major Casualty or in consequence whereof the Ship owned by that Borrower has become or may become a Total Loss and agree to any settlement of such casualty or other accident or damage to that Ship only with the Facility Agent's prior written consent,

and that each Borrower shall, forthwith upon demand, indemnify the Security Trustee in respect of all reasonable fees and other expenses incurred by or for the account of the Security Trustee in connection with any such report as is referred to in paragraph (a) above.

13.17 Mortgagee's interest, additional perils

The Security Trustee shall be entitled from time to time to effect, maintain and renew all or any of the following insurances in an amount equal to 120 per cent. of the Loan, on such terms, through such insurers and generally in such manner as the Majority Lenders may from time to time consider appropriate:

- (a) a mortgagee's interest marine insurance in relation to each Ship in such amount as the Security Trustee may consider appropriate, providing for the indemnification of the Security Trustee for any losses under or in connection with any Finance Document which directly or indirectly result from loss of or damage to any Ship or a liability of any Ship or of any Borrower, being a loss or damage which is prima facie covered by an obligatory insurance but in respect of which there is a non-payment (or reduced payment) by the underwriters by reason of, or on the basis of an allegation concerning:
- (i) any act or omission on the part of a Borrower, of any operator, charterer, manager or sub-manager of the Ship owned by it or of any officer, employee or agent of that Borrower or of any such person, including any breach of warranty or condition or any non-disclosure relating to such obligatory insurance;
 - (ii) any act or omission, whether deliberate, negligent or accidental, or any knowledge or privity of a Borrower, any other person referred to in paragraph (i) above, or of any officer, employee or agent of that Borrower or of such a person, including the casting away or damaging of the Ship owned by it and/or the Ship owned by it being unseaworthy; and/or
 - (iii) any other matter capable of being insured against under a mortgagee's interest marine insurance whether or not similar to the foregoing;
- (b) a mortgagee's interest additional perils insurance in relation to each Ship in such amount as the Security Trustee may consider appropriate, providing for the indemnification of the Security Trustee against, among other things, any possible losses or other consequences of any Environmental Claim, including the risk of expropriation, arrest or any form of detention of a Ship, the imposition of any Security Interest over a Ship and/or any other matter capable of being insured against under a mortgagee's interest additional perils insurance whether or not similar to the foregoing,

and that Borrower shall upon demand fully indemnify the Security Trustee in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance under this Clause 13.17.

13.18 Review of insurance requirements

The Majority Lenders shall be entitled to review the requirements of this Clause 13 from time to time in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Majority Lenders, significant and capable of affecting any Borrower or the Ship owned by it and its or their insurance (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which that Borrower may be subject), and may appoint insurance consultants in relation to this review at the cost of that Borrower and that Borrower shall upon demand fully indemnify the Facility Agent in respect of all fees and other expenses incurred by or for the account of the Facility Agent in appointing an independent marine insurance broker or adviser to conduct such review.

13.19 Modification of insurance requirements

The Security Trustee shall notify each Borrower of any proposed modification under Clause 13.18 to the requirements of this Clause 13 which the Majority Lenders reasonably consider appropriate in the circumstances, and such modification shall take effect on and from the date it is notified in writing to the Borrowers as an amendment to this Clause 13 and shall bind the Borrowers accordingly.

13.20 Compliance with mortgagee's instructions

The Security Trustee shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require a Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Security Trustee until the relevant Borrower implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 13.19.

14 SHIP COVENANTS

14.1 General

Each Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 14 at all times during the Security Period (after the Ship owned by it has been delivered to it under the relevant Shipbuilding Contract) except as the Facility Agent, with the authorisation of the Majority Lenders, may otherwise permit (in the case of the Clauses 14.2, 14.3(b), 14.13(e) and 14.14, such permission not to be unreasonably withheld).

14.2 Ship's name and registration

Each Borrower shall keep the Ship owned by it registered in its name under the relevant Approved Flag; shall not do, omit to do or allow to be done anything as a result of which such registration might be cancelled or imperilled and shall not change the name or port of registry of that Ship.

14.3 Repair and classification

Each Borrower shall keep the Ship owned by it in a good and safe condition and state of repair, sea and cargo worthy in all respects:

- (a) consistent with first-class ship ownership and management practice;
- (b) so as to maintain the highest class with a classification society acceptable to the Majority Lenders (it being agreed that Lloyd's Register and the American Bureau of Shipping shall be deemed acceptable) free of overdue recommendations and conditions and, upon the Security Trustee's request, such classification society shall provide the Security Trustee with any information and documentation required in respect of that Ship as the same is maintained in the records of such classification society; and
- (c) so as to comply with all laws and regulations applicable to vessels registered at ports in the relevant Approved Flag State or to vessels trading to any jurisdiction to which that Ship may trade from time to time, including but not limited to the ISM Code, the ISM Code Documentation and the ISPS Code,

and the Facility Agent shall be given power of attorney in the form attached as Schedule 6 to act on behalf of that Borrower in order to, inspect the class records and any files held by the classification society and to require the classification society to provide the Facility Agent or any of its nominees with any information, document or file, it might reasonably request and the classification society shall be fully entitled to rely hereon without any further inquiry.

14.4 Classification society undertaking

Each Borrower shall instruct the classification society referred to in Clause 14.3 (and shall use its best endeavours to procure that the classification society undertakes with the Security Trustee) in relation to the Ship owned by it:

- (a) to send to the Security Trustee, following receipt of a written request from the Security Trustee, certified true copies of all original class records and any other related records held by the classification society in relation to that Ship;
- (b) to allow the Security Trustee (or its agents), at any time and from time to time, to inspect the original class and related records of that Ship at the offices of the classification society and to take copies of them;
- (c) to notify the Security Trustee immediately in writing if the classification society:
 - (i) receives notification from that Borrower or any person that that Ship's classification society is to be changed;
 - (ii) becomes aware of any facts or matters which may result in or have resulted in a change, suspension, discontinuance, withdrawal or expiry of that Ship's class under the rules or terms and conditions of that Ship's membership of the classification society;
- (d) following receipt of a written request from the Security Trustee:
 - (i) to confirm that that Borrower is not in default of any of its contractual obligations or liabilities to the classification society and, without limiting the foregoing, that it has paid in full all fees or other charges due and payable to the classification society; or
 - (ii) if that Borrower is in default of any of its contractual obligations or liabilities to the classification society, to specify to the Security Trustee in reasonable detail the facts and circumstances of such default, the consequences thereof, and any remedy period agreed or allowed by the classification society.

14.5 Modification

No Borrower shall make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on her which would or might materially alter the structure, type or performance characteristics of that Ship or materially reduce her value.

14.6 Removal of parts

No Borrower shall remove any material part of the Ship owned by it, or any item of equipment installed on, that Ship unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Security Trustee and becomes on installation on the relevant Ship the property of the relevant Borrower and subject to the security constituted by the Mortgage and any Deed of Covenant **Provided that** a Borrower may install equipment owned by a third party if the equipment can be removed without any risk of damage to the Ship owned by it.

14.7 Surveys

Each Borrower shall submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Majority Lenders provide the Security Trustee, with copies of all survey reports.

14.8 Technical Survey

Without prejudice to a Borrower's obligations pursuant to Clause 14.7, if the survey report to be delivered as a condition to the drawdown of the Advance which shall be used to (inter alia) finance or refinance a Ship (as referred to in the applicable paragraph of Schedule 3) is not satisfactory to the Facility Agent (acting reasonably), that Borrower shall promptly following the request of the Facility Agent (to be made within 6 months of the Drawdown Date relative to the Advance which was used (inter alia) to finance or refinance the Delivery Advance of such Ship) submit the Ship owned by it for a technical survey by an independent surveyor or surveyors appointed by the Facility Agent. All fees and expenses incurred in relation to the appointment of the surveyor or surveyors and the preparation and issue of all technical reports pursuant to this Clause 14.8 shall be for the account of the Borrowers.

14.9 Inspection

Each Borrower shall permit the Security Trustee (by surveyors or other persons appointed by it for that purpose) to board the Ship owned by it at all reasonable times to inspect her condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections **Provided that** so long as a Ship is found to be in a satisfactory condition to the Facility Agent (acting reasonably) and no continuing Event of Default or Potential Event of Default shall be in existence, the Borrowers shall not be obliged to pay the fees and expenses incurred in connection with the inspection of the relevant Ship more than once in any twelve-month period.

14.10 Prevention of and release from arrest

Each Borrower shall promptly discharge:

- (a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, its Earnings or Insurances;
- (b) all taxes, dues and other amounts charged in respect of that Ship, its Earnings or Insurances; and
- (c) all other outgoings whatsoever in respect of that Ship, its Earnings or Insurances,

and, forthwith upon receiving notice of the arrest of that Ship, or of her detention in exercise or purported exercise of any lien or claim, the Borrower which is the owner of that Ship shall procure her release by providing bail or otherwise as the circumstances may require.

14.11 Compliance with laws etc.

Each Borrower shall and shall procure that each Security Party shall:

- (a) comply with the ISM Code, all Environmental Laws, all Sanctions, and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of that Borrower;
- (b) not employ the Ship owned by it nor allow her employment in any manner contrary to any law or regulation in any relevant jurisdiction including, but not limited to, the ISM Code and the ISPS Code; and

- (c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Ship owned by it to enter or trade to any zone which is declared a war zone by any government or by that Ship's war risks insurers unless the prior written consent of the Majority Lenders has been given and that Borrower has (at its expense) effected any special, additional or modified insurance cover which the Majority Lenders may require.

14.12 Provision of information

Each Borrower shall promptly provide the Security Trustee with any information which the Majority Lenders request regarding:

- (a) the Ship owned by it, her employment, position and engagements;
 - (b) the Earnings and payments and amounts due to the master and crew of the Ship owned by it;
 - (c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of the Ship owned by it and any payments made in respect of that Ship;
 - (d) any towages and salvages; and
 - (e) its compliance, and the compliance of the Ship owned by it with the ISM Code and the ISPS Code,
- and, upon the Security Trustee's request, provide copies of any current charter relating to the Ship owned by it and of any current charter guarantee, and copies of the ISM Code Documentation and the ISCC.

14.13 Notification of certain events

Each Borrower shall immediately notify the Security Trustee by letter of:

- (a) any casualty which is or is likely to be or to become a Major Casualty;
- (b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;
- (c) any requirement, overdue condition or recommendation made by any insurer or classification society or by any competent authority which is not immediately complied with;
- (d) any arrest or detention of the Ship owned by it, any exercise or purported exercise of any lien on that Ship or her Earnings or any requisition of that Ship for hire,
- (e) any intended dry docking of the Ship owned by it where the cost of the dry docking will, or is likely to, exceed \$1,500,000 (or the equivalent in any other currency) in aggregate;
- (f) any Environmental Claim made against that Borrower or in connection with the Ship owned by it or any Environmental Incident;
- (g) any claim for breach of the ISM Code or the ISPS Code being made against that Borrower, the Approved Manager or otherwise in connection with the Ship owned by it; or
- (h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with,

and that Borrower shall keep the Security Trustee advised in writing on a regular basis and in such detail as the Security Trustee shall require of that Borrower's, the Approved Manager's or any other person's response to any of those events or matters.

14.14 Restrictions on, appointment of managers etc.

No Borrower shall:

- (a) enter into any time charter (including, without limitation, any Charterparty) in relation to the Ship owned by it under which more than 2 months' hire (or the equivalent) is payable in advance;
- (b) charter the Ship owned by it otherwise than on bona fide arm's length terms at the time when the Ship is fixed;
- (c) appoint a manager of the Ship owned by it other than the Approved Manager;
- (d) de-activate or lay up the Ship owned by it; or
- (e) put the Ship owned by it into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed \$1,000,000 (or the equivalent in any other currency) unless that person has first given to the Security Trustee and in terms satisfactory to it a written undertaking not to exercise any lien on that Ship or her Earnings for the cost of such work or otherwise.

14.15 Notice of Mortgage

Each Borrower shall keep the Mortgage registered against the Ship owned by it as a valid first priority or, as the case may be, preferred mortgage, carry on board that Ship a certified copy of the relevant Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of that Ship a framed printed notice stating that that Ship is mortgaged by that Borrower to the Security Trustee.

14.16 Sharing of Earnings

No Borrower shall:

- (a) enter into any agreement or arrangement for the sharing of any Earnings;
- (b) enter into any agreement or arrangement for the postponement of any date on which any Earnings are due; the reduction of the amount of any Earnings or otherwise for the release or adverse alteration of any right of that Borrower to any Earnings; or
- (c) enter into any agreement or arrangement for the release of, or adverse alteration to, any guarantee or Security Interest relating to any Earnings.

14.17 ISPS Code

Each Borrower shall comply with the ISPS Code and in particular, without limitation, shall:

- (a) procure that the Ship and the company responsible for that Ship's compliance with the ISPS Code comply with the ISPS Code; and
- (b) maintain for that Ship an ISSC; and
- (c) notify the Facility Agent immediately in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC.

14.18 Time Charter Assignment

If any Borrower enters into any Charterparty in respect of its Ship, the relevant Borrower shall execute a Charterparty Assignment, and shall deliver to the Facility Agent such other documents equivalent to those referred to at paragraphs 3, 4, 5 and 7 of Part A of Schedule 3 hereof as the Facility Agent may require.

14.19 Sanctions Provisions

- (a) Each Borrower shall, and shall procure that the Guarantor and each other Security Party shall, in respect of any charterer of any of the Ships (including any Approved Charterer), shall use all reasonable endeavours to procure that the charterer shall, comply in all respects with all laws to which it may be subject, including, without limitation, all national and international laws, directives, regulations, decrees, rulings and such analogous rules, including, but not limited to, rules relating to Sanctions.
- (b) Each Borrower undertakes to make the Approved Charterer and all other charterers and operators of each Ship aware of the requirements of this Clause 14.19 and of Clause 10.20 and shall procure that they act in accordance with these requirements.

15 SECURITY COVER

15.1 Minimum required security cover

Clause 15.2 applies if the Facility Agent notifies the Borrowers that either Security Cover Ratio is below 120 per cent.

15.2 Provision of additional security; prepayment

If the Facility Agent serves a notice on the Borrowers under Clause 15.1, the Borrowers shall prepay such part (at least) of the outstanding amount of the Loan as will eliminate the shortfall on or before the date falling 45 days after the date on which the Facility Agent's notice is served under Clause 15.1 (the "**Prepayment Date**") unless at least 1 Business Day before the Prepayment Date prepays such part of the Loan as shall eliminate the shortfall or they have provided, or ensured that a third party has provided, additional security acceptable to the Majority Lenders and which, in the opinion of the Majority Lenders, has a net realisable value at least equal to the shortfall and is documented in such terms and securing such part of the Loan and such Swap Exposure as the Facility Agent may, with authorisation from the Majority Lenders, approve or require.

15.3 Requirement for additional documents

The Borrowers shall not be deemed to have complied with Clause 15.2 above until the Facility Agent has received in connection with the additional security certified copies of documents of the kinds referred to in paragraphs 3, 4 and 5 of Schedule 3, Part A and such legal opinions in terms acceptable to the Majority Lenders from such lawyers as they may select.

15.4 Valuation of Ships

The Market Value of a Ship at any date is that shown by the arithmetic average of two valuations each prepared:

- (a) as at a date not more than 14 days previously and, for the purposes of Clause 15.9, each Compliance Date and each date of Dropdown;
- (b) by an Approved Broker nominated and appointed by the Borrowers;

- (c) with or without physical inspection of the relevant Ship (as the Facility Agent may require);
 - (d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment; and
 - (e) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale,
- Provided that** if the difference between the 2 valuations obtained at any one time pursuant to this Clause 15.4 is greater than 15 per cent. a valuation shall be commissioned from a third Approved Broker appointed by the Facility Agent. Such valuation shall be conducted in accordance with this Clause 15.4 and the Market Value of that Ship in such circumstances shall be the average of the initial 2 valuations and the valuation provided by the third Approved Broker.

In this Clause 15.4 "**Compliance Date**" means 30 June and 31 December in each financial year of the Borrowers.

15.5 Value of additional security

The net realisable value of any additional security which is provided under Clause 15.2 and which consists of a Security Interest over a vessel shall be that shown by a valuation complying with the requirements of Clause 15.4.

15.6 Valuations binding

Any valuation under Clause 15.2, 15.4 or 15.5 shall be binding and conclusive as regards the Borrowers, as shall be any valuation which the Majority Lenders make of a security which does not consist of or include a Security Interest.

15.7 Provision of information

The Borrowers shall promptly provide the Facility Agent and any Approved Broker or expert acting under Clause 15.4 or 15.5 with any information which the Facility Agent or the Approved Broker or expert may request for the purposes of the valuation; and, if the Borrowers fail to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which the Approved Broker or the Majority Lenders (or the expert appointed by them) consider prudent.

15.8 Payment of valuation expenses

Without prejudice to the generality of the Borrowers' obligations under Clauses 20.2, 20.3 and 21.4, the Borrowers shall, on demand, pay the Facility Agent the amount of the reasonable fees and expenses of any Approved Broker or expert instructed by the Facility Agent under this Clause and all reasonable legal and other expenses incurred by any Creditor Party in connection with any matter arising out of this Clause.

15.9 Frequency of valuations

The Borrowers shall provide the Facility Agent with valuations of the Ships at such times as the Majority Lenders shall reasonably deem necessary and, in any event, on the dates on which the Guarantor or Substitute Guarantor as may be relevant provides a Compliance Certificate (as such term is defined in the Guarantee or New Guarantee, as the case may be) in accordance with Clause 12.5 of the Guarantee or, as the case may be, the corresponding clause of the New Guarantee and on each date of Dropdown **Provided that** so long as no Event of Default has occurred, the Borrowers shall not be obliged to pay for more than two sets of valuations of each Ship during each calendar year.

16 PAYMENTS AND CALCULATIONS

16.1 Currency and method of payments

All payments to be made:

(a) by the Lenders to the Facility Agent; or

(b) by the Borrowers to the Facility Agent, the Security Trustee or any Lender,

under a Finance Document shall be made to the Facility Agent or to the Security Trustee, in the case of an amount payable to it:

(i) by not later than 11.00 a.m. (New York City time) on the due date;

(ii) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Facility Agent shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement);

(iii) in the case of an amount payable by a Lender to the Facility Agent or by the Borrowers to the Facility Agent or any Lender, to the account of the Facility Agent with the following payment instructions:

Account: JPMorgan Chase Bank, New York – Swift Code CHASUS33

Beneficiary Bank ING Bank Amsterdam – Swift Code INGBNL2A

Account Number 001 1 643293

Reference WLO.GB/AMP.M03.005/Helios,

or to such other account with such other bank as the Facility Agent may from time to time notify to the Borrowers and the other Creditor Parties; and

(iv) in the case of an amount payable to the Security Trustee, to such account as it may from time to time notify to the Borrowers and the other Creditor Parties.

16.2 Payment on non-Business Day

If any payment by a Borrower under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

16.3 Basis for calculation of periodic payments

All interest and commitment fee and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

16.4 Distribution of payments to Creditor Parties

Subject to Clauses 16.5, 16.6 and 16.7:

- (a) any amount received by the Facility Agent under a Finance Document for distribution or remittance to a Lender, the Swap Bank or the Security Trustee shall be made available by the Facility Agent to that Lender, the Swap Bank or, as the case may be or the Security Trustee by payment, with funds having the same value as the funds received, to such account as the Lender, the Swap Bank or the Security Trustee may have notified to the Facility Agent not less than 5 Business Days previously; and
- (b) amounts to be applied in satisfying amounts of a particular category which are due to the Lenders and/or the Swap Bank generally shall be distributed by the Facility Agent to each Lender and the Swap Bank pro rata to the amount in that category which is due to it.

16.5 Permitted deductions by Facility Agent

Notwithstanding any other provision of this Agreement or any other Finance Document, the Facility Agent may, before making an amount available to a Lender or the Swap Bank, deduct and withhold from that amount (i) any sum which is then due and payable to the Facility Agent from that Lender or the Swap Bank under any Finance Document or any sum which the Facility Agent is then entitled under any Finance Document to require that Lender or the Swap Bank to pay on demand and (ii) any amount the Facility Agent determines is required to be deducted and withheld under FATCA.

16.6 Facility Agent only obliged to pay when monies received

Notwithstanding any other provision of this Agreement or any other Finance Document, the Facility Agent shall not be obliged to make available to the Borrowers or, following a Dropdown, to the Borrowers that are members of the relevant Group, or any Lender or the Swap Bank any sum which the Facility Agent is expecting to receive for remittance or distribution to the Borrowers or that Lender or the Swap Bank until the Facility Agent has satisfied itself that it has received that sum.

16.7 Refund to Facility Agent of monies not received

If and to the extent that the Facility Agent makes available a sum to the Borrowers or a Lender or the Swap Bank, without first having received that sum, the Borrowers or (as the case may be) the Lender or Swap Bank concerned shall, on demand:

- (a) refund the sum in full to the Facility Agent; and
- (b) pay to the Facility Agent the amount (as certified by the Facility Agent) which will indemnify the Facility Agent against any funding or other loss, liability or expense incurred by the Facility Agent as a result of making the sum available before receiving it.

16.8 Facility Agent may assume receipt

Clause 16.7 shall not affect any claim which the Facility Agent has under the law of restitution and applies irrespective of whether the Facility Agent had any form of notice that it had not received the sum which it made available.

16.9 Creditor Party accounts

Each Creditor Party shall maintain accounts showing the amounts owing to it by the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

16.10 Facility Agent's memorandum account

The Facility Agent shall maintain a memorandum account showing the amounts advanced by the Lenders and all other sums owing to the Facility Agent and the Security Trustee and each Lender from the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

16.11 Accounts prima facie evidence

If any accounts maintained under Clauses 16.9 and 16.10 show an amount to be owing by a Borrower or a Security Party to a Creditor Party, those accounts shall, absent manifest error, be prima facie evidence that that amount is owing to that Creditor Party.

16.12 Impaired Agent

(a) If, at any time, the Facility Agent becomes an Impaired Agent, the Borrowers or a Lender which is required to make a payment under the Finance Documents to the Facility Agent in accordance with Clause 16.1 may instead either:

- (i) pay that amount direct to the required recipient(s); or
- (ii) if in its absolute discretion it considers that it is not reasonably practicable to pay that amount direct to the required recipient(s), pay the relevant part of that amount to an interest-bearing account held with an Acceptable Bank and in relation to which no Insolvency Event has occurred and is continuing, in the name of the Borrowers or the Lender making the payment (the "**Paying Party**") and designated as a trust account for the benefit of the party or parties under this Agreement beneficially entitled to that payment under the Finance Documents (the "**Recipient Party**" or "**Recipient Parties**"),

in each case such payments must be made on the due date for payment under the Finance Documents;

- (b) all interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the Recipient Party or the Recipient Parties pro rata to their respective entitlements;
- (c) a party to this Agreement which has made a payment in accordance with paragraphs (a) and (b) shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account;
- (d) promptly upon the appointment of a successor Agent in accordance with the Finance Documents, each Paying Party shall (other than to the extent that that party has given an instruction pursuant to paragraph (e) below) give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the successor Agent for distribution to the relevant Recipient Party or Recipient Parties in accordance with Clause 16.4; and
- (e) a Paying Party shall, promptly upon request by a Recipient Party and to the extent:
 - (i) that it has not given an instruction pursuant to paragraph (d) above; and
 - (ii) that it has been provided with the necessary information by that Recipient Party,

give all requisite instructions to the bank with whom the trust account is held to transfer the relevant amount (together with any accrued interest) to that Recipient Party.

17 **APPLICATION OF RECEIPTS**

17.1 **Normal order of application**

Except as any Finance Document may otherwise provide, any sums which are received or recovered by any Creditor Party under or by virtue of any Finance Document shall be applied:

- (a) **FIRST:** in or towards satisfaction of any amounts then due and payable under the Finance Documents (other than under a Master Agreement) in the following order and proportions:
- (i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Creditor Parties under the Finance Documents (other than a Master Agreement) other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrowers under Clauses 20, 21 and 22 of this Agreement or by the Borrowers or any Security Party under any corresponding or similar provision in any other Finance Document (other than a Master Agreement));
 - (ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Creditor Parties under the Finance Documents (other than under a Master Agreement); and
 - (iii) thirdly, in or towards satisfaction of the Loan;
- (b) **SECONDLY:** in or towards satisfaction of any amounts then due and payable under a Master Agreement in the following order and proportions:
- (i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Swap Bank under a Master Agreement other than those amounts referred to at paragraphs (ii) and (iii);
 - (ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Swap Bank under a Master Agreement (and, for this purpose, the expression “**interest**” shall include any net amount which that Borrower shall have become liable to pay or deliver under section 2(e) (Obligations) of a Master Agreement but shall have failed to pay or deliver to the Swap Bank at the time of application or distribution under this Clause 17); and
 - (iii) thirdly, in or towards satisfaction of the aggregate Swap Exposure of the Swap Bank calculated as at the actual Early Termination Date applying to each particular Designated Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);
- (c) **THIRDLY:** in retention of an amount equal to any amount not then due and payable under any Finance Document (other than a Master Agreement) but which the Facility Agent, by notice to the Borrowers, the Security Parties and the other Creditor Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause;
- (d) **FOURTHLY:** in retention of an amount equal to any amount not then due under and payable under a Master Agreement but which the Swap Bank, by notice to the Borrowers, the Security Parties and the other Creditor Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause; and

(e) FIFTHLY: any surplus shall be paid to the Borrowers or to any other person appearing to be entitled to it.

17.2 Variation of order of application

The Facility Agent may, with the authorisation of the Majority Lenders, by notice to the Borrowers, the Security Parties and the other Creditor Parties provide for a different manner of application from that set out in Clause 17.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

17.3 Notice of variation of order of application

The Facility Agent may give notices under Clause 17.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

17.4 Appropriation rights overridden

This Clause 17 and any notice which the Facility Agent gives under Clause 17.2 shall override any right of appropriation possessed, and any appropriation made, by any Borrower or any Security Party.

18 APPLICATION OF EARNINGS

18.1 Payment of Earnings

Each Borrower undertakes with each Creditor Party to ensure that, throughout the Security Period (subject only to the provisions of the General Assignments), all the Earnings of each Ship are paid to the Earnings Account for that Ship. Any monies standing to the credit of the Earnings Accounts shall be freely available to the Borrowers subject to there not being any Event of Default or Potential Event of Default in existence at the relevant time.

18.2 Release of accrued interest

Interest accruing on each Earnings Account under Clause 18.1 shall be released to the Borrowers on each Repayment Date unless an Event of Default or a Potential Event of Default has occurred.

18.3 Location of accounts

Each Borrower shall promptly:

- (a) comply with any requirement of the Facility Agent as to the location or re-location of the Earnings Accounts (or any of them); and
- (b) execute any documents which the Facility Agent specifies to create or maintain in favour of the Security Trustee a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) the Earnings Accounts (or any of them).

18.4 Debits for expenses etc.

The Facility Agent shall be entitled (but not obliged) from time to time to debit any Earnings Account, with no later than 10 Business Days prior notice to the Borrowers, in order to discharge any amount due and payable under Clause 19.11, 20.1 or 21 to a Creditor Party or payment of which any Creditor Party has become entitled to demand under these Clauses.

19 EVENT OF DEFAULT

19.1 Events of Default

An Event of Default occurs if:

- (a) any Borrower or any Security Party fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document unless its failure to pay is caused by (i) administrative or technical error or (ii) a Disruption Event and payment is made within 3 Business Days of its due date; or
- (b) any breach occurs of Clause 9.2, 10.18, 10.20, 11.2, 11.3, 11.21, 12.2, 12.3, 13.2, 13.3, 14.9, 15.2, 18.1 or 18.2; or
- (c) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a) or (b) above) if, in the reasonable opinion of the Majority Lenders, such default is capable of remedy, and such default continues unremedied 14 days after written notice from the Facility Agent requesting action to remedy the same; or
- (d) (subject to any applicable grace period specified in the Finance Documents) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a), (b) or (c) above); or
- (e) any representation, warranty or statement made or repeated by, or by an officer of, any Borrower or a Security Party in a Finance Document or in a Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made or repeated; or
- (f) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person (in the case of the Guarantor and, after exercise of an Option, the Substitute Guarantor, in an amount exceeding, in aggregate, \$5,000,000 or the equivalent in any other currency), in aggregate:
 - (i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or
 - (ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or
 - (iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is terminated by the lessor or owner or becomes capable of being terminated as a consequence of any termination event; or
 - (iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or
 - (v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

- (g) any of the following occurs in relation to a Relevant Person:
- (i) a Relevant Person becomes, in the reasonable opinion of the Majority Lenders, unable to pay its debts as they fall due; or
 - (ii) any assets of a Relevant Person are subject to any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums (in the case of a Borrower, in respect of an amount exceeding, \$5,000,000 or the equivalent in another currency unless such execution, attachment, arrest, sequestration or distress is dismissed, withdrawn, released or lifted within 15 Business Days of the occurrence of such event; or
 - (iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or
 - (iv) an administrator is appointed (whether by the court or otherwise) in respect of a Relevant Person; or
 - (v) any formal declaration of bankruptcy or any formal statement to the effect that a Relevant Person is insolvent or likely to become insolvent is made by a Relevant Person or by the directors of a Relevant Person or, in any proceedings, by a lawyer acting for a Relevant Person; or
 - (vi) a provisional liquidator is appointed in respect of a Relevant Person, a winding up order is made in relation to a Relevant Person or a winding up resolution is passed by a Relevant Person; or
 - (vii) a resolution is passed, an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by (aa) a Relevant Person, (bb) the members or directors of a Relevant Person, (cc) a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person, or (dd) a government minister or public or regulatory authority of a Pertinent Jurisdiction for or with a view to the winding up of that or another Relevant Person or the appointment of a provisional liquidator or administrator in respect of that or another Relevant Person, or that or another Relevant Person ceasing or suspending business operations or payments to creditors, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Guarantor or any Borrower which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Majority Lenders and effected not later than 3 months after the commencement of the winding up; or
 - (viii) an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by a creditor of a Relevant Person (other than a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person) for the winding up of a Relevant Person or the appointment of a provisional liquidator or administrator in respect of a Relevant Person in any Pertinent Jurisdiction, unless the proposed winding up, appointment of a provisional liquidator or administrator is being contested in good faith, on substantial grounds and not with a view to some other insolvency law procedure being implemented instead and either (aa) the application or petition is dismissed or withdrawn within 30 days of being made or presented, or (bb) within 30 days of the administration notice being given or filed, or the other relevant steps being taken, other action is taken which will ensure that there will be no administration and (in both cases (aa) or (bb)) the Relevant Person will continue to carry on business in the ordinary way and without being the subject of any actual, interim or pending insolvency law procedure; or
 - (ix) a Relevant Person or its directors take any steps (whether by making or presenting an application or petition to a court, or submitting or presenting a document setting out a proposal or proposed terms, or otherwise) with a view to obtaining, in relation

to that or another Relevant Person, any form of moratorium, suspension or deferral of payments, reorganisation of debt (or certain debt) or arrangement with all or a substantial proportion (by number or value) of creditors or of any class of them or any such moratorium, suspension or deferral of payments, reorganisation or arrangement is effected by court order, by the filing of documents with a court, by means of a contract or in any other way at all; or

- (x) any meeting of the members or directors, or of any committee of the board or senior management, of a Relevant Person is held or summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iv) to (ix) or a step preparatory to such action, or (with or without such a meeting) the members, directors or such a committee resolve or agree that such an action or step should be taken or should be taken if certain conditions materialise or fail to materialise; or
- (xi) in a country other than England, any event occurs, any proceedings are opened or commenced or any step is taken which, in the opinion of the Majority Lenders is similar to any of the foregoing; or
- (xii) a Relevant Person makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to a Relevant Person, or the members or directors of a Relevant Person pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on business, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than a Borrower which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Majority Lenders and effected not later than 3 months after the commencement of the winding up; or
- (xiii) a petition is presented in any Pertinent Jurisdiction for the winding up or administration, or the appointment of a provisional liquidator, of a Relevant Person unless the petition is being contested in good faith and on substantial grounds and is dismissed or withdrawn within 30 days of the presentation of the petition; or
- (xiv) a Relevant Person petitions a court, or presents any proposal for, any form of judicial or non-judicial suspension or deferral of payments, reorganisation of its debt (or certain of its debt) or arrangement with all or a substantial proportion (by number or value) of its creditors or of any class of them or any such suspension or deferral of payments, reorganisation or arrangement is effected by court order, contract or otherwise; or
- (xv) any meeting of the members or directors of a Relevant Person is summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iii), (iv), (v) or (vi) above; or
- (xvi) in a Pertinent Jurisdiction other than England, any event occurs or any procedure is commenced which, in the opinion of the Majority Lenders, is similar to any of the foregoing; or

(h) a Borrower, the Guarantor and, after exercise of the Option in respect of any Ship, the Substitute Guarantor, ceases or suspends carrying on its business or a part of its business which, in the reasonable opinion of the Majority Lenders, is material in the context of this Agreement; or

- (i) it becomes unlawful in any Pertinent Jurisdiction or impossible:
 - (i) for any Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Majority Lenders consider material under a Finance Document; or
 - (ii) for the Facility Agent, the Security Trustee or the Lenders to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or
- (j) any official consent necessary to enable any Borrower to own, operate or charter the Ship owned by it or to enable any Borrower or any Security Party to comply with any of the provision which the Majority Lenders consider material of a Finance Document or any Underlying Document is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled or any Refund Guarantee ceases to remain in full force and effect for any reason; or
- (k) if, after exercising an Option, the common units of the Substitute Guarantor cease to be quoted on the Nasdaq National Market in New York or any other internationally recognised stock exchange acceptable to the Lenders or if the whole of the issued share capital of any Borrower whose Ship is at the relevant time subject to a Mortgage is not wholly-owned by the Guarantor or, after exercise of the Option in respect of the Ship owned by that Borrower, the Substitute Guarantor; or
- (l) any provision which the Majority Lenders reasonably consider material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or
- (m) it evidently appears to the Majority Lenders that, without their prior consent and other than as the result of a Dropdown: (i) at any time, a change has occurred after the date of this Agreement in the legal and beneficial ownership of any of the shares in any Borrower or the ultimate beneficial ownership of the Guarantor or, after exercise of an Option, the Substitute Guarantor or any of them, in the control of the voting rights attaching to any of those shares unless such change results in the ultimate beneficial owner of any Borrower, the Guarantor or, after exercise of an Option, the Substitute Guarantor (the identity of which has been disclosed to the Facility Agent in writing on the date of this Agreement) owning more common units in the capital of the Guarantor or, as the case may be, the Substitute Guarantor than any other person (save for any passive institutional investor)) and holding executive power in any Borrower, the Guarantor or, as the case may be, the Substitute Guarantor and/or (ii) after exercise of the Option in respect of a Ship: (A) Capital Partners GP LLC has ceased to be the Substitute Guarantor's general partner or (B) the Guarantor has ceased to hold legal ownership of the common units of Capital Partners GP LLC; or
- (n) the security constituted by a Finance Document is in any way imperilled or in jeopardy; or
- (o) any of the following occurs in relation to a Master Agreement:
 - (i) notice of an Early Termination Date is given by the Swap Bank under Section 6(a) of a Master Agreement; or
 - (ii) a person entitled to do so gives notice of Early Termination Date under Section (b) of a Master Agreement; or
 - (iii) an Event of Default (as defined in Section 14 of a Master Agreement) occurs; or
 - (iv) a Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Swap Bank; or

- (p) any other event occurs or any other circumstances arise or develop including, without limitation:
- (i) a change in the financial position, state of affairs or prospects of a Borrower, the Guarantor or, after exercising an Option, the Substitute Guarantor; or
 - (ii) any accident or other event involving a Ship or another vessel owned, chartered or operated by a Relevant Person; or
 - (iii) the commencement of legal or administrative action involving the Borrower, the Ship owned by it, or any Security Party, which in the reasonable opinion of the Lenders constitutes a Material Adverse Change.

19.2 Actions following an Event of Default

On, or at any time after, the occurrence of an Event of Default in relation to a Group:

- (a) the Facility Agent may, and if so instructed by the Majority Lenders, the Facility Agent shall:
- (i) serve on the Borrowers a notice stating that the Commitments and all other obligations of each Lender to the Borrowers under this Agreement are terminated; and/or
 - (ii) serve on the Borrowers a notice stating that the Tranche or Tranches (or part thereof) owing by any Borrower which is a member of that Group, all accrued interest and all other amounts accrued or owing in respect of that or those Tranches under this Agreement are immediately due and payable or are due and payable on demand; and/or
 - (iii) take any other action which, as a result of the Event of Default or any notice served under paragraph (i) or (ii) above, the Facility Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law; and/or
- (b) the Security Trustee may, and if so instructed by the Facility Agent, acting with the authorisation of the Majority Lenders, the Security Trustee shall take any action which, as a result of the Event of Default or any notice served under paragraph (a) (i) or (ii) above, the Security Trustee, the Facility Agent, the Lenders and/or the Swap Bank are entitled to take under any Finance Document or any applicable law.

19.3 Termination of Commitments

On the service of a notice under paragraph (a)(i) of Clause 19.2, the Commitments and all other obligations of each Lender to the Borrowers under this Agreement shall terminate.

19.4 Acceleration of Loan

On the service of a notice under paragraph (a)(ii) of Clause 19.2, any Tranche (or part thereof) referred to therein, all accrued interest and all other amounts accrued or owing from any Borrower which is a member of the Group to which the Event of Default relates or any other Security Party under this Agreement and every other Finance Document securing any of those Tranches shall become immediately due and payable or, as the case may be, payable on demand.

19.5 Multiple notices; action without notice

The Facility Agent may serve notices under paragraphs (a) (i) and (ii) of Clause 19.2 simultaneously or on different dates and it and/or the Security Trustee may take any action referred to in that Clause if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

19.6 Notification of Creditor Parties and Security Parties

The Facility Agent shall send to each Lender, the Swap Bank, the Security Trustee and each Security Party a copy or the text of any notice which the Facility Agent serves on the Borrowers under Clause 19.2; but the notice shall become effective when it is served on the Borrowers, and no failure or delay by the Facility Agent to send a copy or the text of the notice to any other person shall invalidate the notice or provide the Borrowers or any Security Party with any form of claim or defence.

19.7 Lender's rights unimpaired

Nothing in this Clause shall be taken to impair or restrict the exercise of any right given to individual Lenders or the Swap Bank under a Finance Document or the general law; and, in particular, this Clause is without prejudice to Clause 3.1.

19.8 Exclusion of Creditor Party Liability

No Creditor Party, and no receiver or manager appointed by the Security Trustee, shall have any liability to any Borrower or a Security Party:

- (a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or
- (b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt a Creditor Party or a receiver or manager from liability for losses shown to have been directly or mainly caused by the gross negligence, the dishonesty or the wilful misconduct of such Creditor Party's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

19.9 Relevant Persons

In this Clause 19, "**a Relevant Person**" means a Borrower, the Guarantor and any other Security Party or member of the CMTC Group and, after exercising the Option, any member of the CPLP Group.

19.10 Interpretation

An Event of Default shall be deemed to have occurred under this Clause 19 in relation to a Group if it relates to:

- (a) a Borrower which is a member of that Group;
- (b) a Ship owned or to be owned by a member of that Group;
- (c) a Finance Document that is executed as security for, or to establish any kind of priorities arrangement in relation to, any amount payable by a member of that Group;
- (d) a Security Party executing such a Finance Document; or
- (e) generally, that Group or the members of that Group,

it being agreed that on the occurrence of an Event of Default in relation to a Group, no rights whatsoever shall accrue to the Creditor Parties as a result thereof to take action under the Loan Agreement or any other Finance Document in relation to any other Borrower which is a member of the other Group or its Ship (provided always that no Event of Default has occurred and is continuing at the time in relation to any such other Borrower(s) or Ship),

and in Clause 19.1(f) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 19.1(g) “**petition**” includes an application.

19.11 Position of the Swap Bank

Neither the Facility Agent nor the Security Trustee shall be obliged, in connection with any action taken or proposed to be taken under or pursuant to the foregoing provisions of this Clause 19, to have any regard to the requirements of the Swap Bank except to the extent that the Swap Bank is also a Lender.

20 FEES AND EXPENSES

20.1 Commitment and upfront fees

Each Borrower shall pay to the Facility Agent the fees, each in the amounts, at the rates, and on the dates and to the Creditor Parties referred to in the Fee Letter **Provided that** no commitment fee shall be payable to the Facility Agent (for the account of a Lender) on the Commitment of that Lender for any day on which that Lender is a Defaulting Lender.

20.2 Costs of negotiation, preparation etc.

Each Borrower shall pay to the Facility Agent on its demand the amount of all expenses incurred by the Facility Agent or the Security Trustee in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document (including, for the avoidance of doubt, any expenses incurred by the Lenders in obtaining the legal opinions referred to in Schedule 3) or with any transaction contemplated by a Finance Document or a related document.

20.3 Costs of variations, amendments, enforcement etc.

Each Borrower shall pay to the Facility Agent, on the Facility Agent’s demand, for the account of the Creditor Party concerned, the amount of all expenses incurred by a Lender in connection with:

- (a) any amendment or supplement (or any proposal for such an amendment or supplement) requested (or, in the case of a proposal, made) by or on behalf of any Borrower and relating to a Finance Document or any other Pertinent Document;
- (b) any consent, waiver or suspension of rights by the Lenders, the Swap Bank, the Majority Lenders or the Creditor Party concerned or any proposal for any of the foregoing requested (or, in the case of a proposal, made) by or on behalf of a Borrower under or in connection with a Finance Document or any other Pertinent Document;
- (c) the valuation of any security provided or offered under Clause 15 or any other matter relating to such security; or
- (d) any step taken by the Lender concerned or the Swap Bank with a view to the preservation, protection, exercise or enforcement of any rights or Security Interest created by a Finance Document or for any similar purpose including, without limitation, any proceedings to recover or retain proceeds of enforcement or any other proceedings following enforcement proceedings until the date all outstanding indebtedness to the Creditor Parties under the Finance Documents, a Master Agreement and any other Pertinent Document is repaid in full.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

20.4 Documentary taxes

The Borrowers shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Facility Agent's demand, fully indemnify each Creditor Party against any claims, expenses, liabilities and losses resulting from any failure or delay by the Borrowers to pay such a tax.

20.5 Certification of amounts

A notice which is signed by two officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 20 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21 INDEMNITIES

21.1 Indemnities regarding borrowing and repayment of Loan

The Borrowers shall fully indemnify the Facility Agent and each Lender on the Facility Agent's demand and the Security Trustee on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by that Creditor Party, or which that Creditor Party reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

- (a) an Advance not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender claiming the indemnity after the Drawdown Notice has been served in accordance with the provisions of this Agreement;
- (b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;
- (c) any failure (for whatever reason) by any Borrower to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by any Borrower on the amount concerned under Clause 7); and
- (d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 19,

and in respect of any tax (other than tax on its overall net income) for which a Creditor Party is liable in connection with any amount paid or payable to that Creditor Party (whether for its own account or otherwise) under any Finance Document **Provided that**, other than in the case of paragraph (d), to the extent that such losses are attributable to specific Tranches, each Borrower who was an Affected Borrower at the time such losses were incurred shall only be required to indemnify the Creditor Parties for losses attributable to the Tranche relative to a Chartered Ship and the other Borrowers shall be required to indemnify the Creditor Parties for losses attributable to all Tranches which were not at the relevant time Tranches relating to a Chartered Ship.

21.2 Break Costs

If a Lender (the “**Notifying Lender**”) notifies the Facility Agent that as a consequence of receipt or recovery of all or any part of the Loan (a “**Payment**”) on a day other than the last day of an Interest Period applicable to the sum received or recovered the Notifying Lender has or will, with effect from a specified date, incur Break Costs:

- (a) the Facility Agent shall promptly notify the Borrowers of a notice it receives from a Notifying Lender under this Clause 21.2;
- (b) the Borrowers (or, subject to Clause 29.2, each Affected Borrower with respect to each Tranche relative to a Chartered Ship), shall, within 3 Business Days of the Facility Agent’s demand, pay to the Facility Agent for the account of the Notifying Lender the amount of such Break Costs; and
- (c) the Notifying Lender shall, as soon as reasonably practicable, following a request by the Borrowers, provide a certificate confirming the amount of the Notifying Lender’s Break Costs for the Interest Period in which they accrue, such certificate to be, in the absence of manifest error, conclusive and binding on the Borrower.

In this Clause 21.2, “**Break Costs**” means, in relation to a Payment the amount (if any) by which:

- (i) the interest which the Notifying Lender, should have received in respect of the sum received or recovered from the date of receipt or recovery of such Payment to the last day of the then current Interest Period applicable to the sum received or recovered had such Payment been made on the last day of such Interest Period;

exceeds

- (ii) the amount which the Notifying Lender, would be able to obtain by placing an amount equal to such Payment on deposit with a leading bank in the London interbank market for a period commencing on the Business Day following receipt or recovery of such Payment (as the case may be) and ending on the last day of the then current Interest Period applicable to the sum received or recovered.

21.3 Other breakage costs

Without limiting its generality, Clause 21.1 covers any claim, expense, liability or loss, including a loss of prospective profit, incurred by a Lender in borrowing, liquidating or re-employing deposits from third parties acquired, contracted for or arranged to fund, effect or maintain all or any part of its Contribution and/or any overdue amount (or an aggregate amount which includes its Contribution or any overdue amount) other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the gross negligence or wilful misconduct of the officers or employees of the Creditor Party concerned.

21.4 Miscellaneous indemnities

The Borrowers shall fully indemnify each Creditor Party severally on their respective demands, without prejudice to any of their other rights under any of the Finance Documents, in respect of all claims, proceedings, liabilities, taxes, losses and expenses of every kind which may be made or brought against or sustained or incurred by a Creditor Party, in any country, as a result of or in connection with:

- (a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Facility Agent, the Security Trustee or any other Creditor Party or by any receiver appointed under a Finance Document (each an “**Indemnified Party**”);

- (b) any claim, action, civil penalty or fine against, any settlement, and any other kind of loss or liability, and all reasonable costs and expenses (including reasonable counsel fees and disbursements) incurred by any Indemnified Party as a result of negligent conduct of any Borrower, any Security Party, any member of the Group(s), or any of their partners, directors, officers, employees, agents or advisors, that violates any Sanctions;
- (c) investigating any event which the Creditor Party concerned reasonably believes constitutes an Event of Default or Potential Event of Default;
- (d) acting or relying on any notice, request or instruction which the Creditor Party concerned reasonably believes to be genuine, correct and appropriately authorised; or
- (e) any other Pertinent Matter,

other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the dishonesty, gross negligence or wilful misconduct of the officers or employees of the Creditor Party concerned.

Without prejudice to its generality, Clause 21.1 and this Clause 21.4 cover any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code, any Environmental Law or Sanctions.

21.5 **Environmental Indemnity**

Without prejudice to its generality, Clause 21.3 covers any claims, demands, proceedings, liabilities, taxes, losses or expenses of every kind which arise, or are asserted, under or in connection with any law relating to safety at sea, pollution or the protection of the environment, the ISM Code or the ISPS Code.

21.6 **Currency indemnity**

If any sum due from any Borrower or any Security Party to a Creditor Party under a Finance Document or under any order, award or judgment relating to a Finance Document (a “**Sum**”) has to be converted from the currency in which the Finance Document provided for the Sum to be paid (the “**Contractual Currency**”) into another currency (the “**Payment Currency**”) for the purpose of:

- (a) making, filing or lodging any claim or proof against any Borrower or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or
- (b) obtaining an order, judgment or award from any court or other tribunal in relation to any litigation or arbitration proceedings; or
- (c) enforcing any such order, judgment or award,

the Borrowers shall as an independent obligation, within 3 Business Days of demand, indemnify the Creditor Party to whom that Sum is due against any cost, loss or liability arising when the payment actually received by that Creditor Party is converted at the available rate of exchange back into the Contractual Currency including any discrepancy between (A) the rate of exchange actually used to convert the Sum from the Payment Currency into the Contractual Currency and (B) the available rate of exchange.

In this Clause 21.6, the “**available rate of exchange**” means the rate at which the Creditor Party concerned is able at the opening of business (London time) on the Business Day after it receives the Sum to purchase the Contractual Currency with the Payment Currency.

The Borrowers waive any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency other than that in which it is expressed to be payable.

If any Creditor Party receives any Sum in a currency other than the Contractual Currency, the Borrowers shall indemnify the Creditor Party concerned against any cost, loss or liability arising directly or indirectly from any conversion of such Sum to the Contractual Currency.

This Clause 21.6 creates a separate liability of each Borrower which is distinct from its other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

21.7 Application to Master Agreements

For the avoidance of doubt, Clause 21.4 does not apply in respect of sums due from a Borrower to the Swap Bank under or in connection with any Master Agreement as to which sums the provisions of section 8 (Contractual Currency) of that Master Agreement shall apply.

21.8 Certification of amounts

A notice which is signed by 2 officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 21 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21.9 Sums deemed due to a Lender

For the purposes of this Clause 21, a sum payable by a Borrower to the Facility Agent or the Security Trustee for distribution to a Lender shall be treated as a sum due to that Lender.

22 NO SET-OFF OR TAX DEDUCTION

22.1 No deductions

All amounts due from the Borrowers under a Finance Document shall be paid:

- (a) without any form of set-off, counter-claim or condition; and
- (b) free and clear of any tax deduction except a tax deduction which a Borrower is required by law, regulation or regulatory requirement to make.

22.2 Grossing-up for taxes

If any Borrower is required by law, regulation or regulatory requirement to make a tax deduction from any payment due under a Finance Document:

- (a) that Borrowers shall notify the Facility Agent as soon as it becomes aware of the requirement;
- (b) the amount due in respect of the payment shall be increased by the amount necessary to ensure that, after the making of such tax deduction, each Creditor Party receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would have received had no such tax deduction been required to be made; and

- (c) the Borrowers shall pay the full amount of the tax required to be deducted to the appropriate taxation authority promptly in accordance with the relevant law, regulation or regulatory requirement, and in any event before any fine or penalty arises,

Provided that if a payment from a Borrower which is not an Affected Borrower is required to be increased under this Clause, such increase shall not constitute an obligation of any Affected Borrower and **Provided further that** if a payment from an Affected Borrower is required to be increased under this Clause 22.2, such increase shall not constitute an obligation of any Borrower which is not an Affected Borrower.

22.3 Indemnity and evidence of payment of taxes

The Borrowers shall fully indemnify each Creditor Party on the Facility Agent's demand in respect of all claims, expenses, liabilities and losses incurred by any Creditor Party by reason of:

- (a) any failure of a Borrower to make any tax deduction; or
- (b) any increased payment not being made on the due date for such payment in accordance with Clause 22.2; or
- (c) without prejudice to the provisions of Clause 22.2, any payment on account of tax required to be made by a Creditor Party solely as a result of that Creditor Party's entry into any Finance Document (not being a tax imposed on the net income of that Creditor Party by the jurisdiction in which it is incorporated, or the jurisdiction in which it is located or on the capital of that Creditor Party employed in such jurisdiction or jurisdictions) on any sum received or receivable under the Finance Documents (including, without limitation, any sum received or receivable under this Clause 22.3) or any liability in respect of any such payment is asserted, imposed, levied or assessed against that Creditor Party.

Within 30 days after making any tax deduction, the Borrowers shall deliver to the Facility Agent any receipts, certificates or other documentary evidence satisfactory to the Facility Agent that the tax had been paid to the appropriate taxation authority.

22.4 Exclusion of tax on overall net income

In this Clause 22 "**tax deduction**" means any deduction or withholding from any payment due under a Finance Document for or on account of any present or future tax except tax on a Creditor Party's overall net income.

22.5 Application to Master Agreements

For the avoidance of doubt, Clause 22 does not apply in respect of sums due from any Borrower to the Swap Bank under or in connection with a Master Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of a Master Agreement shall apply.

22.6 FATCA

- (a) FATCA Information:

- (i) Subject to paragraph (iii) below, each party to a Finance Document shall, within 10 Business Days of a reasonable request by another party to the Finance Documents:
- (A) confirm to that other party whether it is a FATCA Exempt Party or is not a FATCA Exempt Party; and

(B) supply to the requesting party such forms, documentation and other information relating to its status under FATCA (including its applicable “passthru percentage” or other information required under the Treasury regulations or other official guidance including intergovernmental agreements) as the requesting party reasonably requests for the purposes of such requesting party’s compliance with FATCA.

(ii) If a party to any Finance Document confirms to another party pursuant to Clause 22.5(a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that party shall notify that other party reasonably promptly.

(iii) Sub-clause (i) above shall not oblige any Creditor Party to do anything which would or might in its reasonable opinion constitute a breach of any law or regulation, any policy of that party, any fiduciary duty or any duty of confidentiality, or to disclose any confidential information (including, without limitation, its tax returns and calculations); provided, however, that information required (or equivalent to the information so required) by United States Internal Revenue Service Forms W-8 or W-9 (or any successor forms) shall not be treated as confidential information of such party for purposes of this Sub-clause (iii).

(iv) If a party to any Finance Document fails to confirm its status or to supply forms, documentation or other information requested in accordance with sub-clause (i) above (including, for the avoidance of doubt, where sub-clause (iii) above applies), then:

(A) if that party failed to confirm whether it is (and/or remains) a FATCA Exempt Party then such party shall be treated for the purposes of the Finance Documents as if it is not a FATCA Exempt Party; and

(B) if that party failed to confirm its applicable passthru percentage then such party shall be treated for the purposes of the Finance Documents (and payments made thereunder) as if its applicable passthru percentage is 100 per cent.,

until (in each case) such time as the party in question provides the requested confirmation, forms, documentation or other information.

(b) FATCA Gross-Up:

(i) If a Borrower or any Security Party making a payment under a Finance Document is required to make a FATCA Deduction, that Borrower or Security Party shall make that FATCA Deduction and shall make a payment to the United States government within the time allowed and in the amount required by FATCA.

(ii) If a FATCA Deduction is required to be made by a Borrower or any Security Party, the amount of the payment due from that Borrower or any Security Party shall be increased to an amount which (after making any FATCA Deductions) leaves an amount equal to the payment which would have been due if no FATCA Deduction had been required.

(iii) Each of the Borrowers and the Security Parties shall promptly upon becoming aware that a FATCA Deduction is required (or that there is any change in the rate or basis of a FATCA Deduction) notify the Facility Agent accordingly. A Lender shall notify the Facility Agent on becoming aware that a FATCA Deduction (or that a change in the rate or basis of a FATCA Deduction) may be required on a payment to such Lender.

- (iv) Within 30 days of making either a FATCA Deduction or any payment required in connection with that FATCA Deduction, the Borrowers or any Security Party, as applicable, shall deliver to the Facility Agent for the party entitled to the payment evidence reasonably satisfactory to that party that the FATCA Deduction has been made or (as applicable) any appropriate payment paid to the IRS.
 - (v) Each Creditor Party may make any FATCA Deduction it is required to make under FATCA, and any payment required in connection with that FATCA Deduction, and none of the Creditor Parties shall be required to increase any payment in respect of which it makes such a FATCA Deduction. A Creditor Party which becomes aware that it must make a FATCA Deduction in respect of a payment to another party (or that there is any change in the rate or basis of such FATCA Deduction) shall notify that party and the Facility Agent.
 - (vi) If the Facility Agent is required to make a FATCA Deduction in respect of a payment to a Creditor Party which relates to a payment by a Borrower or any Security Party, the amount of the payment due from that Borrower or Security Party, as the case may be, shall be increased to an amount which (after the Facility Agent has made such FATCA Deduction) leaves the Facility Agent with an amount equal to the payment which would have been made by the Facility Agent if no FATCA Deduction had been required.
 - (vii) The Facility Agent shall promptly upon becoming aware that it must make a FATCA Deduction in respect of a payment to a Lender which relates to a payment by any Borrower or any Security Party (or that there is any change in the rate or the basis of such a FATCA Deduction) notify the Borrowers and the relevant Lender.
- (c) FATCA Indemnity:
- (i) The Borrowers shall (within 3 Business Days of demand by the Facility Agent) indemnify each Creditor Party and pay to each such Creditor Party an amount equal to the taxes, losses, liabilities or costs which such Creditor Party determines will be or has been (directly or indirectly) suffered by such party as a result of the Borrowers or any Security Party making a FATCA Deduction in respect of a payment due to such Creditor Party under a Finance Document, or any taxes, penalties, interest or other amounts being asserted against or imposed on such Creditor Party by any taxing authority of or in the United States under FATCA.
 - (ii) Notwithstanding anything to the contrary, if any Creditor Party is a FATCA Exempt Party, and after reasonable request of the Borrowers at least 60 days prior to the next Interest payment date, such Creditor Party has not provided the Borrowers with written confirmation that it is a FATCA Exempt Party on or prior to the next Interest payment date after such request, then, unless the status of such party under FATCA is publicly published by the United States Government or is otherwise publicly available in connection with FATCA, the Borrowers shall not be required to indemnify such Creditor Party for United States Federal taxes imposed under FATCA pursuant to this Clause 22.5 until such time as such Creditor Party shall have provided written notification of its status as a FATCA Exempt Party.
 - (iii) A Creditor Party making, or intending to make, a claim under sub-clause (i) above shall promptly notify the Facility Agent of the FATCA Deduction which will give, or has given, rise to the claim, following which the Facility Agent shall notify the Borrower.

(d) **No Double FATCA Indemnity:**

This Clause 22.5 shall be the sole remedy for the payment of any United States Federal taxes imposed under FATCA and no such FATCA taxes shall be paid or indemnified under Clause 21 or any other sub-clause of Clause 22.

(e) **FATCA Mitigation:**

- (i) If a FATCA Deduction is or will be required to be made by the Borrowers under Clause 22.5(b) or (c) in respect of a payment to any FATCA Non-Exempt Lender, the Borrowers may (but shall not be required to), in addition to making any FATCA Deductions already required and any associated gross-up and indemnity payments under this Clause 22.5, elect to either:
 - (A) prepay in full the Contribution of the FATCA Non-Exempt Lender (plus accrued and unpaid interest, if any, and all other amounts then due the FATCA Non-Exempt Lender) in accordance with and subject to the conditions of Clause 8 upon 15 days' written notice to the Facility Agent and such FATCA Non-Exempt Lender, specifying the amount to be prepaid, the date on which the prepayment is to be made and the basis for the FATCA Deduction, or
 - (B) if no Event of Default or Potential Event of Default has occurred and is continuing, nominate one or more Transferee Lenders who upon becoming a Lender would be an Exempt FATCA Party, by notice in writing to the Facility Agent and the FATCA Non-Exempt Lender specifying the terms of the proposed transfer, and, subject to sub-clause (ii) below, cause such Transferee Lender(s) to purchase all of the FATCA Non-Exempt Lender's Contribution and Commitment.
- (ii) If the Borrowers elect to nominate one or more Transferee Lenders under Clause 22.5(e)(i)(B), the relevant FATCA Non-Exempt Lender shall transfer its Contribution and Commitment to such Transferee Lender(s), but only after such FATCA Non-Exempt Lender has received one or more payments from the Borrowers and such Transferee Lender(s) in an aggregate amount at least equal to the aggregate outstanding Contribution of such FATCA Non-Exempt Lender, together with accrued interest thereon to the date of payment of such Contribution and all other amounts payable to such FATCA Non-Exempt Lender under the Finance Documents.
- (iii) If a FATCA Deduction is or will be required to be made by the Borrowers under Clause 22.5(b) or (c) in respect of a payment to any Creditor Party as a result of the Facility Agent not being a FATCA Exempt Party, at the written request of the Creditor Party, the Facility Agent shall resign and a successor Facility Agent who is a FATCA Exempt Party shall be appointed pursuant to the Agency and Trust Deed.

22.7 Stamp taxes

The Borrowers must pay and indemnify each Creditor Party against any stamp duty, registration or other similar Tax payable by that Creditor Party in connection with the entry into, performance or enforcement of any Finance Document.

22.8 Value added taxes

Any amount (including costs and expenses) payable under a Finance Document by the Borrowers is exclusive of any value added tax or any other tax of a similar nature which might be chargeable in connection with that amount. If any such tax is chargeable, the Borrowers must pay to the Facility Agent (in addition to and at the same time as paying that amount) an amount equal to the amount of that tax.

23 ILLEGALITY, ETC

23.1 Illegality

This Clause 23 applies if a Lender or any affiliate of a Lender (the “**Notifying Lender**”) notifies the Facility Agent that it has become, or will with effect from a specified date, become, in any applicable jurisdiction:

- (a) unlawful and/or contrary to, or declared by any Sanctions Authority to be contrary to, Sanctions or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or
- (b) contrary to, or inconsistent with, any regulation and/or contrary to, or declared by any Sanctions Authority to be contrary to, Sanctions, for the Notifying Lender to perform, maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement or to fund or maintain the Loan.

23.2 Notification of illegality

The Facility Agent shall promptly notify the Borrowers, the Security Parties, the Security Trustee and the other Lenders of the notice under Clause 23.1 which the Facility Agent receives from the Notifying Lender.

23.3 Prepayment; termination of Commitment

On the Facility Agent notifying the Borrowers under Clause 23.2, the Notifying Lender’s Commitment shall terminate; and thereupon or, if later, on the date specified in the Notifying Lender’s notice under Clause 23.1 as the date on which the notified event would become effective the Borrowers shall prepay the Notifying Lender’s Contribution on the last day of the then current Interest Period accordance with Clause 8.

24 INCREASED COSTS

24.1 Increased costs

This Clause 24 applies if a Lender or any affiliate of a Lender (the “**Notifying Lender**”) notifies the Facility Agent that the Notifying Lender considers that as a result of:

- (a) the introduction or alteration after the date of this Agreement of a law or an alteration after the date of this Agreement in the manner in which a law is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on a Lender’s overall net income); or
- (b) complying with any regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Notifying Lender allocates capital resources to its obligations under this Agreement) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement; or
- (c) the implementation or application of, or compliance with, Basel III, CRD IV or CRR or any law or regulation that implements or applies Basel III, CRD IV or CRR (whether such implementation, application or compliance is by a government, regulator or the Notifying Lender or a parent company or affiliate of it),
- (d) in each case when compared to the cost of complying with such regulations as determined by the Notifying Lender (or parent company or affiliate of it) on the date of this Agreement (whether such implementation, application or compliance is by a government, regulator, supervisory authority, the Notifying Lender or its holding company),

the Notifying Lender (or a parent company or affiliate of it) has incurred or will incur an “**increased cost**”.

24.2 Meaning of “increased costs”

In this Clause 24, “**increased costs**” means, in relation to a Notifying Lender:

- (a) an additional or increased cost incurred as a result of, or in connection with, the Notifying Lender having entered into, or being a party to, this Agreement or a Transfer Certificate or an Additional Lender’s Certificate or having taken an assignment of rights under this Agreement, of funding or maintaining its Commitment or Contribution or performing its obligations under this Agreement, or of having outstanding all or any part of its Contribution or other unpaid sums;
- (b) a reduction in the amount of any payment to the Notifying Lender under this Agreement or in the effective return which such a payment represents to the Notifying Lender or on its capital;
- (c) an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Notifying Lender’s Contribution or (as the case may require) the proportion of that cost attributable to the Contribution; or
- (d) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Notifying Lender under this Agreement,

but not an item attributable to a change in the rate of tax on the overall net income of the Notifying Lender (or a parent company or affiliate of it) or an item covered by the indemnity for tax in Clause 21.1 or by Clause 22.

For the purposes of this Clause 24.2 the Notifying Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class of its assets and liabilities) on such basis as it considers appropriate.

24.3 Notification to Borrowers of claim for increased costs

The Facility Agent shall promptly notify the Borrowers and the Security Parties of the notice which the Facility Agent received from the Notifying Lender under Clause 24.1.

24.4 Payment of increased costs

The Borrowers (or, subject to Clause 29.2, each applicable Affected Borrower), shall pay to the Facility Agent, on the Facility Agent’s demand, for the account of the Notifying Lender the amounts which the Facility Agent from time to time notifies the Borrowers (or each relevant Affected Borrower), that the Notifying Lender has specified to be necessary to compensate the Notifying Lender for the increased cost.

24.5 Notice of prepayment

If the Borrowers are (or, subject to Clause 29.2, each applicable Affected Borrower is) not willing to continue to compensate the Notifying Lender for the increased cost under Clause 24.4, the Borrowers (or each Affected Borrower) may give the Facility Agent not less than 15 days’ notice of its intention to prepay the Notifying Lender’s Contribution at the end of an Interest Period.

24.6 Prepayment; termination of Commitment

A notice under Clause 24.5 shall be irrevocable; the Facility Agent shall promptly notify the Notifying Lender of the Borrowers' (or each relevant Affected Borrower's) notice of intended prepayment; and:

- (a) on the date on which the Facility Agent serves that notice, the Commitment of the Notifying Lender shall be cancelled; and
- (b) on the date specified in its notice of intended prepayment, the Borrowers (or each relevant Affected Borrower) shall prepay (without premium or penalty) the Notifying Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin.

24.7 Application of prepayment

Clause 8 shall apply in relation to the prepayment.

25 SET-OFF

25.1 Application of credit balances

Each Creditor Party may following the occurrence of an Event of Default and without prior notice:

- (a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrowers at any office in any country of that Creditor Party in or towards satisfaction of any sum then due from the Borrowers to that Creditor Party under any of the Finance Documents; and
- (b) for that purpose:
 - (i) break, or alter the maturity of, all or any part of a deposit of the Borrowers;
 - (ii) convert or translate all or any part of a deposit or other credit balance into Dollars; and
 - (iii) enter into any other transaction or make any entry with regard to the credit balance which the Creditor Party concerned considers appropriate.

25.2 Existing rights unaffected

No Creditor Party shall be obliged to exercise any of its rights under Clause 25.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which a Creditor Party is entitled (whether under the general law or any document).

25.3 Sums deemed due to a Lender

For the purposes of this Clause 25, a sum payable by the Borrowers to the Facility Agent or the Security Trustee for distribution to, or for the account of, a Lender shall be treated as a sum due to that Lender; and each Lender's proportion of a sum so payable for distribution to, or for the account of, the Lenders shall be treated as a sum due to such Lender.

25.4 No Security Interest

This Clause 25 gives the Creditor Parties a contractual right of set-off only, and does not create any equitable charge or other Security Interest over any credit balance of the Borrowers.

26 TRANSFERS AND CHANGES IN LENDING OFFICES

26.1 Transfer by the Borrowers

The Borrowers may not assign or transfer any of their rights, liabilities or obligations under any Finance Document.

26.2 Transfer by a Lender

Subject to Clause 26.4, a Lender (the “**Transferor Lender**”) may, at any time, cause:

- (a) its rights in respect of all or part of its Contribution; or
- (b) its obligations in respect of all or part of its Commitment; or
- (c) a combination of (a) and (b); or
- (d) all or part of its credit risk under this Agreement and the other Finance Documents,

to be syndicated to or, (in the case of its rights) assigned, pledged or transferred to, or (in the case of its obligations) pledged or assumed by, any third party (a “**Transferee Lender**”) by delivering to the Facility Agent a completed certificate in the form set out in Schedule 4 with any modifications approved or required by the Facility Agent (a “**Transfer Certificate**”) executed by the Transferor Lender and the Transferee Lender.

However any rights and obligations of the Transferor Lender in its capacity as Facility Agent or Security Trustee will have to be dealt with separately in accordance with the Agency and Trust Agreement. All costs and expenses relating to a transfer effected pursuant to this Clause 26.2 shall be borne by the Transferee Lender.

A transfer pursuant to this Clause 26.2 shall:

- (i) be effected without the consent of the Borrowers:
 - (A) following the occurrence of an Event of Default;
 - (B) if such transfer is to a subsidiary or any other company or financial institution which is in the same ownership or control as one of the Lenders; and
- (ii) in all other circumstances, require the consent of the Borrowers (such consent not to be unreasonably withheld, conditioned or delayed) which should be provided within 5 days otherwise such consent shall be deemed to have been provided.

26.3 Transfer Certificate, delivery and notification

As soon as reasonably practicable after a Transfer Certificate is delivered to the Facility Agent, it shall (unless it has reason to believe that the Transfer Certificate may be defective):

- (a) ensure that all relevant “know your customer” requirements in connection with the Transferee Lender are complied with under all applicable laws and regulations and shall promptly notify the other Lenders and the Transferee Lender accordingly;
- (b) sign the Transfer Certificate on behalf of itself the Borrowers, the Security Parties, the Security Trustee and each of the other Lenders and the Swap Bank;
- (c) on behalf of the Transferee Lender, send to the Borrowers and each Security Party letters or faxes notifying them of the Transfer Certificate and attaching a copy of it; and

(d) send to the Transferee Lender copies of the letters or faxes sent under paragraph (b) above.

26.4 Effective Date of Transfer Certificate

A Transfer Certificate becomes effective on the date, if any, specified in the Transfer Certificate as its effective date **Provided that** it is signed by the Facility Agent under Clause 26.3 on or before that date.

26.5 No transfer without Transfer Certificate

No assignment or transfer of any right or obligation of a Lender under any Finance Document is binding on, or effective in relation to, the Borrowers, any Security Party, the Facility Agent or the Security Trustee unless it is effected, evidenced or perfected by a Transfer Certificate.

26.6 Lender re-organisation; waiver of Transfer Certificate

However, if a Lender enters into any merger, de-merger or other reorganisation as a result of which all its rights or obligations vest in another person (the “**successor**”), the Facility Agent may, if it sees fit, by notice to the successor and the Borrowers and the Security Trustee waive the need for the execution and delivery of a Transfer Certificate; and, upon service of the Facility Agent’s notice, the successor shall become a Lender with the same Commitment and Contribution as were held by the predecessor Lender.

26.7 Effect of Transfer Certificate

A Transfer Certificate takes effect in accordance with English law as follows:

- (a) to the extent specified in the Transfer Certificate, all rights and interests (present, future or contingent) which the Transferor Lender has under or by virtue of the Finance Documents (other than a Master Agreement) are assigned to the Transferee Lender absolutely, free of any defects in the Transferor Lender’s title and of any rights or equities which the Borrowers or any Security Party had against the Transferor Lender;
- (b) the Transferor Lender’s Commitment is discharged to the extent specified in the Transfer Certificate;
- (c) the Transferee Lender becomes a Lender with the Contribution previously held by the Transferor Lender and a Commitment of an amount specified in the Transfer Certificate;
- (d) the Transferee Lender becomes bound by all the provisions of the Finance Documents (other than a Master Agreement) which are applicable to the Lenders generally, including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Facility Agent and the Security Trustee and, to the extent that the Transferee Lender becomes bound by those provisions (other than those relating to exclusion of liability), the Transferor Lender ceases to be bound by them;
- (e) any part of the Loan which the Transferee Lender advances after the Transfer Certificate’s effective date ranks in point of priority and security in the same way as it would have ranked had it been advanced by the transferor, assuming that any defects in the transferor’s title and any rights or equities of the Borrowers or any Security Party against the Transferor Lender had not existed;
- (f) the Transferee Lender becomes entitled to all the rights under the Finance Documents (other than a Master Agreement) which are applicable to the Lenders generally, including but not limited to those relating to the Majority Lenders and those under Clause 5.7 and Clause 20, and to the extent that the Transferee Lender becomes entitled to such rights, the Transferor Lender ceases to be entitled to them; and

(g) in respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document or any misrepresentation made in or in connection with a Finance Document (other than a Master Agreement), the Transferee Lender shall be entitled to recover damages by reference to the loss incurred by it as a result of the breach or misrepresentation, irrespective of whether the original Lender would have incurred a loss of that kind or amount.

The rights and equities of the Borrowers or any Security Party referred to above include, but are not limited to, any right of set off and any other kind of cross-claim.

26.8 Maintenance of register of Lenders

During the Security Period, the Facility Agent shall maintain a register in which it shall record the name, Commitment, Contribution and administrative details (including the lending office) from time to time of each Lender holding a Transfer Certificate and the effective date (in accordance with Clause 26.4 or, as the case may be, Clause 2.5) of the Transfer Certificate; and the Facility Agent shall make the register available for inspection by any Lender, the Security Trustee and the Borrowers during normal banking hours, subject to receiving at least 3 Business Days prior notice.

26.9 Reliance on register of Lenders

The entries on that register shall, in the absence of manifest error, be conclusive in determining the identities of the Lenders and the amounts of their Commitments and Contributions and the effective dates of Transfer Certificates and may be relied upon by the Facility Agent and the other parties to the Finance Documents for all purposes relating to the Finance Documents.

26.10 Authorisation of Facility Agent and conditions to sign Transfer Certificates

The Borrowers, the Security Trustee, each Lender and the Swap Bank irrevocably authorises the Facility Agent to sign Transfer Certificates on its behalf. The Borrowers and each Security Party irrevocably agree to the transfer procedures set out in this Clause 26 and to the extent the cooperation of the Borrowers and/or any Security Party shall be required to effect any such transfer, the Borrowers and such Security Party shall take all necessary steps to afford such cooperation.

The Facility Agent shall only be obliged to execute a Transfer Certificate as soon as it is satisfied that all “know your customer” requirements are complied with under all applicable laws and regulations in connection with the Transferee Lender.

26.11 Registration fee

In respect of any Transfer Certificate, the Facility Agent shall be entitled to recover a registration fee of \$2,500 from the Transferor Lender or (at the Facility Agent’s option) the Transferee Lender.

26.12 Sub-participation; subrogation assignment

A Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents (other than a Master Agreement) without the consent of, or any notice to, the Borrowers, any Security Party, the Facility Agent or the Security Trustee or any other Creditor Party; and the Lenders may assign, in any manner and terms agreed by the Majority Lenders, the Facility Agent and the Security Trustee, all or any part of those rights to an insurer or surety who has become subrogated to them.

26.13 Disclosure of information

A Lender may, without the prior consent of the Borrowers or any Security Party, disclose to:

- (a) a potential Transferee Lender or sub participant as well as, where relevant, to rating agencies, trustees and accountants;
- (b) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
- (c) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes; or
- (d) to whom or for whose benefit that Lender charges, assigns or otherwise creates a Security Interest (or may do so) pursuant to Clause 26.16, any financial or other information which that Lender has received in relation to the Loan, the Borrowers, any Security Party or their affairs and collateral or security provided under or in connection with any Finance Document, their financial circumstances and any other information whatsoever, as that Lender may deem reasonably necessary or appropriate in connection with the potential syndication, the assessment of the credit risk and the ongoing monitoring of the Loan by any potential Transferee Lender and that Lender shall be released from its obligation of secrecy and from banking confidentiality. The Lender concerned and the Borrowers shall require that any such potential Transferee Lender, sub-participant, rating agency, trustee or accountant signs a confidentiality agreement. The Borrowers shall, and shall procure that any other Security Party shall:
 - (i) provide the Creditor Parties (or any of them) with all information deemed, reasonably, necessary by the Creditor Parties (or any of them) for the purposes of any transfer or sub-participation to be effected pursuant to this Clause 26;
 - (ii) procure that the directors and offices of the Borrowers or any Security Party are available to participate in any meeting with any Transferee Lender or any rating agency at such times and places as the Creditor Parties may reasonably request on notice (to be served on the Borrowers reasonably in advance) to the Borrowers or that Security Party; and
 - (iii) permit any Transferee Lender to board any Ship at all reasonable times to inspect its condition with reasonable notice to the Borrowers (after taking into consideration the relevant Ship's schedule).

26.14 Change of lending office

A Lender may change its lending office by giving notice to the Facility Agent and the change shall become effective on the later of:

- (a) the date on which the Facility Agent receives the notice; and
- (b) the date, if any, specified in the notice as the date on which the change will come into effect.

26.15 Notification

On receiving such a notice, the Facility Agent shall notify the Borrowers and the Security Trustee; and, until the Facility Agent receives such a notice, it shall be entitled to assume that a Lender is acting through the lending office of which the Facility Agent last had notice.

26.16 Security over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 26, each Lender may without consulting with or obtaining consent from the Borrowers or any Security Party at any time charge, assign or otherwise create a Security Interest in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document (other than a Master Agreement) to secure obligations of that Lender including, without limitation:

- (a) any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank; and
- (b) in the case of any Lender which is a fund, any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities; except that no such charge, assignment or Security Interest shall:
 - (i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security Interest for the Lender as a party to any of the Finance Documents; or
 - (ii) require any payments to be made by a Borrower or any Security Party or grant to any person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

26.17 Replacement of Reference Bank

If the Reference Bank ceases to be a Lender or is unable on a continuing basis to supply quotations for the purposes of Clause 5 then, unless the Borrowers, the Facility Agent and the Majority Lenders otherwise agree, the Facility Agent, acting on the instructions of the Majority Lenders, and after consulting the Borrower, shall appoint another bank (whether or not a Lender) to be a replacement Reference Bank; and, when that appointment comes into effect, the first-mentioned Reference Bank's appointment shall cease to be effective.

26.18 Replacement of a Defaulting Lender

- (a) If:
 - (i) any Lender becomes a Defaulting Lender; or
 - (ii) a Borrower becomes obliged to repay any amount in accordance with Clause 23 (*Illegality*) or to pay any additional amounts pursuant to Clause 24 (*Increased Costs*), Clause 22.2 (*Grossing-up for taxes*) or Clause 22.3 (*Indemnity and evidence of payment of taxes*) to any Lender,the Borrowers may, at any time a Lender has become and continues to be a Defaulting Lender, by giving 5 Business Days' prior written notice to the Facility Agent and such Lender replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to this Clause 26 all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity (a "**Replacement Lender**") selected by the Borrowers, and which confirms its willingness to assume and does assume all the obligations, or all the relevant obligations, of the transferring Lender in accordance with this Clause 26 for a purchase price in cash payable at the time of transfer which is in an amount equal to the outstanding principal amount of such Lender's Contribution and all accrued interest, Break Costs and other amounts payable in relation thereto under the Finance Documents;

- (b) of the replacement of a Defaulting Lender pursuant to this Clause 26.18 shall be subject to the following conditions:
 - (i) the Borrowers shall have no right to replace the Facility Agent or Security Trustee;
 - (ii) neither the Facility Agent nor the Defaulting Lender shall have any obligation to the Borrowers to find a Replacement Lender;
 - (iii) the transfer must take place no later than 7 Business Days after the notice referred to in paragraph (a) above;
 - (iv) in no event shall the Defaulting Lender be required to pay or surrender to such Replacement Lender any of the fees received by the Defaulting Lender pursuant to the Finance Documents; and
 - (v) the Defaulting Lender shall only be obliged to transfer its rights and obligations pursuant to paragraph (a) above once it is satisfied that it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to that transfer.
- (c) The Defaulting Lender shall perform the checks described in paragraph (b)(v) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (a) above and shall notify the Facility Agent and the Borrowers when it is satisfied that it has complied with those checks.

26.19 Excluded Commitments

If:

- (a) any Defaulting Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any term of any Finance Document or any other vote of Lenders under the terms of this Agreement within 10 Business Days of that request being made;
- (b) or any Lender which is not a Defaulting Lender fails to respond to such a request (other than an amendment, waiver or consent referred to in paragraphs (i), (ii) and (iii) of Clause 27.2 (Exceptions) or such a vote within 10 Business Days of that request being made (unless in either case the Borrowers and the Facility Agent agree to a longer time period in relation to any request):
 - (i) its Commitment shall not be included for the purpose of calculating the Total Commitments under the Loan when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Total Commitments has been obtained to approve that request; and
 - (ii) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

26.20 Disenfranchisement of Defaulting Lenders

- (a) For so long as a Defaulting Lender has any undrawn Commitment, in ascertaining:
 - (i) the Majority Lenders; or

- (ii) whether:
 - (A) any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments under the Loan; or
 - (B) the agreement of any specified group of Lenders,

has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents, that Defaulting Lender's Commitment under the Loan will be reduced by the amount of its undrawn Commitment under the Loan and, to the extent that that reduction results in that Defaulting Lender's Commitment being zero, that Defaulting Lender shall be deemed not to be a Lender for the purposes of paragraphs (i) and (ii) above.

(b) For the purposes of this Clause 26.20 the Facility Agent may assume that the following Lenders are Defaulting Lenders:

- (i) any Lender which has notified the Facility Agent that it has become a Defaulting Lender;
- (ii) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraphs (a), (b) or (c) of the definition of "**Defaulting Lender**" has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Facility Agent) or the Facility Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

27 VARIATIONS AND WAIVERS

27.1 Required consents

- (a) Subject to Clause 27.2 (Exceptions) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrowers and any such amendment or waiver will be binding on all Creditor Parties and the Borrowers.
- (b) Any instructions given by the Majority Lenders will be binding on all the Creditor Parties.
- (c) The Facility Agent may effect, on behalf of any Creditor Party, any amendment or waiver permitted by this Clause.

27.2 Exceptions

- (a) However, Clause 27.1 applies as if the words "the Majority Lenders" were replaced therein by the words "all Lenders" as regards an amendment or waiver that has the effect of changing or which relates to:
 - (i) the definition of "Majority Lenders" or "Finance Documents" in Clause 1.1 (Definitions);
 - (ii) an extension to the date of payment of any amount under the Finance Documents;
 - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest fees, commission or other amount payable or the rate at which they are calculated under any of the Finance Documents;
 - (iv) an increase in or an extension of any Lender's Commitment;
 - (v) any provision which expressly requires the consent of all the Lenders; or

- (vi) Clause 3, Clause 8, Clause 11.5, 11.6, 11.7 and 11.21, Clause 15, Clause 16.4, Clause 17, Clause 22, Clause 23, Clause 26 or this Clause 27.2;
 - (vii) the nature, scope or release of any Security Interest, guarantee, indemnities or subordination arrangement created by any Finance Document or the manner in which the proceeds of enforcement of any Security Interest are distributed;
 - (viii) a change to any Borrower or any Security Party;
 - (ix) any change of the currency in which the Loan is provided or any amount is payable under any of the Finance Documents; and
 - (x) extend the Availability Period.
- (b) an amendment or waiver which relates to the rights or obligations of the Facility Agent, the Arranger or the Security Trustee may not be effected without the consent of the Facility Agent, the Arranger or the Security Trustee, as the case may be.

27.3 Exclusion of other or implied variations

Except for a document which satisfies the requirements of Clauses 27.1 and 27.2, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Creditor Parties or any of them (or any person acting on behalf of any of them) shall result in the Creditor Parties or any of them (or any person acting on behalf of any of them) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

- (a) a provision of this Agreement or another Finance Document; or
- (b) an Event of Default; or
- (c) a breach by a Borrower or a Security Party of an obligation under a Finance Document or the general law; or
- (d) any right or remedy conferred by any Finance Document or by the general law,

and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

28 NOTICES

28.1 General

Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

28.2 Addresses for communications

A notice shall be sent:

(a) to the Borrower:

c/o Capital Ship Management Corp.
3 Iassonos Street
185 37 – Piraeus
Greece

Fax No: +30 210 4285 679
for the attention of the Chief Financial Officer

(b) to a Lender:

at the address below its name in Schedule 1 or (as the case may require) in the relevant Transfer Certificate.

(c) to the Swap Bank:

ING Bank N.V.
Foppingadreef 7
PO Box 1800, NL-1000 BV
Amsterdam
The Netherlands

Fax No: +31 20 501 3381 and (additionally) +31 20 501 3161

Attn: Operations/Derivatives/TRC 00.13, Financial Markets/Operations/Forex/Money Markets TRC 01.003 and Head of Legal Financial Markets

(d) to the Facility Agent and Security Trustee:

ING Bank N.V., London Branch
60 London Wall
London EC2M 5TQ
England

Fax No: +44 207 767 7324

or to such other address as the relevant party may notify the Facility Agent or, if the relevant party is the Facility Agent or the Security Trustee, the Borrowers, the Lenders and the Security Parties.

28.3 Effective date of notices

Subject to Clauses 28.4 and 28.5:

- (a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and
- (b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

28.4 Service outside business hours

However, if under Clause 28.3 a notice would be deemed to be served:

- (a) on a day which is not a business day in the place of receipt; or
 - (b) on such a business day, but after 5 p.m. local time,
- the notice shall (subject to Clause 28.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

28.5 Illegible notices

Clauses 28.3 and 28.4 do not apply if the recipient of a notice notifies the sender within one hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

28.6 Valid notices

A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

- (a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or
- (b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

28.7 Electronic communication

Any communication to be made between the Facility Agent and a Lender or the Swap Bank under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Facility Agent and the relevant Creditor Party:

- (a) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
- (b) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
- (c) notify each other of any change to their respective addresses or any other such information supplied to them.

Any electronic communication made between the Facility Agent and a Lender or the Swap Bank will be effective only when actually received in readable form and, in the case of any electronic communication made by a Creditor Party to the Facility Agent, only if it is addressed in such a manner as the Facility Agent shall specify for this purpose.

28.8 English language

Any notice under or in connection with a Finance Document shall be in English.

28.9 Meaning of “notice”

In this Clause 28, “**notice**” includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

28.10 Communication when Agent is Impaired Agent

If the Facility Agent is an Impaired Agent, the parties to this Agreement may, instead of communicating with each other through the Facility Agent, communicate with each other directly and (while the Facility Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Facility Agent shall be varied so that communications may be made and notices given to or by the relevant parties directly. This provision shall not operate after a replacement Facility Agent has been appointed.

29 JOINT AND SEVERAL LIABILITY

29.1 General

Subject to Clause 29.2, all liabilities and obligations of the Borrowers under this Agreement shall, whether expressed to be so or not, be several and, if and to the extent consistent with Clauses 29.2 and 29.3, joint.

29.2 Dropdown

(a) Notwithstanding the provisions of Clause 29.1, upon the occurrence of a Dropdown:

- (i) the Affected Borrower to which such Dropdown relates shall automatically cease to be joint and severally liable for the obligations of any Borrower which is not an Affected Borrower, and shall become joint and severally liable for the obligations under Clause 6 (*Repayment and Prepayment*), Clause 7 (*Default Interest*), Clause 8.9 (*Mandatory Prepayment*), Clause 5 (*Interest*), Clause 21.2 (*Break Costs*) and Clause 24.1 (*Increased costs*) (together, the “**Affected Clauses**”) in relation to the Tranche(s) financing the Ship(s) of the other Affected Borrower(s);
- (ii) each of the Borrowers other than any Affected Borrower shall be automatically released from their obligations under the Affected Clauses in relation to the Tranche(s) financing the Ship(s) of the Affected Borrower(s); and
- (iii) such Affected Borrower shall be automatically released from its obligations under the Affected Clauses in relation to each of the Tranche(s) which are not financing the Ship(s) of the Affected Borrower(s).

(b) Where this Agreement provides for any payment other than under the Affected Clauses (any such payment being an “**Unscheduled Amount**”) and save as contemplated in Clause 21.1 (*Indemnities regarding borrowing and repayment of Loan*) and Clause 22.2 (*Grossing-up for taxes*), the Affected Borrower(s) shall be joint and severally liable for a *pro-rata* share of such Unscheduled Amount corresponding to the Relevant Proportion. For the purposes of claiming any such Unscheduled Amount, a demand made upon the Borrowers for the full amount of the Unscheduled Amount shall be deemed to be a demand served on each Borrower (including on any Affected Borrower in the Relevant Proportion of such Unscheduled Amount) for the amount of such Unscheduled Amount for which each such Borrower is liable.

(c) This Clause shall not relieve the Borrowers or any other Security Parties from:

- (i) the consequences of the Borrowers (or any of them) failing to meet their respective obligations under the Affected Clauses at any time; or
- (ii) any claim or demand made by any Finance Party on an Affected Borrower (or any other Security Party in relation to such claim or demand) prior to the Dropdown relating to such Affected Borrower.

29.3 No impairment of Borrower’s obligations

The liabilities and obligations of a Borrower shall not be impaired by:

- (a) this Agreement being or later becoming void, unenforceable or illegal as regards any other Borrower;
- (b) any Lender entering into any rescheduling, refinancing or other arrangement of any kind with any other Borrower;
- (c) any Lender releasing any other Borrower or any Security Interest created by a Finance Document; or
- (d) any combination of the foregoing.

29.4 Principal debtors

Subject to Clause 29.2, each Borrower declares that it is and will, throughout the Security Period, remain a principal debtor for all amounts owing under this Agreement and the Finance Documents and no Borrower shall in any circumstances be construed to be a surety for the obligations of any other Borrower under this Agreement.

29.5 Subordination

Subject to Clause 29.6, during the Security Period, no Borrower shall:

- (a) claim any amount which may be due to it from any other Borrower whether in respect of a payment made, or matter arising out of, this Agreement or any Finance Document, or any matter unconnected with this Agreement or any Finance Document; or
- (b) take or enforce any form of security from any other Borrower for such an amount, or in any other way seek to have recourse in respect of such an amount against any asset of any other Borrower; or
- (c) set off such an amount against any sum due from it to any other Borrower; or
- (d) prove or claim for such an amount in any liquidation, administration, arrangement or similar procedure involving any other Borrower or other Security Party; or
- (e) exercise or assert any combination of the foregoing.

29.6 Borrower's required action

If during the Security Period, the Facility Agent, by notice to a Borrower, requires it to take any action referred to in paragraphs (a) to (d) of Clause 29.5, in relation to the other Borrower, that Borrower shall take that action as soon as practicable after receiving the Facility Agent's notice.

30 CONFIDENTIALITY

30.1 Confidential Information

Each Creditor Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clauses 31.2 and 31.3 and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

30.2 Disclosure of Confidential Information

Any Creditor Party may disclose:

- (a) to any of its affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Creditor Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

- (b) to any person:
- (i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Facility Agent and, in each case, to any of that person's affiliates, Related Funds, Representatives and professional advisers;
 - (ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or the Borrowers and/or any Security Party and to any of that person's affiliates, Related Funds, Representatives and professional advisers;
 - (iii) appointed by any Creditor Party or by a person to whom paragraph (b)(i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf;
 - (iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above;
 - (v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
 - (vi) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;
 - (vii) to whom or for whose benefit that Creditor Party charges, assigns or otherwise creates a Security Interest (or may do so) pursuant to Clause 26.17;
 - (viii) who is a party to a Finance Document, a member of a Group, or any related entity of the Borrowers or any Security Party; or
 - (ix) with the consent of the Borrowers;

in each case, such Confidential Information as that Creditor Party shall consider appropriate if:

- (A) in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;
- (B) in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information; or
- (C) in relation to paragraphs (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Creditor Party, it is not practicable so to do in the circumstances;

- (c) to any person appointed by that Creditor Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Borrowers and the relevant Creditor Party; and
- (d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Borrowers and/or the Security Parties.

30.3 Disclosure to numbering service providers

- (a) Any Creditor Party may disclose to any national or international numbering service provider appointed by that Creditor Party to provide identification numbering services in respect of this Agreement, the Loan and/or the Borrowers and/or the Security Parties the following information:
 - (i) names of the Borrowers and the Security Parties;
 - (ii) country of domicile of the Borrowers and the Security Parties;
 - (iii) place of incorporation of the Borrowers and the Security Parties;
 - (iv) date of this Agreement;
 - (v) governing law;
 - (vi) the name of the Facility Agent;
 - (vii) date of each amendment and restatement of this Agreement;
 - (viii) amount of the Loan;
 - (ix) amount of Total Commitments;
 - (x) currency of the Loan;
 - (xi) type of facility;
 - (xii) ranking of facility;
 - (xiii) final Repayment Date;
 - (xiv) changes to any of the information previously supplied pursuant to paragraphs (i) to (xiii) above; and
 - (xv) such other information agreed between such Creditor Party and the Borrowers,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services;

- (b) the parties to this Agreement acknowledge and agree that each identification number assigned to this Agreement, the Loan and/or the Borrowers and/or any Security Party by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider;
- (c) the Borrowers represent that none of the information set out in paragraphs (a)(i) to (a)(xv) above is, nor will at any time be, unpublished price-sensitive information; and
- (d) the Facility Agent shall notify the Borrowers and the other Creditor Parties of:
 - (i) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Loan and/or the Borrowers and/or the Security Parties; and
 - (ii) the number or, as the case may be, numbers assigned to this Agreement, the Loan and/or the Borrowers and/or the Security Parties by such numbering service provider.

30.4 Entire agreement

This Clause 30 constitutes the entire agreement between the parties to this Agreement in relation to the obligations of the Creditor Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

30.5 Inside information

Each of the Creditor Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Creditor Parties undertakes not to use any Confidential Information for any unlawful purpose.

30.6 Notification of disclosure

Each of the Creditor Parties agrees (to the extent permitted by law and regulation) to inform the Borrowers:

- (a) of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(v) of Clause 30.2 except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and
- (b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 30.

30.7 Continuing obligations

The obligations in this Clause 30 are continuing and, in particular, shall survive and remain binding on each Creditor Party for a period of 12 months from the earlier of:

- (a) the date on which all amounts payable by the Borrowers and the Security Parties under or in connection with this Agreement have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

(b) the date on which such Creditor Party otherwise ceases to be a Creditor Party.

30.8 Defaulting Lender

The Agent:

(a) may disclose; and

(b) on the written request of the Guarantor or Substitute Guarantor or the Majority Lenders shall, as soon as reasonably practicable, disclose, the identity of a Defaulting Lender to the Guarantor or Substitute Guarantor and to the other Creditor Parties.

31 SUPPLEMENTAL

31.1 Rights cumulative, non-exclusive

The rights and remedies which the Finance Documents give to each Creditor Party are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

31.2 Severability of provisions

If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

31.3 Third party rights

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

31.4 Benefit and binding effect

The terms of this Agreement shall be binding upon, and shall enure to the benefit of, the parties hereto and their respective (including subsequent) successors and permitted assigns and transferees.

32 LAW AND JURISDICTION

32.1 English law

This Agreement and any non-contractual obligation arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

32.2 Exclusive English jurisdiction

Subject to Clause 32.3, the courts of England shall have exclusive jurisdiction to settle any Dispute.

32.3 Choice of forum for the exclusive benefit of the Creditor Parties

Clause 32.2 is for the exclusive benefit of the Creditor Parties, each of which reserves the right:

- (a) to commence proceedings in relation to any Dispute in the courts of any country other than England and which have or claim jurisdiction to that Dispute; and
- (b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

No Borrower shall commence any proceedings in any country other than England in relation to a Dispute.

32.4 Process agent

Each Borrower irrevocably appoints Curzon Maritime Ltd. at its office for the time being, presently at 30/33 Minories Street, St. Clare House, London EC3N 1DJ, England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with a Dispute.

32.5 Creditor Party rights unaffected

Nothing in this Clause 32 shall exclude or limit any right which any Creditor Party may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

32.6 Meaning of “proceedings”

In this Clause 32, “**proceedings**” means proceedings of any kind, including an application for a provisional or protective measure and a “**Dispute**” means any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement) or any non-contractual obligation arising out of or in connection with this Agreement.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

LENDERS AND COMMITMENTS

Lender	Lending Office	Commitment (\$)	Percentage of Total Commitments (%)
ING Bank N.V., London Branch	60 London Wall London EC2M 5TQ England	997,830,000	100

SCHEDULE 2

DRAWDOWN NOTICE

To: ING BANK N.V., London Branch

60 London Wall

London EC2M 5TQ

England

Attention: [Loans Administration]

1 We refer to the loan agreement (the “**Loan Agreement**”) dated [●] 2015 and made between us, as Borrowers, the Lenders referred to therein, ING Bank N.V. as Swap Bank, and yourselves as Facility Agent and Security Trustee and in connection with a term loan facility of up to US\$97,830,000 in aggregate. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow [an Advance under Tranche [●] as follows:

(a) Amount: US\$[];

(b) Drawdown Date: [];

(c) Duration of the first Interest Period shall be [] months;

(d) Payment instructions : account of [] and numbered [] with [] of [].

3 We represent and warrant that:

(a) the representations and warranties in Clause 10 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing; and

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Loan.

4 This notice cannot be revoked without the prior consent of the Majority Lenders.

5 [We authorise you to deduct any facility fees referred to in Clause 20.1 from the amount of the Advance].

Attorney-in-Fact
for and on behalf of
FILONIKIS PRODUCT CARRIER S.A.
HELIOS PRODUCT CARRIER S.A.
HERCULES PRODUCT CARRIER S.A.
IASON PRODUCT CARRIER S.A. and
ARCHON PRODUCT CARRIER S.A.

SCHEDULE 3

CONDITIONS PRECEDENT DOCUMENTS

PART A

The following are the documents referred to in Clause 9.1(a).

- 1 A duly executed original of this Agreement, the Guarantee, the Shares Pledges and any other Finance Document if not otherwise referred to in this Schedule (and of each document required to be delivered by each Finance Document).
- 2 Certified copies of the certificate of incorporation and constitutional documents of each Security Party.
- 3 Copies of resolutions of the shareholders and directors of each Security Party authorising the execution of each of the Finance Documents to which it is a party and, in the case of the Borrowers, authorising named officers to give the Drawdown Notices and other notices under this Agreement and ratifying the execution of the Shipbuilding Contract relative to its Ship.
- 4 The original of any power of attorney under which any Finance Document is executed on behalf of each Security Party.
- 5 Copies of all consents which any Security Party requires to enter into, or make any payment under, any Finance Document or the Shipbuilding Contract relative to that Borrower.
- 6 Copies of the Underlying Documents and all amendments and supplements thereto and of all documents signed or issued by the parties thereto under or in connection with it.
- 7 Such documentary evidence as the Facility Agent and its legal advisers may reasonably require in relation to the due authorisation and execution by the parties to each Underlying Document and of all documents to be executed by those parties under that Underlying Document.
- 8 All documentation required by the Facility Agent in relation to any Security Party pursuant to the Facility Agent's "know your customer" requirements.
- 9 Documentary evidence that the agent for service of process named in Clause 32.4 has accepted its appointment.
- 10 Favourable legal opinions from lawyers appointed by the Facility Agent on such matters concerning the laws of the Marshall Islands, Liberia, People's Republic of China, South Korea and such other relevant jurisdictions as the Facility Agent may require.
- 11 If the Facility Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Facility Agent.

PART B– DELIVERY ADVANCE

The following are the documents referred to in Clause 9.1(b) in relation to a drawdown of a Delivery Advance.

In Part B of this Schedule 2, “**Relevant Ship**” means the Ship, the construction of which is to be financed or, as the case may be, re financed by the relevant Delivery Advance and “**Relevant Borrower**” means the Borrower which is or is to become the owner of that Relevant Ship on delivery.

- 12 A duly executed original of the Mortgage, any Deed of Covenant, the General Assignment and any Charterparty Assignment (and of each document to be delivered under each of them) in respect of the Relevant Ship.
- 13 Documentary evidence that:
- (a) the Relevant Ship has been unconditionally delivered by the Builder to, and accepted by, the Relevant Borrower under the Shipbuilding Contract relative thereto, and the Contract Price due under that Shipbuilding Contract (in addition to the part to be financed by the Delivery Advance) has been duly paid (together with, but not limited to, a copy of the bill of sale issued by the Builder and the builder’s certificate);
 - (b) the Relevant Ship is definitively and permanently (or, if permitted by the relevant Approved Flag, provisionally) registered in the name of the Relevant Borrower under an Approved Flag;
 - (c) the Relevant Ship is in the absolute and unencumbered ownership of the Relevant Borrower save as contemplated by the Finance Documents;
 - (d) the Relevant Ship maintains the highest available class with such first-class classification society which is a member of IACS as the Lender may approve free of all recommendations and conditions of such classification society (except any that customarily apply to newbuilding vessels);
 - (e) the relevant Mortgage has been duly registered or recorded (as the case may be) against the Relevant Ship as a valid first priority or preferred ship mortgage in accordance with the laws of an Approved Flag State; and
 - (f) the Relevant Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.
- 14 Documents establishing that the Relevant Ship will be or has been, as from its Delivery Date, be managed by the Approved Manager on terms acceptable to the Lender, together with:
- (a) the Approved Manager’s Undertaking in respect of the Relevant Ship; and
 - (b) copies of the document of compliance (DOC), the ISSC and any other ISPS document and the safety management certificate (SMC) referred to in paragraph (a) of the definition of the ISM Code Documentation certified as true and in effect by the Relevant Borrower and the Approved Manager.
- 15 Two valuations of the Relevant Ship addressed to the Facility Agent and dated not earlier than 30 days before the Drawdown Date in respect of the Relevant Ship, each prepared at the cost of the Borrowers by an Approved Broker, in the case of the first valuation, selected and appointed by the Borrowers and in the case of the second valuation, selected and appointed by the Facility Agent and otherwise prepared in accordance with Clause 15.4.
- 16 Evidence that the Earnings Account in respect of the Relevant Ship has been duly opened with the Facility Agent by the Relevant Borrower.

- 17 A favourable opinion (at the cost of the Borrowers) from an independent insurance consultant acceptable to the Lender on such matters relating to the insurances for the Relevant Ship as the Facility Agent may require.
- 18 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Approved Flag State and such other relevant jurisdictions as the Facility Agent may require.

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the Borrowers.

PART C- ADVANCES OTHER THAN THE DELIVERY ADVANCE

The following are the documents referred to in Clause 9.1(c).

In Part C of this Schedule 2, “**Relevant Instalment**” means the instalment payable pursuant to Article II of the Shipbuilding Contract relating to a Designated Ship (the “**Relevant Shipbuilding Contract**”) which is to be part-financed or, as the case may be, re-financed in part by the Advance being drawdown on the relevant Drawdown Date.

- 1 A duly executed original of the Pre-Delivery Security Assignment (and of each document required to be delivered thereunder) in respect of such Designated Ship.
- 2 Signed acknowledgments from the Builder and the Refund Guarantors in the form acceptable to the Facility Agent and set out in Appendix 1 of the relevant Pre-Delivery Security Assignment.
- 3 If the Advance being drawn down is intended to refinance any Relevant Instalment, documentary evidence that the full amount of such Relevant Instalment has been paid by the relevant Borrower.
- 4 A copy of the stage certificate which is a condition to the payment of the Relevant Instalment pursuant to the Relevant Shipbuilding Contract issued by the applicable classification society surveyor.
- 5 Evidence satisfactory to the Facility Agent as to the amounts due and payable by the relevant Borrower to the Builder in respect of the Relevant Instalment pursuant to the Relevant Shipbuilding Contract.
- 6 If the Advance being drawn down is to be used to finance the Relevant Instalment, documentary evidence that the full amount of the Relevant Instalment (in addition to that part which is to be financed by the relevant Advance) has been duly paid or will be paid at the same time.

SCHEDULE 4

TRANSFER CERTIFICATE

The Transferor and the Transferee accept exclusive responsibility for ensuring that this Certificate and the transaction to which it relates comply with all legal and regulatory requirements applicable to them respectively.

To: **ING BANK N.V., London Branch** for itself and for and on behalf of the Borrowers, each Security Party, the Security Trustee and each Lender, as defined in the Loan Agreement referred to below.

[] 201[]

1 This Certificate relates to a Loan Agreement (as amended and restated on [●] 2013, the “**Loan Agreement**”) dated [●] 2015 and made between (1) **FILONIKIS PRODUCT CARRIER S.A., HELIOS PRODUCT CARRIER S.A., HERCULES PRODUCT CARRIER S.A., IASON PRODUCT CARRIER S.A.** and **ARCHON PRODUCT CARRIER S.A.** (together, the “**Borrowers**”), (2) the banks and financial institutions named therein, (3) ING Bank N.V. as Swap Bank and (4) ING Bank N.V., London Branch as Facility Agent and Security Trustee and, for a term loan facility of up to US\$97,830,000 in aggregate.

2 In this Certificate:

“**the Relevant Parties**” means the Facility Agent, each Borrower, [each Security Party], the Security Trustee, and each Lender;

“**the Transferor**” means [full name] of [lending office];

“**the Transferee**” means [full name] of [lending office].

Terms defined in the Loan Agreement shall, unless the contrary intention appears, have the same meanings when used in this Certificate.

3 The effective date of this Certificate is20[●] **Provided that** this Certificate shall not come into effect unless it is signed by the Facility Agent on or before that date.

4 The Transferor assigns to the Transferee absolutely all rights and interests (present, future or contingent) which the Transferor has as Lender under or by virtue of the Loan Agreement and every other Finance Document in relation to [] per cent. of the Contribution outstanding to the Transferor (or its predecessors in title) which is set out below:

Contribution

Amount transferred

5 By virtue of this Transfer Certificate and Clause 26 of the Loan Agreement, the Transferor is discharged [entirely from its Commitment which amounts to \$[]] [from [] per cent. of its Commitment, which percentage represents \$[]] and the Transferee acquires a Commitment of \$[].

6 The Transferee undertakes with the Transferor and each of the Relevant Parties that the Transferee will observe and perform all the obligations under the Finance Documents which Clause 26 of the Loan Agreement provides will become binding on it upon this Certificate taking effect.

7 The Facility Agent, at the request of the Transferee (which request is hereby made) accepts, for the Facility Agent itself and for and on behalf of every other Relevant Party, this Certificate as a Transfer Certificate taking effect in accordance with Clause 26 of the Loan Agreement.

8 The Transferor:

(a) warrants to the Transferee and each Relevant Party:

- (i) that the Transferor has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which are in connection with this transaction; and
- (ii) that this Certificate is valid and binding as regards the Transferor;

(b) warrants to the Transferee that the Transferor is absolutely entitled, free of encumbrances, to all the rights and interests covered by the assignment in paragraph 4 above;

(c) undertakes with the Transferee that the Transferor will, at its own expense, execute any documents which the Transferee reasonably requests for perfecting in any relevant jurisdiction the Transferee's title under this Certificate or for a similar purpose.

9 The Transferee:

(a) confirms that it has received a copy of the Loan Agreement and each other Finance Document;

(b) agrees that it will have no rights of recourse on any ground against either the Transferor, the Facility Agent, the Security Trustee, any Lender in the event that:

- (i) the Finance Documents prove to be invalid or ineffective,
- (ii) any Borrower or any Security Party fails to observe or perform its obligations, or to discharge its liabilities, under the Finance Documents;
- (iii) it proves impossible to realise any asset covered by a Security Interest created by a Finance Document, or the proceeds of such assets are insufficient to discharge the liabilities of any Borrower or Security Party under the Finance Documents;

(c) agrees that it will have no rights of recourse on any ground against the Facility Agent, the Security Trustee or any Lender in the event that this Certificate proves to be invalid or ineffective;

(d) warrants to the Transferor and each Relevant Party (i) that it has full capacity to enter into this transaction and has taken all corporate action and obtained all official consents which it needs to take or obtain in connection with this transaction; and (ii) that this Certificate is valid and binding as regards the Transferee; and

(e) confirms the accuracy of the administrative details set out below regarding the Transferee.

10 The Transferor and the Transferee each undertake with the Facility Agent and the Security Trustee severally, on demand, fully to indemnify the Facility Agent and/or the Security Trustee in respect of any claim, proceeding, liability or expense (including all legal expenses) which they or either of them may incur in connection with this Certificate or any matter arising out of it, except such as are shown to have been mainly and directly caused by the gross and culpable negligence or dishonesty of the Facility Agent's or the Security Trustee's own officers or employees.

11 The Transferee shall repay to the Transferor on demand so much of any sum paid by the Transferor under paragraph 10 above as exceeds one-half of the amount demanded by the Facility Agent or the Security Trustee in respect of a claim, proceeding, liability or expense which was not reasonably foreseeable at the date of this Certificate; but nothing in this paragraph shall affect the liability of each of the Transferor and the Transferee to the Facility Agent or the Security Trustee for the full amount demanded by it.

[Name of Transferor]

[Name of Transferee]

By:

By:

Date:

Date:

Facility Agent

Signed for itself and for and on behalf of itself
as Facility Agent and for every other Relevant Party

ING Bank N.V., London Branch

By:

Date:

Administrative Details of Transferee

Name of Transferee:

Lending Office:

Contact Person
(Loan Administration Department):

Telephone:

Telex:

Fax:

Contact Person
(Credit Administration Department):

Telephone:

Telex:

Fax:

Account for payments:

Note: This Transfer Certificate alone may not be sufficient to transfer a proportionate share of the Transferor's interest in the security constituted by the Finance Documents in the Transferor's or Transferee's jurisdiction. It is the responsibility of each Lender to ascertain whether any other documents are required for this purpose.

SCHEDULE 5

DESIGNATION NOTICE

To: **FILONIKIS PRODUCT CARRIER S.A.**
HELIOS PRODUCT CARRIER S.A.
HERCULES PRODUCT CARRIER S.A.
IASON PRODUCT CARRIER S.A. and
ARCHON PRODUCT CARRIER S.A.
- and –

ING BANK N.V., LONDON BRANCH

[●] 2015

Dear Sirs

Loan Agreement dated [●] 2015 made between (inter alia) (i) yourselves as Borrowers, (ii) the Lenders, (iii) ourselves as Swap Bank and (iv) ING Bank N.V., London Branch as Facility Agent and Security Trustee in respect of a term loan facility of up to US\$97,830,000 in aggregate (the “Loan Agreement”)

We refer to:

- 1 the Loan Agreement;
- 2 the Master Agreement dated [●] made between ourselves and [●]; and
- 3 a Confirmation delivered pursuant to the said Master Agreement dated [●] and addressed by [●] to us.

In accordance with the terms of the Loan Agreement, we hereby give you notice of the said Confirmation and hereby confirm that the Transaction evidenced by it will be designated as a “Designated Transaction” for the purposes of the Loan Agreement and the Finance Documents.

Yours faithfully,

for and on behalf of
[ING BANK N.V.]

SCHEDULE 6

POWER OF ATTORNEY

Know all men by these presents that [name of Borrower] (the "Company"), a company incorporated in Liberia and having its registered address at 80 Broad Street, Monrovia, Liberia irrevocably and by way of security appoints ING Bank N.V., London Branch (the "Attorney") of 60 London Wall, London EC2M 5TQ, England its attorney, to act in the name of the Company and to exercise any right, entitlement or power of the Company in relation to [name of classification society] (the "Classification Society") and/or to the classification records of any vessel owned, controlled or operated by the Company including, without limitation, such powers or entitlement as the Company may have to inspect the class records and any files held by the Classification Society in relation to any such vessel and to require the Classification Society to provide to the Attorney or to any of its nominees any information, document or file which the Attorney may request.

Ratification of actions of attorney. For the avoidance of doubt and without limiting the generality of the above, it is confirmed that the Company hereby ratifies any action which the Attorney takes or purports to take under this Power of Attorney and the Classification Society shall be entitled to rely hereon without further enquiry.

Delegation. The Attorney may exercise its powers hereunder through any officer or through any nominee and/or may sub-delegate to any person or persons (including a Receiver and persons designated by him) all or any of the powers (including the discretions) conferred on the Attorney hereunder, and may do so on terms authorising successive sub-delegations.

This Power of Attorney was executed by the Company as a Deed on [date].]

EXECUTED as a DEED by)
[●])
acting by two directors or one director)
and the company secretary)

Director: _____

Director/Secretary: _____

BORROWERS

SIGNED by /s/ Valasia Gkigkilini)
for and on behalf of)
FILONIKIS PRODUCT CARRIER S.A.)
in the presence of /s/ Daphne Elektra A. Stamatopoulos)

SIGNED by /s/ Valasia Gkigkilini)
for and on behalf of)
HELIOS PRODUCT CARRIER S.A.)
in the presence of /s/ Daphne Elektra A. Stamatopoulos)

SIGNED by /s/ Valasia Gkigkilini)
for and on behalf of)
HERCULES PRODUCT CARRIER S.A.)
in the presence of /s/ Daphne Elektra A. Stamatopoulos)

SIGNED by /s/ Valasia Gkigkilini)
for and on behalf of)
IASON PRODUCT CARRIER S.A.)
in the presence of /s/ Daphne Elektra A. Stamatopoulos)

SIGNED by /s/ Valasia Gkigkilini)
for and on behalf of)
ARCHON PRODUCT CARRIER S.A.)
in the presence of /s/ Daphne Elektra A. Stamatopoulos)

LENDERS

SIGNED by /s/ Aikaterina Dimitriou)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of /s/ Daphne Elektra A. Stamatopoulos)

SWAP BANK

SIGNED by /s/ Aikaterina Dimitriou)
for and on behalf of)
ING BANK N.V.)
In the presence of /s/ Daphne Elektra A. Stamatopoulos)

FACILITY AGENT

SIGNED by /s/ Aikaterina Dimitriou)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of /s/ Daphne Elektra A. Stamatopoulos)

SECURITY TRUSTEE

SIGNED by /s/ Aikaterina Dimitriou)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of /s/ Daphne Elektra A. Stamatopoulos)

Dated 19 November 2015

CAPITAL PRODUCT PARTNERS L.P.
as Guarantor

and

ING BANK N.V., LONDON BRANCH
as Security Trustee

GUARANTEE

relating to a Loan Agreement
dated 19 November 2015

**WATSON FARLEY
&
WILLIAMS**

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PARTIES

- (1) **CAPITAL PRODUCT PARTNERS L.P.**, being a limited partnership formed under the laws of the Marshall Islands whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "**Guarantor**"); and
- (2) **ING BANK N.V., LONDON BRANCH**, acting through its office at 60 London Wall, London EC2M 5TQ, England (the "**Security Trustee**", which expression includes its successors and assigns).

BACKGROUND

- (A) By a loan agreement dated 19 November 2015 and made between (i) Filonikis Product Carrier S.A., Helios Product Carrier S.A., Hercules Product S.A., Iason Product Carrier S.A. and Archon Product Carrier S.A. as joint and several borrowers (together, the "**Borrowers**" and each a "**Borrower**"), (ii) the banks and financial institutions listed therein as lenders (together, the "**Lenders**"), (iii) ING Bank N.V., London Branch as agent (the "**Agent**"), (iv) ING Bank N.V. as swap bank (in such capacity, the "**Swap Bank**") and (v) the Security Trustee, it was agreed that the Lenders would make available to the Borrowers a secured pre and post-delivery term loan facility of up to US\$97,830,000 (the "**Loan**").
- (B) By certain master agreements (each on the 2002 ISDA Master Agreement and including the schedule thereto as amended) (each a "**Master Agreement**" and together the "**Master Agreements**"), each dated as of 19 November 2015 and made between (i) each Borrower and (ii) the Swap Bank, it was agreed that the Swap Bank may enter into Designated Transactions with that Borrower from time to time to hedge such Borrower's exposure under the Loan Agreement to interest rate fluctuations.
- (C) By the Agency and Trust Agreement entered into pursuant to the Loan Agreement, it was agreed that the Security Trustee would hold the Trust Property on trust for the Creditor Parties.
- (D) It is a condition precedent to the Lenders advancing the Loan (or any part thereof) to the Borrowers that the Guarantor shall execute and deliver or, as the case may be, register in favour of the Security Trustee:
 - (a) this Guarantee; and
 - (b) any pledge in respect of all shares in each Borrower of which it is the sole shareholder.

INTERPRETATION

1.1 Defined expressions

Words and expressions defined in the Loan Agreement shall have the same meanings when used in this Guarantee unless the context otherwise requires.

1.2 Construction of certain terms

In this Guarantee:

“**Accounting Information**” means the annual audited consolidated accounts and the unaudited semi-annual management accounts in respect of each Relevant Borrower and the Guarantor referred to, respectively, in Clauses 11.4(a) and 11.4(b);

“**bankruptcy**” includes a liquidation, receivership or administration and any form of suspension of payments, arrangement with creditors or reorganisation under any corporate or insolvency law of any country;

“**Compliance Certificate**” means a certificate in the form set out in Schedule 1 (or in any other form which the Agent approves or requires in its sole discretion);

“**Compliance Date**” means each of 30 June and 31 December in each Financial Year of the Guarantor;

“**EBITDA**” means, in respect of the relevant period, the aggregate amount of consolidated earnings of the Group (excluding any extraordinary items (namely any items which are not relevant to the Guarantor’s normal course of daily business)) before net interest, tax, depreciation or any amortisation charges;

“**Fleet Vessels**” means all of the vessels (including, but not limited to, each Ship owned by a Relevant Borrower) from time to time wholly owned by members of the Group (each a “**Fleet Vessel**”);

“**Fleet Vessel Market Value**” means, in relation to a Fleet Vessel, the market value of that Fleet Vessel determined pursuant to Clause 12.7;

“**Group**” means the Guarantor and its wholly-owned subsidiaries (whether direct or indirect, and including, but not limited to, each Relevant Borrower) from time to time during the Security Period and “**member of the Group**” shall be construed accordingly;

“**Guaranteed Tranche**” means any Tranche financing a Ship owned or to be owned by a Relevant Borrower;

“**Guarantor’s Documents**” means, together, this Guarantee, any Pledges and any other Finance Document to which the Guarantor is or, as the context may require, will be a party and, in the singular, means any of them;

“**Intermediate Shareholder**” means Capital Product Operating LLC, a limited liability company formed in the Republic of the Marshall Islands whose registered office is at Trust Company Complex Ajeltake Road, Ajeltake Island, Majuro MH 96960, the Marshall Islands;

“**Leverage Ratio**” means, any relevant time, the ratio (expressed as a percentage) of:

- (a) the Financial Indebtedness of the Group less the aggregate Liquid Assets of the Group; to
- (b) the aggregate Fleet Vessel Market Value;

“**Liquid Assets**” means, at any relevant time hereunder:

- (a) cash in hand or held with banks or other financial institutions of the Guarantor and/or any other member of the Group in Dollars or another currency freely convertible into Dollars, which is free of any Security Interest (other than a Permitted Security Interest and other than ordinary bankers’ liens which have not been enforced or become capable of being enforced);
- (b) any other short-term financial investment which is free of any Security Interest (other than a Permitted Security Interest);
- (c) any cash equivalent of the Guarantor and/or any other member of the Group; and
- (d) any marketable securities of the Guarantor and/or any other member of the Group,

as stated in the latest Accounting Information;

“**Loan Agreement**” means the loan agreement dated November 2015 referred to in Recital (A) and includes any existing or future amendments or supplements, whether made with the Guarantor’s consent or otherwise;

“**Master Agreement**” means each of the master agreements and the schedules thereto referred to in Recital (B) (including all Designated Transactions from time to time entered into and Confirmations from time to time exchanged thereunder) and includes, in each case, any existing or future amendments or supplements, whether made with the Guarantor’s consent or otherwise and, in the plural, means all of them;

“**Net Interest Expense**” means, as at any date of calculation, the aggregate of all interest payable by any member of the Group on any Financial Indebtedness and any net amounts payable under interest rate hedge agreements for the 12-month period commencing on the date of calculation less interest income received, determined on a consolidated basis in accordance with generally accepted accounting principles and as shown in the consolidated statements of income of the Group in the Accounting Information;

“**Pledges**” means any pledge of the share capital of any Relevant Borrower and, in the plural, means all of them;

“**Relevant Borrower**” means at any relevant time, each Borrower which is a member of the Group at such time, and in the plural means all of them; and

“**Total Assets**” means the total assets of the Group as stated in the most recent Accounting Information.

1.3 **Application of construction and interpretation provisions of Loan Agreement**

Clauses 1.2 and 1.5 inclusive of the Loan Agreement apply, with any necessary modifications, to this Guarantee.

GUARANTEE

2.1 **Guarantee and indemnity**

The Guarantor unconditionally and irrevocably:

- (a) guarantees the due payment of the Guaranteed Tranches (or any of them) and of all amounts payable by any Relevant Borrower under or in connection with the Loan Agreement, the Master Agreements and every other Finance Document in connection with, or attributable to, any Guaranteed Tranche in respect of the period during which that Relevant Borrower is a member of the Group;

- (b) undertakes to pay to the Security Trustee, on the Security Trustee's demand, any such amount which is not paid by a Relevant Borrower when payable in respect of the period during which that Relevant Borrower is a member of the Group; and
- (c) agrees to fully indemnify the Security Trustee and each other Creditor Party on the Security Trustee's demand in respect of all claims, reasonable expenses, liabilities and losses which are made or brought against or incurred by the Security Trustee or any other Creditor Party concerned as a result of or in connection with any obligation or liability guaranteed by the Guarantor being or becoming unenforceable, invalid, void or illegal; and the amount recoverable under this indemnity shall be equal to the amount which the Security Trustee or the other Creditor Party concerned would otherwise have been entitled to recover

Provided however that, for the avoidance of doubt, the Guarantor shall only be liable under this Guarantee from the date on which any Borrower becomes a member of the Group following a Dropdown.

2.2 No limit on number of demands

The Security Trustee may serve more than one demand under Clause 2.1.

LIABILITY AS PRINCIPAL AND INDEPENDENT DEBTOR

3.1 Principal and independent debtor

The Guarantor shall be liable under this Guarantee as a principal and independent debtor and accordingly it shall not have, as regards this Guarantee, any of the rights or defences of a surety.

3.2 Waiver of rights and defences

Without limiting the generality of Clause 3.1, the Guarantor shall neither be discharged by, nor have any claim against any Creditor Party in respect of:

- (a) any amendment or supplement being made to the Finance Documents (or any of them);
- (b) any arrangement or concession (including a rescheduling or acceptance of partial payments) relating to, or affecting, the Finance Documents (or any of them);
- (c) any release or loss (even though negligent) of any right or Security Interest created by the Finance Documents (or any of them);
- (d) any failure (even though negligent) promptly or properly to exercise or enforce any such right or Security Interest, including a failure to realise for its full market value an asset covered by such a Security Interest; or
- (e) any other Finance Document or any Security Interest now being or later becoming void, unenforceable, illegal or invalid or otherwise defective for any reason, including a neglect to register it.

EXPENSES

4.1 Costs of preservation of rights, enforcement etc

The Guarantor shall pay to the Security Trustee on its demand the amount of all reasonable expenses incurred by the Security Trustee or any other Creditor Party in connection with any matter arising out of this Guarantee or any Security Interest connected with it, including any advice, claim or proceedings relating to this Guarantee or such a Security Interest.

ADJUSTMENT OF TRANSACTIONS

5.1 Reinstatement of obligation to pay

The Guarantor shall pay to the Security Trustee on its demand any amount which any Creditor Party is required, or agrees, to pay pursuant to any claim by, or settlement with, a trustee in bankruptcy of any Borrower or of any Security Party (or similar person) on the ground that the Loan Agreement, the Master Agreements or any other Finance Document, or a payment by any Relevant Borrower or of another Security Party in respect of a Guaranteed Tranche, was invalid or on any similar ground.

PAYMENTS

6.1 Method of payments

Any amount due under this Guarantee shall be paid:

- (a) in immediately available funds;
- (b) to such account as the Security Trustee may from time to time notify to the Guarantor;
- (c) without any form of set off, cross claim or condition; and
- (d) free and clear of any tax deduction except a tax deduction which the Guarantor is required by law to make.

6.2 Grossing-up for taxes

If the Guarantor is required by law to make a tax deduction, the amount due to the Security Trustee shall be increased by the amount necessary to ensure that the Security Trustee and (if the payment is not due to the Security Trustee for its own account) the Creditor Party beneficially interested in the payment receives and retains a net amount which, after the tax deduction, is equal to the full amount that it would otherwise have received.

INTEREST

7.1 Accrual of interest

Any amount due under this Guarantee shall carry interest after the date on which the Security Trustee demands payment of it until it is actually paid, unless interest on that same amount also accrues under the Loan Agreement or, as the case may be, a Master Agreement.

7.2 Calculation of interest

Interest under this Guarantee shall be calculated and accrue in the same way as interest under clause 7 of the Loan Agreement.

7.3 Guarantee extends to interest payable under Loan Agreement and the Master Agreements

For the avoidance of doubt, it is confirmed that this Guarantee covers all interest payable under the Finance Documents, including that payable under clause 7 of the Loan Agreement and under the Master Agreements.

SUBORDINATION

8.1 Subordination of rights of Guarantor

All rights which the Guarantor at any time has (whether in respect of this Guarantee, any other Guarantor's Document or any other transaction) against any Borrower, any other Security Party or their respective assets, shall be fully subordinated to the rights of the Creditor Parties under the Finance Documents; and in particular, the Guarantor shall not:

- (a) claim, or in a bankruptcy of any Borrower or any other Security Party prove for, any amount payable to the Guarantor by that Borrower or any other Security Party, whether in respect of this Guarantee or any other transaction;
- (b) take or enforce any Security Interest for any such amount;
- (c) claim to set-off any such amount against any amount payable by the Guarantor to any Borrower or any other Security Party; or
- (d) claim any subrogation or other right in respect of any Finance Document or any sum received or recovered by any Creditor Party under a Finance Document.

ENFORCEMENT

9.1 No requirement to commence proceedings

Neither the Security Trustee nor any other Creditor Party will need to commence any proceedings under, or enforce any Security Interest created by, the Loan Agreement, any Master Agreement or any other Finance Document before claiming or commencing proceedings under this Guarantee.

9.2 Conclusive evidence of certain matters

However, as against the Guarantor:

- (a) any judgment or order of a court in England, Greece, Liberia, the Marshall Islands or any other Pertinent Jurisdiction in connection with the Loan Agreement, the Master Agreements or any of the other Finance Documents to which each Borrower is a party; and
- (b) any statement or admission of a Borrower in connection with the Loan Agreement, any Master Agreement or any other Finance Documents to which it is a party,

shall be binding and conclusive as to all matters of fact and law to which it relates.

9.3 Suspense account

The Security Trustee and any Creditor Party may, for the purpose of claiming or proving in a bankruptcy of a Borrower or any other Security Party, place any sum received or recovered under or by virtue of this Guarantee or any Security Interest connected with it on a separate suspense or other nominal account without applying it in satisfaction of the Borrowers' obligations under the Loan Agreement or the Master Agreements.

REPRESENTATIONS AND WARRANTIES

10.1 General

The Guarantor represents and warrants to the Security Trustee as follows.

10.2 Status

The Guarantor is a limited partnership (comprised of a single general partner and multiple limited partners) formed and validly existing and in good standing under the laws of the Marshall Islands.

10.3 Share capital and ownership

The Guarantor's capital consists of at least 100,571,224 common units held by public unitholders, including 18,988,262 common units held by Capital Maritime & Trading Corp. and a general partner interest held by Capital GP L.L.C.

10.4 Corporate power

The Guarantor has the partnership capacity, and has taken all partnership action and obtained all consents necessary for it:

- (a) to execute this Guarantee and any other Guarantor's Document; and
- (b) to make all the payments contemplated by, and to comply with, this Guarantee and any other Guarantor's Document.

10.5 Consents in force

All the consents referred to in Clause 10.4 remain in force and nothing has occurred which makes any of them liable to revocation.

10.6 Legal validity; effective Security Interests

The Guarantor's Documents do now, or, as the case may be, will upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

- (a) constitute the Guarantor's legal, valid and binding obligations enforceable against the Guarantor in accordance with their respective terms; and
- (b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate,
subject to any relevant insolvency laws affecting creditors' rights generally.

10.7 No third party Security Interests

Without limiting the generality of Clause 10.6, at the time of the execution and delivery of each Guarantor's Document:

- (a) the Guarantor will have the right to create all the Security Interests which that Guarantor's Document purports to create; and
- (b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

10.8 No conflicts

The execution by the Guarantor of the Guarantor's Documents and its compliance with the Guarantor's Documents will not involve or lead to a contravention of:

- (a) any law or regulation; or

- (b) the constitutional documents of the Guarantor; or
- (c) any contractual or other obligation or restriction which is binding on the Guarantor or any of its assets.

10.9 No withholding taxes

All payments which the Guarantor is liable to make under a Guarantor's Document may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

10.10 No default

No Event of Default or Potential Event of Default has occurred.

10.11 Information

All information which has been provided in writing by or on behalf of the Guarantor to the Security Trustee or any other Creditor Party in connection with any Finance Document satisfied the requirements of Clause 11.2; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 11.5; and there has been no change in the financial position or state of affairs of the Guarantor and the Group from that disclosed in the latest of those accounts.

10.12 No litigation

No legal or administrative action against the Guarantor or its subsidiaries has been commenced or taken or, to the Guarantor's knowledge, is likely to be commenced or taken which would, in either case, be likely to have a material adverse effect.

10.13 Taxes paid

The Guarantor has paid all taxes applicable to, or imposed on or in relation to the Guarantor or its business.

10.14 Title and ownership

The Guarantor has good title to and is the ultimate beneficial owner of each of the assets owned or purported to be owned by it.

10.15 No adverse consequences in jurisdiction of incorporation

No Lender will be deemed to be resident, domiciled, carrying on business or subject to taxation, in the Marshall Islands by reason only of the negotiation, preparation, execution, performance, enforcement of, and/or receipt of any payment due from the Guarantor under any Guarantor's Document.

10.16 Submission to jurisdiction and choice of laws

Each submission to jurisdiction, and choice of law, by the Borrowers contained in any Finance Document is effective.

10.17 Accounting reference date

The accounting reference date for each Relevant Borrower and the Guarantor is 31 December.

10.18 Repetition of representations and warranties

The representations and warranties set out in this Clause 10 would be true and not misleading if repeated on the first day of each Interest Period.

10.19 Ranking of Borrowers' obligations

The obligation of the Borrowers to make payments under the Finance Documents ranks ahead of any obligation owed by the Borrowers to any other person, except as the same may be required by applicable laws.

10.20 No Money Laundering

The Guarantor will and will procure that no Security Party, to the extent applicable, will, in connection with this Guarantee or any of the other Finance Documents, contravene or permit any subsidiary to contravene, any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive 2005/60/EC of the European Parliament and of the Council of the European Union of 26 October 2005) and comparable United States Federal and state laws. The Guarantor shall further submit any documents and declarations on request, if such documents or declarations are required by any Creditor Party to comply with its domestic money laundering and/or legal identification requirements; and

The Guarantor will promptly inform the Agent by written notice, if it is not or ceases to be the beneficiary and will provide in writing the name and address of the beneficiary.

The Agent shall promptly notify the Lenders of any written notice it receives under this Clause 10.20.

10.21 No Immunity

The Guarantor is subject to suit and to commercial law and neither it nor any of its properties have any right of immunity from suit, execution, attachment or other legal process in the Republic of the Marshall Islands.

10.22 Sanctions

- (a) The Guarantor and each other member of the Group, each other Security Party and their respective directors, officers, employees and, to the best of the Guarantor's knowledge and belief having made due and careful enquiry, agents or representatives has been and is in compliance with applicable Sanctions.
- (b) Neither the Guarantor nor any Borrower, no Security Party and no member of the Group:
 - (i) is a Designated Person;
 - (ii) has violated or is violating any applicable Sanctions;
 - (iii) is using or will use, directly or indirectly, the proceeds of the Loan, or lend, contribute or otherwise make available such proceeds to any person, (i) to fund any activities or business of or with any person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any person (including any person participating in the Loan, whether as underwriter, advisor, investor, or otherwise); or
 - (iv) is subject to or involved in any inquiry, claim, action, suit, proceeding or investigation against it with respect to applicable Sanctions by any Sanctions Authority; and
- (c) no Designated Person directly or indirectly holds any of the Guarantor's, a Borrower's or other Security Party's share capital.

10.23 FATCA

Neither the Guarantor nor any Borrower nor any Security Party is a FATCA FFI or a US Tax Obligor.

11 UNDERTAKINGS

11.1 General

The Guarantor undertakes with the Security Trustee to comply with the following provisions of this Clause 11 at all times during the Security Period, except as the Agent may, with the authority of the Majority Lenders, or, where specified all the Lenders, otherwise permit.

11.2 Information provided to be accurate

All financial and other information which is provided in writing by or on behalf of the Guarantor under or in connection with this Guarantee will be true and not misleading and will not omit any material fact or consideration.

11.3 Title; negative pledge and pari passu ranking

The Guarantor shall:

- (a) hold the legal title to, and own the entire beneficial interest, and the whole of the issued share capital in the Intermediate Shareholder and shall procure that the Intermediate Shareholder shall hold the legal title to, and own the entire beneficial interest in, and the whole of the issued share capital in respect of each Relevant Borrower, in each case free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents;
- (b) not, and shall procure that each Relevant Borrower will not, create or permit to arise any Security Interest over any asset present or future in the normal course of its business of acquiring, financing, chartering in and out and operating vessels (both in the case of the Guarantor and the Relevant Borrowers) and owning ship-owning companies (in the case of the Guarantor); and
- (c) procure that its liabilities under the Finance Documents to which it is a party do and will rank at least pari passu with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law.

11.4 Provision of financial statements

The Guarantor will send or procure there are sent to the Agent:

- (a) as soon as possible, but in no event later than 180 days after the end of each financial year of each Relevant Borrower or, as the case may be, the Guarantor (commencing with the financial statements for the year which ended on 31 December 2014):
 - (i) the unaudited annual accounts of that Relevant Borrower; and
 - (ii) the audited consolidated annual accounts of the Group;

- (b) as soon as possible, but in no event later than 90 days after the end of each 6 month period in each financial year of that Relevant Borrower or, as the case may be, the Guarantor ending on 30 June and 31 December:
 - (i) the management accounts of that Relevant Borrower for that 6-month period certified as to their correctness by an officer of that Relevant Borrower or by the chief financial officer of the Guarantor; and
 - (ii) the unaudited consolidated management accounts of the Group for that 6-month period certified as to their correctness by the chief financial officer of the Guarantor;
- (c) promptly after each request by the Agent, such further information (financial or otherwise) about any Relevant Borrower, any Security Party, any Ship owned by a Relevant Borrower (including but not limited to, charter arrangements, Financial Indebtedness and operating expenses) and the Group as the Agent may require.

11.5 Form of financial statements

All accounts (audited and unaudited) and information delivered under Clause 11.4 will:

- (a) be prepared in accordance with all applicable laws, generally accepted accounting principles consistently applied (including, without limitation, IFRS) and US GAAP consistently applied;
- (b) give a true and fair view of the state of affairs of each Relevant Borrower, the Guarantor and the Group at the date of those accounts and of its profit for the period to which those accounts relate; and
- (c) fully disclose or provide for all significant liabilities of the Relevant Borrowers, the Guarantor and the Group and, additionally, in the case of information given pursuant to Clause 11.4 (c), each Ship owned by a Relevant Borrower, the Security Parties and the Group.

11.6 Shareholder and creditor notices

The Guarantor will send to the Security Trustee, upon request, copies of all communications which are despatched to the Guarantor's shareholders or creditors or any class of them.

11.7 Consents

The Guarantor will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Security Trustee of, all consents required:

- (a) for the Guarantor to perform its obligations under the Guarantor's Documents; and
 - (b) for the validity or enforceability of the Guarantor's Documents,
- and the Guarantor will comply with the terms of all such consents.

11.8 Notification of litigation

The Guarantor will provide the Security Trustee with details of any legal or administrative action involving the Guarantor as soon as such action is instituted or it becomes apparent to the Guarantor that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Guarantor's Document.

11.9 Maintenance of Security Interests

The Guarantor will:

- (a) at its own cost, do all that it reasonably can to ensure that any Guarantor's Document validly creates the obligations and the Security Interests which it purports to create; and
- (b) without limiting the generality of paragraph (a) above, at its own cost, promptly register, file, record or enrol any Guarantor's Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Guarantor's Document, give any notice or take any other step which may be or become necessary or desirable for any Guarantor's Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

11.10 Confirmation of no default

The Guarantor will, within 2 Business Days after service by the Agent of a written request, serve on the Agent a notice which is signed by a director of the Guarantor and which:

- (a) states that no Event of Default or Potential Event of Default has occurred; or
- (b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given.

The Agent may serve requests under this Clause 11.10 from time to time but only if asked to do so by a Lender or Lenders having Contributions exceeding 10 per cent. of the Loan or (if the Loan has not been made) Commitments exceeding 10 per cent of the Total Commitments; and this Clause 11.10 does not affect the Guarantor's obligations under Clause 11.11.

11.11 Notification of default

The Guarantor will notify the Security Trustee as soon as the Guarantor becomes aware of :

- (a) the occurrence of an Event of Default or Potential Event of Default (and the steps, if any, being taken to remedy such Potential Event of Default and/or Event of Default); or
- (b) any matter which indicates that an Event of Default may have occurred, and will thereafter keep the Security Trustee fully up-to-date with all developments.

11.12 Maintenance of status

The Guarantor will maintain its separate existence as a limited partnership and remain in good standing under the laws of the Marshall Islands.

11.13 No petition for insolvency

The Guarantor will procure that none of its material creditors petition for the Guarantor's insolvency nor take any related proceedings.

11.14 Separateness

The Guarantor will:

- (a) keep its own separate books and records;
- (b) maintain its own separate accounts;
- (c) conduct business in its own name;
- (d) observe all other formalities required by its constitutional documents;
- (e) prepare its own separate financial statements;

- (f) pay its liabilities out of its own funds; and
- (g) hold itself out as a separate legal entity.

11.15 No VAT group

The Guarantor shall not be a member of a VAT (value added tax) group.

11.16 Ownership

The Guarantor shall ensure that no person, other than any financial institution, private equity firm or other investor maintaining a passive investment interest in the Guarantor, owns a number of common units in the Guarantor which is greater than the number of common units owned at any relevant time by the present major beneficial owners of the Guarantor, as disclosed to the Lenders on or before the date of this Guarantee.

11.17 FATCA

The Guarantor shall not and shall ensure that none of the Security Parties shall become a FATCA FFI or a US Tax Obligor.

11.18 “Know your customer” checks

If:

- (a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Guarantee;
- (b) any change in the status of the Guarantor or any Security Party after the date of the Loan Agreement (including a situation where a shareholder’s share in a Relevant Borrower or any Security Party rises above 25% of the total number of shares); or
- (c) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Guarantee to a party that is not a Lender prior to such assignment or transfer,

obliges the Facility Agent or any Lender (or, in the case of paragraph (c), any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Guarantor shall promptly upon the request of the Agent or the Lender concerned supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or the Lender concerned (for itself or, in the case of the event described in paragraph (c), on behalf of any prospective new Lender) in order for the Agent, the Lender concerned or, in the case of the event described in paragraph (c), any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

11.19 Sanctions

The Guarantor will, and shall procure that each member of the Group:

- (a) will comply in all respects with Sanctions;
- (b) will, not directly or indirectly, use the proceeds of the Loan, or lend, contribute or otherwise make available such proceeds to any person, (i) to fund any activities or business of or with any person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any person (including any person participating in the transactions contemplated by the Loan Agreement, this Guarantee and any other Finance Document, whether as underwriter, advisor, investor, or otherwise);

- (c) shall not fund all or part of any payment under a Finance Document out of proceeds derived from business or transactions with a Designated Person or from any action which would be prohibited by Sanctions or would otherwise cause any person to be in breach of Sanctions; and
- (d) shall not, and no Borrower, no Security Party, nor any member of the Group shall, be a Designated Person.

12 CORPORATE UNDERTAKINGS

12.1 General

The Guarantor also undertakes with the Security Trustee to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Agent may, with the authority of all the Lenders, otherwise permit (in the case of Clause 12.2(f), such permission not to be unreasonably withheld, delayed or conditioned).

12.2 Negative undertakings

The Guarantor will not:

- (a) change the nature of its business (being that of owning, shipowning or holding companies, chartering (in and out) and operating, through its wholly-owned subsidiaries, Fleet Vessels); or
- (b) pay any dividend or make any other form of distribution or effect any form of redemption, purchase or return of share capital if an Event of Default has occurred and is continuing at the relevant time or an Event of Default will result from the payment of a dividend or the making of any other form of distribution. In all other cases the Guarantor will be free to distribute dividends or make other distributions; or
- (c) provide any form of credit or financial assistance to:
 - (i) a person who is directly or indirectly interested in the Guarantor's or any other Security Party's share or loan capital; or
 - (ii) any company in or with which such a person is directly or indirectly interested or connected,or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to the Guarantor than those which it could obtain in a bargain made at arms' length; or
- (d) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital; or
- (e) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation; or
- (f) change its constitutional documents in a material respect; or
- (g) pledge, assign, charge, dispose of, nor create or permit any Security Interest or other third party right (nor agree to assign, charge, pledge, dispose of or create or permit any Security Interest or other third party right) on or over the shares in the Relevant Borrower(s) other than in favour of the Security Trustee.

12.3 Financial Covenants

The Guarantor shall ensure that at all times:

- (a) the Leverage Ratio shall not exceed 72.5 per cent.;
- (b) the ratio of EBITDA to Net Interest Expense, on a trailing 12-month basis, shall be no less than 2:1; and
- (c) the Liquid Assets of the Group shall be in an amount of not less than \$500,000 per Fleet Vessel.

12.4 Compliance Check

Compliance with the undertakings contained in Clause 12.3 shall be tested semi-annually and determined by reference to the unaudited consolidated accounts of the Group for the first 6-month period in each financial year of the Guarantor delivered to the Agent pursuant to Clause 11.4(b)(ii) and for the second 6-month period in each financial year of the Guarantor, by reference to the audited consolidated accounts of the Guarantor for that Financial Year delivered to the Agent pursuant to Clause 11.4(a)(ii). At the same time as it delivers its consolidated accounts, the Guarantor shall deliver to the Agent a Compliance Certificate, signed by the chief financial officer of the Guarantor.

12.5 Change in accounting expressions and policies

If, by reason of change in format or US GAAP or other relevant accounting policies, the expressions appearing in any accounts and financial statements referred to in Clause 11.4 alter from those in the accounts and financial statements for the Group for the year ending on 31 December 2014, the relevant definitions contained in Clause 1.1 and the provisions of Clause 12.3 shall be deemed modified in such manner as the Agent, acting with the authorisation of all the Lenders, shall require to take account of such different expressions but otherwise to maintain in all respects the substance of those provisions.

12.6 Guarantor's financial covenants

If, in the reasonable opinion of the Agent (acting on the instructions of the Lenders), the Guarantor, in the context of a financing made or to be made available to a member of the Group or otherwise, agrees with any third party financial covenants which:

- (a) are more favourable than those applicable to the Finance Parties pursuant to the Finance Documents, the Guarantor shall, or shall procure that any Obligor or any other third party will, give to the Finance Parties the benefit of such covenants which, in the opinion of the Finance Parties, would place them in the same position as that applicable to the other lender or lenders at the relevant time
- (b) place that third party in a more favourable position than that applicable to the Creditor Parties pursuant to this Guarantee or any other Guarantor's Document; and
- (c) are more onerous than those imposed on the Guarantor pursuant to this Guarantee or any other Guarantor's Document,

the Guarantor shall give the Creditor Parties the benefit of such financial covenants by entering into a supplemental agreement to this Guarantee and any of the other Guarantor's Documents by which the applicable covenants and undertakings are amended and supplemented to place them in the same position as that applicable to the other lender or lenders at the relevant time (with such supplemental agreement being entered into as soon as practicable after the imposition of such financial covenants on the Guarantor by the third party).

12.7 Valuation of Fleet Vessels

The market value of a Fleet Vessel at any date is that shown by taking the arithmetic means of two valuations requested by the Guarantor to be issued by two Approved Brokers appointed by the Guarantor, each valuation to be prepared:

- (a) as at a date not more than 14 days prior to the relevant Compliance Date;
- (b) with or without physical inspection of that Fleet Vessel (as the Agent may require);
- (c) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment; and
- (d) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

12.8 Maintenance of ownership of Relevant Borrowers

The Guarantor shall remain the ultimate legal owner of the entire issued and allotted share capital of each Relevant Borrower (other than an Affected Borrower) free from any Security Interest.

13 JUDGMENTS AND CURRENCY INDEMNITY

13.1 Judgments relating to Loan Agreement and Master Agreements

This Guarantee shall cover any amount payable by the Relevant Borrowers under or in connection with any judgment relating to the Guaranteed Tranches and any amounts payable under the Loan Agreement, the Master Agreements and any other Finance Document in connection with, or attributable to, the Guaranteed Tranches and to the period during which any Relevant Borrower is a member of the same Group as the Guarantor.

13.2 Currency indemnity

In addition, clause 21.5 (currency indemnity) of the Loan Agreement shall apply, with any necessary adaptations, in relation to this Guarantee.

14 SET OFF

14.1 Application of credit balances

Each Creditor Party may with prior notice to the Guarantor:

- (a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Guarantor at any office in any country of that Creditor Party in or towards satisfaction of any sum then due from the Guarantor to that Creditor Party under this or any of the other Finance Documents; and
- (b) for that purpose:
 - (i) break, or alter the maturity of, all or any part of a deposit of the Guarantor;
 - (ii) convert or translate all or any part of a deposit or other credit balance into Dollars; and
 - (iii) enter into any other transaction or make any entry with regard to the credit balance which the Creditor Party concerned considers appropriate.

14.2 Existing rights unaffected

No Creditor Party shall be obliged to exercise any of its rights under Clause 14.1; and those rights shall be without prejudice and in addition to any right of set off, combination of accounts, charge, lien or other right or remedy to which a Creditor Party is entitled (whether under the general law or any document).

14.3 Sums deemed due to a Lender

For the purposes of this Clause 14, a sum payable by the Guarantor to the Facility Agent or the Security Trustee for distribution to, or for the account of, a Lender shall be treated as a sum due to that Lender; and each Lender's proportion of a sum so payable for distribution to, or for the account of, the Lenders shall be treated as a sum due to that Lender.

15 SUPPLEMENTAL

15.1 Continuing guarantee

This Guarantee shall remain in force as a continuing security at all times during the Security Period in respect of the period during which a Relevant Borrower is a member of the Group.

15.2 Rights cumulative, non-exclusive

The Security Trustee's rights under and in connection with this Guarantee are cumulative, may be exercised as often as appears expedient and shall not be taken to exclude or limit any right or remedy conferred by law.

15.3 No impairment of rights under Guarantee

If the Security Trustee omits to exercise, delays in exercising or invalidly exercises any of its rights under this Guarantee, that shall not impair that or any other right of the Security Trustee under this Guarantee.

15.4 Severability of provisions

If any provision of this Guarantee is or subsequently becomes void, illegal, unenforceable or otherwise invalid, that shall not affect the validity, legality or enforceability of its other provisions.

15.5 Guarantee not affected by other security

This Guarantee shall not impair, nor be impaired by, any other guarantee, any Security Interest or any right of set-off or netting or to combine accounts which the Security Trustee or any other Creditor Party may now or later hold in connection with the Loan Agreement, a Master Agreement or any other Finance Document.

15.6 Guarantor bound by Finance Documents

The Guarantor agrees with the Security Trustee to be bound by all provisions of each Finance Document which are applicable to the Borrowers in the same way as if those provisions had been set out (with any necessary modifications) in this Guarantee.

15.7 Applicability of provisions of Guarantee to other Security Interests

Any Security Interest which the Guarantor creates (whether at the time at which it signs this Guarantee or at any later time) to secure any liability under this Guarantee shall be a principal and independent security, and Clauses 3 and 18 shall, with any necessary modifications, apply to it, notwithstanding that the document creating the Security Interest neither describes it as a principal or independent security nor includes provisions similar to Clauses 3 and 18.

15.8 Applicability of provisions of Guarantee to other rights

Clauses 3 and 18 shall also apply to any right of set-off or netting or to combine accounts which the Guarantor creates by an agreement entered into at the time of this Guarantee or at any later time (notwithstanding that the agreement does not include provisions similar to Clauses 3 and 18), being an agreement referring to this Guarantee.

15.9 Guarantor's approval of Loan Agreement, Master Agreements and the other Finance Documents

The Guarantor has read the Loan Agreement, each Master Agreement and the other Finance Documents and understands and approves all the terms and conditions of the Loan Agreement, the Master Agreements and the other Finance Documents.

15.10 Third party rights

A person (other than a Creditor Party) who is not a party to this Guarantee has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Guarantee.

16 ASSIGNMENT

16.1 Assignment by Security Trustee

The Security Trustee may assign its rights under and in connection with this Guarantee with prior notice to the Guarantor to the same extent as it may assign its rights under the Loan Agreement.

17 NOTICES

17.1 Notices to Guarantor

Any notice or demand to the Guarantor under or in connection with this Guarantee shall be given by letter or fax at:

c/o Capital Ship Management Corp.
3, Iassonos Street
185 37 Piraeus
Greece

Fax No: +30 210 4285 679

Attn: Capital Product Partners L.P./the Chief Financial Officer

or to such other address which the Guarantor may notify to the Security Trustee.

17.2 Application of certain provisions of Loan Agreement

Clauses 28.3, 28.4 and 28.5 of the Loan Agreement apply to any notice or demand under or in connection with this Guarantee.

17.3 Validity of demands

A demand under this Guarantee shall be valid notwithstanding that it is served:

- (a) on the date on which the amount to which it relates is payable by the Relevant Borrowers under the Loan Agreement, the Master Agreements or any of the other Finance Documents; and
 - (b) at the same time as the service of a notice under clause 19.2 (actions following an event of default) of the Loan Agreement,
- and a demand under this Guarantee may refer to all amounts payable under or in connection with any Finance Document without specifying a particular sum or aggregate sum.

17.4 Notices to Security Trustee

Any notice to the Security Trustee under or in connection with this Guarantee shall be sent to the same address and in the same manner as notices to the Security Trustee under the Loan Agreement.

18 INVALIDITY OF LOAN AGREEMENT

18.1 Invalidity of Loan Agreement

In the event of:

- (a) the Loan Agreement now being or later becoming, with immediate or retrospective effect, void, illegal, unenforceable or otherwise invalid for any other reason whatsoever, whether of a similar kind or not; or
- (b) without limiting the scope of paragraph (a), a bankruptcy of any Borrower, the introduction of any law or any other matter resulting in any Borrower being discharged from liability under the Loan Agreement, or the Loan Agreement ceasing to operate (for example, by interest ceasing to accrue),

this Guarantee shall cover any amount which would have been or become payable under or in connection with the Guaranteed Tranches pursuant to the Loan Agreement if the Loan Agreement had been and remained entirely valid, legal and enforceable, or that Borrower had not suffered bankruptcy, or any combination of such events or circumstances, as the case may be, and that Borrower had remained fully liable under it for liabilities whether invalidly incurred or validly incurred but subsequently retrospectively invalidated; and references in this Guarantee to amounts payable by that Borrower under or in connection with the Loan Agreement shall include references to any amount which would have so been or become payable as aforesaid.

18.2 Invalidity of Finance Documents

Clause 18.1 also applies to each of the Finance Documents to which each Relevant Borrower is a party.

19 GOVERNING LAW AND JURISDICTION

19.1 English law

This Guarantee and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

19.2 Exclusive English jurisdiction

Subject to Clause 19.3, the courts of England shall have exclusive jurisdiction to settle any Dispute.

19.3 Choice of forum for the exclusive benefit of the Security Trustee

Clause 19.2 is for the exclusive benefit of the Security Trustee, which reserves the rights:

- (a) to commence proceedings in relation to any Dispute in the courts of any country other than England and which have or claim jurisdiction to that Dispute; and
- (b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

The Guarantor shall not commence any proceedings in any country other than England in relation to a Dispute.

19.4 Process agent

The Guarantor irrevocably appoints Curzon Maritime Ltd. at their office for the time being, presently at St. Clare House, 30-33 Minories, London EC3N 1DJ, England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with a Dispute.

19.5 Creditor Parties' rights unaffected

Nothing in this Clause 19 shall exclude or limit any right which any Creditor Party may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

19.6 Meaning of "proceedings" and "Dispute"

In this Clause 19, "**proceedings**" means proceedings of any kind, including an application for a provisional or protective measure and a "**Dispute**" means any dispute arising out of or in connection with this Guarantee (including a dispute relating to the existence, validity or termination of this Guarantee) or any non-contractual obligation arising out of or in connection with this Guarantee.

THIS GUARANTEE has been entered into on the date stated at the beginning of this Guarantee.

SCHEDULE 1

FORM OF COMPLIANCE CERTIFICATE

To: ING Bank N.V., London Branch
60 London Wall
London EC2M 5TQ
England

Date: [●]

Dear Sirs,

We refer to:

- (a) a loan agreement dated [●] 2015 made between (i) Filonikis Product Carrier S.A., Helios Product Carrier S.A., Hercules Product S.A., Iason Product Carrier S.A. and Archon Product Carrier S.A. as joint and several borrowers, (ii) the banks and financial institutions listed therein as lenders (together, the “**Lenders**”), (iii) ING Bank N.V., London Branch as agent, (iv) ING Bank N.V. as swap bank and (v) the Security Trustee; and
- (b) a guarantee dated [●] 2015 (the “**Guarantee**”) made between (1) ourselves as guarantor and (2) yourselves as security trustee.

Words and expressions defined in the Loan Agreement and the Guarantee shall have the same meaning when used in this compliance certificate.

We enclose with this certificate a copy of the [unaudited consolidated accounts for the Group for the 6-month period ended [●]]/[the audited consolidated annual accounts of the Group for the year ended [●]]. The accounts (i) have been prepared in accordance with all applicable laws and US GAAP consistently applied, (ii) give a true and fair view of the state of affairs of the Relevant Borrowers (as such term is defined in the Guarantee), ourselves and the Group at the date of the accounts and of its profit for the period to which the accounts relate and (iii) fully disclose or provide for all significant liabilities of the Relevant Borrowers, ourselves and the Group.

The Guarantor represents that no Event of Default or Potential Event of Default has occurred or is continuing as at the date of this certificate [except for the following matter or event [*set out all material details of matter or event*]]. In addition as of [●], the Guarantor confirms compliance with the financial covenants set out in clause 12.3 of the Guarantee for the 6 months ending as at the date to which the enclosed accounts are prepared.

We now certify that, as at [●]:

- (a) the Leverage Ratio is [●] per cent.;
- (b) the ratio of EBITDA to Net Interest Expense is [●]:1; and
- (c) the Liquid Assets of the Group are [●] and therefore not less than \$500,000 per Fleet Vessel; and

This Certificate shall be governed by, and construed in accordance with, English law.

[●]
Chief Financial Officer of
CAPITAL PRODUCT PARTNERS L.P.

GUARANTOR

SIGNED by /s/Valasia Gkigkilini)
for and on behalf of)
CAPITAL PRODUCT)
PARTNERS L.P.)
in the presence of:)
/s/ Daphne Elektra A. Stamatopoulos

SECURITY TRUSTEE

SIGNED by /s/ Aikaterina Dimitriou)
for and on behalf of)
ING BANK N.V.,)
LONDON BRANCH)
in the presence of:)
/s/ Daphne Elektra A. Stamatopoulos

AMENDED AND RESTATED MANAGEMENT AGREEMENT

This Amended and Restated Management Agreement dated as of the 1st day of March 2016, is entered into by and between CAPITAL PRODUCT PARTNERS L.P., a limited partnership duly organized and existing under the laws of the Marshall Islands with its registered office at 3 Iassonos Street, Piraeus, 18537, Greece, ("CLP") and CAPITAL SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Panama with its registered office at Hong Kong Bank building, 6th floor, Samuel Lewis Avenue, Panama, and a representative office established in Greece at 3, Iassonos Street, Piraeus Greece ("CSM") and amends and restates in its entirety the Management Agreement by and between CLP and CSM dated April 3, 2007, as amended.

WHEREAS:

- A. CLP, a limited partnership whose units trade on the Nasdaq Global Market, owns vessels and requires certain commercial and technical management services for the operation of its fleet; and
- B. CLP wishes to engage CSM to provide such commercial and technical management services to CLP on the terms set out herein.

NOW THEREFORE, the parties agree that, in consideration of the fees set forth in Schedule "B" to this Agreement (the "Fees") and, if applicable, the Extraordinary Fees and Costs set forth in Schedule "C" to this Agreement, and subject to the Terms and Conditions attached hereto, CSM shall provide the commercial and technical management services set forth in Schedule "A" to this Agreement (the "Services").

IN WITNESS WHEREOF the Parties have executed this Agreement by their duly authorized signatories with effect on the date first above written.

CAPITAL PRODUCT PARTNERS L.P. BY ITS
GENERAL PARTNER, CAPITAL GP L.L.C.,

By: /s/ Gerasimos Kalogiratos
Name: Gerasimos Kalogiratos
Title: Chief Executive Officer and Chief Financial Officer of
Capital GP L.L.C

CAPITAL SHIP MANAGEMENT CORP.,

By: /s/ Nikolaos Syntychakis
Name: Nikolaos Syntychakis
Title: Managing Director & Legal Representative

ARTICLE I

TERMS AND CONDITIONS

Section 1. Definitions. In this Agreement, the term:

“Additional Vessels” means vessels not in the ownership of CLP on the date of this Agreement that CLP may subsequently purchase to be managed by CSM under the Fee structure described herein at the election of CLP. For the purposes of this Agreement, any such Additional Vessels to be managed by CSM under the terms of this Agreement shall also be referred to herein as Vessels.

“Change of Control” means with respect to any entity, an event in which securities of any class entitling the holders thereof to elect a majority of the members of the board of directors or other similar governing body of the entity are acquired, directly or indirectly, by a “person” or “group” (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act), who did not immediately before such acquisition own securities of the entity entitling such person or group to elect such majority (and for the purpose of this definition, any such securities held by another person who is related to such person shall be deemed to be owned by such person);

“Extraordinary Fees and Costs” means the fees and costs listed in Schedule “C” to this Agreement.

“CGP” means Capital GP L.L.C., a Marshall Islands limited liability company that is the general partner of CLP;

“CLP Group” means CLP, CGP and subsidiaries of CLP;

“Vessels” means all vessels set out in Schedule “B” to this Agreement as of the date hereof and any Additional Vessels.

Section 2. General. CSM shall provide the Services, in a commercially reasonable manner, as CLP, may from time to time direct, all under the supervision of CLP, as represented by CGP in its capacity as the general partner of CLP. CSM shall perform the Services to be provided hereunder in accordance with customary ship management practice and with the care, diligence and skill that a prudent manager of vessels such as the Vessels would possess and exercise.

Section 3. Covenants. During the term of this Agreement CSM shall:

- (i) diligently provide or subcontract for the provision of (in accordance with Section 18 hereof) the Services to CLP as an independent contractor, and be responsible to CLP for the due and proper performance of same;
- (ii) retain at all times a qualified staff so as to maintain a level of expertise sufficient to provide the Services; and
- (iii) keep full and proper books, records and accounts showing clearly all transactions relating to its provision of Services in accordance with established general commercial practices and in accordance with United States generally accepted accounting principles.

Section 4. Non-exclusivity. CSM and its employees may provide services of a nature similar to the Services to any other person. There is no obligation for CSM to provide the Services to CLP on an exclusive basis.

Section 5. Confidential Information. CSM shall be obligated to keep confidential, both during and after the term of this Agreement, all information it has acquired or developed in the course of providing Services under this Agreement. CLP shall be entitled to any equitable remedy available at law or equity, including specific performance, against a breach by CSM of this obligation. CSM shall not resist such application for relief on the basis that CLP has an adequate remedy at law, and CSM shall waive any requirement for the securing or posting of any bond in connection with such remedy.

Section 6. Service Fees.

- (i) In consideration for CSM providing the Services, CLP shall pay: CSM a fixed daily fee, in the amount set out next to the name of each Vessel in Schedule "B" and, if applicable, the Extraordinary Fees and Costs. Schedule "B" shall be amended and restated from time to time to include the applicable Fees for each Additional Vessel, which Fee shall be negotiated on a vessel-by-vessel basis.
- (ii) Within 30 days after the end of each month, CSM shall submit to CLP for payment an invoice for reimbursement of all Extraordinary Fees and Costs incurred by CSM in connection with the provision of the Services under the Agreement for such month. Each statement will contain such supporting detail as may be reasonably required to validate such amounts due. CLP shall make payment within 30 days of the date of each invoice (any such day on which a payment is due, the "Due Date"). All invoices for Services are payable in U.S. dollars. All amounts not paid within 10 days after the Due Date shall bear interest at the rate of 1.00% per annum over US\$ LIBOR from such Due Date until the date payment is received in full by CSM.

Section 7. General Relationship Between The Parties. The relationship between the parties is that of independent contractor. The parties to this Agreement do not intend, and nothing herein shall be interpreted so as, to create a partnership, joint venture, employee or agency relationship between CSM and any one or more of CLP, CGP in its capacity as general partner on behalf of CLP or any member of the CLP Group.

Section 8. Force Majeure and Indemnity.

- (i) Neither CLP nor CSM shall be under any liability for any failure to perform any of their obligations hereunder by reason of any cause whatsoever of any nature or kind beyond their reasonable control.
- (ii) CSM shall be under no liability whatsoever to CLP for any loss, damage, delay or expense of whatsoever nature, whether direct or indirect, (including but not limited to loss of profit arising out of or in

connection with detention of or delay to the Vessels or Additional Vessels) and howsoever arising in the course of performance of the Services UNLESS and to the extent that such loss, damage, delay or expense is proved to have resulted solely from the fraud, gross negligence or willful misconduct of CSM or their employees in connection with the Vessels, in which case (save where such loss, damage, delay or expense has resulted from CSM's personal act or omission committed with the intent to cause same or recklessly and with knowledge that such loss, damage, delay or expense would probably result) CSM's liability for each incident or series of incidents giving rise to a claim or claims shall never exceed a total of US\$3,000,000.

- (iii) Notwithstanding anything that may appear to the contrary in this Agreement, CSM shall not be responsible for any of the actions of the crew of the Vessels even if such actions are negligent, grossly negligent or willful.
- (iv) CLP shall indemnify and hold harmless CSM and its employees and agents against all actions, proceedings, claims, demands or liabilities which may be brought against them arising out of, relating to or based upon this Agreement including, without limitation, all actions, proceedings, claims, demands or liabilities brought under or relating to the environmental laws, regulations or conventions of any jurisdiction ("Environmental Laws"), or otherwise relating to pollution or the environment, and against and in respect of all costs and expenses (including legal costs and expenses on a full indemnity basis) they may suffer or incur due to defending or settling same, provided however that such indemnity shall exclude any or all losses, actions, proceedings, claims, demands, costs, damages, expenses and liabilities whatsoever which may be caused by or due to (A) the fraud, gross negligence or willful misconduct of CSM or its employees or agents, or (B) any breach of this Agreement by CSM.
- (v) Without prejudice to the general indemnity set out in this Section, CLP hereby undertakes to indemnify CSM, their employees, agents and sub-contractors against all taxes, imposts and duties levied by any government as a result of the operations of CLP or the Vessels, whether or not such taxes, imposts and duties are levied on CLP or CSM. For the avoidance of doubt, such indemnity shall not apply to taxes imposed on amounts paid to CSM as consideration for the performance of Services for CLP. CLP shall pay all taxes, dues or fines imposed on the Vessels or CSM as a result of the operation of the Vessels.
- (vi) It is hereby expressly agreed that no employee or agent of CSM (including any sub-contractor from time to time employed by CSM and the employees of such sub-contractors) shall in any circumstances whatsoever be under any liability whatsoever to CLP for any loss, damage or delay of whatsoever kind arising or resulting directly or indirectly from any act, neglect or default on his part while acting in the course of or in connection with his employment and, without prejudice to the generality of the foregoing provisions in this Section, every

exemption, limitation, condition and liberty herein contained and every right, exemption from liability, defense and immunity of whatsoever nature applicable to CSM or to which CSM are entitled hereunder shall also be available and shall extend to protect every such employee or agent of CSM acting as aforesaid.

- (vii) CLP acknowledges that it is aware that CSM is unable to confirm that the Vessels, their systems, equipment and machinery are free from defects, and agrees that CSM shall not under any circumstances be liable for any losses, costs, claims, liabilities and expenses which CLP may suffer or incur resulting from pre-existing or latent deficiencies in the Vessels, their systems, equipment and machinery.

The provisions of this Section 8 shall remain in force notwithstanding termination of this Agreement.

Section 9. Term And Termination. With respect to each of the Vessels, this Agreement shall commence from the date on which each Vessel is acquired by CLP, and will continue for approximately five years or for any other period agreed between CLP and the CSM as set out in Schedule "D" to this Agreement, unless terminated by either party hereto on not less than one hundred and twenty (120) days notice if:

- (a) in the case of CLP, there is a Change of Control of CSM and in the case of CSM, if there is a Change of Control of CGP;
- (b) in the case of CSM and at the election of CSM, there is a Change of Control of CLP;
- (c) the other party breaches this Agreement;
- (d) a receiver is appointed for all or substantially all of the property of the other party;
- (e) an order is made to wind-up the other party;
- (f) a final judgment, order or decree which materially and adversely affects the ability of the other party to perform this Agreement shall have been obtained or entered against that party and such judgment, order or decree shall not have been vacated, discharged or stayed; or
- (g) the other party makes a general assignment for the benefit of its creditors, files a petition in bankruptcy or for liquidation, is adjudged insolvent or bankrupt, commences any proceeding for a reorganization or arrangement of debts, dissolution or liquidation under any law or statute or of any jurisdiction applicable thereto or if any such proceeding shall be commenced.

The approximate termination date of this Agreement with respect to each of the Vessels is set out in Schedule "D" to this Agreement (the "Date of Termination"). Upon the purchase of each Additional Vessel, Schedule "D" to this Agreement shall be amended and restated to include the relevant Date of Termination for such Additional Vessel. This Agreement shall be deemed to be terminated with respect to a particular Vessel in the case of the sale of such

Vessel or if such Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss or is requisitioned. Notwithstanding such deemed termination, any Fees outstanding at the time of the sale or loss shall be paid in accordance with the provisions of this Agreement.

For the purpose of this clause:

- (i) the date upon which a Vessel is to be treated as having been sold or otherwise disposed of shall be the date on which CLP ceases to be the legal owner of the Vessel, or the Vessel owning company, as the case may be;
- (ii) a Vessel shall not be deemed to be lost until either she has become an actual total loss or agreement has been reached with her underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred or the Vessel's owners issue a notice of abandonment to the underwriters.

The termination of this Agreement shall be without prejudice to all rights accrued due between the parties prior to the date of termination.

Section 10. Fees Upon Termination with respect to a Vessel. Upon termination of this Agreement, the Fee shall be adjusted with respect to a Vessel as at the effective date of termination of this Agreement, based on the Fees set forth in Schedule "B". Any overpayment shall forthwith be refunded to CLP and any underpayment shall forthwith be paid to CSM.

Section 11. Surrender Of Books And Records. Upon termination of this Agreement, CSM shall forthwith surrender to CLP any and all books, records, documents and other property in the possession or control of CSM relating to this Agreement and to the business, finance, technology, trademarks or affairs of CLP and any member of the CLP Group and, except as required by law, shall not retain any copies of same.

Section 12. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter of this Agreement and (in relation to such subject matter) supersedes and replaces all prior understandings and agreements, written or oral, between the parties.

Section 13. Amendments to Agreement. CSM reserves the right to make such changes to this Agreement as it shall consider necessary to take account of regulatory changes which come into force after the date hereof and which affect the operation of the Vessels. Such changes will be intimated in writing to CLP and will come into force on intimation or on the date on which such regulatory or other changes come into effect (whichever shall be the later).

Section 14. Severability. If any provision herein is held to be void or unenforceable, the validity and enforceability of the remaining provisions herein shall remain unaffected and enforceable.

Section 15. Currency. Unless stated otherwise, all currency references herein are to United States Dollars.

Section 16. Law And Arbitration. This Agreement shall be governed by the laws of England. Any dispute under this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment then in force. The arbitration shall be conducted in accordance with the London Maritime Arbitrators' (LMAA) Terms current at the time when the arbitration is commenced.

Save as after mentioned, the reference shall be to three arbitrators, one to be appointed by each party and the third by the two arbitrators so appointed. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment to the other party requiring the other party to appoint its arbitrator within 14 calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the 14 calendar days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 calendar days specified, the party referring the dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be as binding as if he had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

Section 17. Notice. Notice under this Agreement shall be given (via hand delivery or facsimile) as follows:

If to CLP:

3 Iassonos Street
Piraeus, 18537, Greece
Attn: Gerasimos Kalogiratos
Fax: +30 210 428 4285

If to CSM:

3 Iassonos Street
Piraeus, 18537, Greece
Attn: Nikolaos Syntichakis
Fax: +30 210 428 4285

Section 18. Subcontracting And Assignment. CSM shall not assign this Agreement to any party that is not a subsidiary or affiliate of CSM except upon written consent of CLP. CSM may freely sub-contract and sub-license this Agreement to any party, so long as CSM remains liable for performance of the Services and its other obligations under this Agreement.

Section 19. Waiver. The failure of either party to enforce any term of this Agreement shall not act as a waiver. Any waiver must be specifically stated as such in writing.

Section 20. Affiliates. This Agreement shall be binding upon and inure to the benefit of the affiliates of CLP and/or CSM.

Section 21. Counterparts. This Agreement may be executed in one or more signed counterparts, facsimile or otherwise, which shall together form one instrument.

SCHEDULE A

SERVICES

CSM shall provide such of the following commercial and technical management services (the "Services") to CLP, as CGP may from time to time request and direct CSM to:

- (1) Negotiating on behalf of CLP time charters, bareboat charters, voyage charters and other employment contracts with respect to the Vessels and monitor payments thereunder;
- (2) Exercising of due diligence to:
 - (i) maintain and preserve each Vessel and her equipment in full compliance with applicable rules and regulations, including Environmental Laws, good condition, running order and repair, so that each Vessel shall be, insofar as due diligence can make her in every respect seaworthy and in good operating condition;
 - (ii) keep each Vessel in such condition as will entitle her to the highest classification and rating from the classification society chosen by her owner or charter for vessels of the class, age and type;
 - (iii) prepare and obtain all necessary approvals for a shipboard oil pollution emergency plan (SOPEP) in a form approved by the Marine Environment Protection Committee of the International Maritime Organisation pursuant to the requirements of Regulation 26 of Annex I of the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, as amended (MARPOL 73/78), and provide assistance with respect to such other documentation and record-keeping requirements pursuant to applicable Environmental Laws;
 - (iv) arrange for the preparation, filing and updating of a contingency Vessel Response Plan in accordance with the requirements of the U.S. Oil Pollution Act of 1990 as amended ("OPA"), and instruct the crew in all aspects of the operation of such plan;
 - (v) inform CLP promptly of any major release or discharge of oil or other hazardous material in compliance with law and identify and ensure the availability by contract or otherwise of a Qualified Individual, a Spill Management Team, an Oil Spill Removal Organisation (as such terms are defined by applicable Environmental Laws), and any other individual or entity required by Environmental Laws, resources having salvage, firefighting, lightering and, if applicable, dispersant capabilities, and public relations/media personnel to assist CLP to deal with the media in the event of discharges of oil;

- (vi) arrange and procure for the vetting of the Vessels and CLP or CSM by major charterers and arranging and attending relevant inspections of the Vessels, including pre-vetting inspections, or visits at the premises of CSM up to a maximum number of five inspection visits per Vessel per year to be attended by CSM, with additional visits to be for the account of CLP; and
- (vii) provide copies of any vessel inspection reports, valuations, surveys or similar reports upon request.

CSM is expressly authorized as agents for CLP to enter into such arrangements by contract or otherwise as are required to ensure the availability of the Services outlined above. CSM is further expressly authorized as agents for CLP to enter into such other arrangements as may from time to time be necessary to satisfy the requirements of OPA or other Federal or State laws.

- (3) Storing, victualing and supplying of each Vessel and the arranging for the purchase of certain day to day stores, supplies and parts;
- (4) Procuring and arrangement for port entrance and clearance, pilots, vessel agents, consular approvals, and other services necessary or desirable for the management and safe operation of each Vessel;
- (5) Preparing, issuing or causing to be issued to shippers the customary freight contract, cargo receipts and/or bills of lading;
- (6) Performance of all usual and customary duties concerned with the loading and discharging of cargoes at all ports;
- (7) Naming of vessel agents for the transaction of each Vessel's business;
- (8) Arrangement and retention in full force and effect of all customary insurance pertaining to each Vessel as instructed by the owner or charterer and all such policies of insurance, including but not limited to protection and indemnity, hull and machinery, war risk and oil pollution covering each Vessel; if requested by the owner or charterer, making application for certificates of financial responsibility on behalf of the Vessels covered hereunder;
- (9) Adjustment and the negotiating of settlements, with or on behalf of claimants or underwriters, of any claim, damages for which are recoverable under policies of insurance;
- (10) If requested, provide CLP with technical assistance in connection with any sale of any Vessel. CSM will, if requested in writing by CLP, comment on the terms of any proposed Memorandum of Agreement, but CLP will remain solely responsible for agreeing the terms of any Memorandum of Agreement regulating any sale;

(11) Arrangement or the prompt dispatch of each Vessel from loading and discharging ports and for transit through canals;

(12) Arrangement for employment of counsel, and the investigation, follow-up and negotiating of the settlement of all claims arising in connection with the operation of each Vessel; it being understood that CLP will be responsible for the payment of such counsel's fees and expenses;

(13) Arrangement for the appointment of an adjuster and assistance in preparing the average account, taking proper security for the cargo's and freight's proportion of average, and in all ways reasonably possible protecting the interest of each Vessel and her owner; it being understood that CLP will be responsible for the payment of such adjuster's fees and expenses;

(14) Arrangement for the appointment of surveyors and technical consultants as necessary; it being understood that CLP will be responsible for the payment of such surveyor's or technical consultant's fees and expenses outside the ordinary course of business;

(15) Negotiating of the settlement of insurance claims of Vessel owner's or charterer's protection and indemnity insurance and the arranging for the making of disbursements accordingly for owner's or charterer's account; CLP shall arrange for the provision of any necessary guarantee bond or other security;

(16) Attendance to all matters involving each Vessel's crew, including, but not limited to, the following:

- (i) arranging for the procurement and enlistment for each Vessel, as required by applicable law, of competent, reliable and duly licensed personnel (hereinafter referred to as "crew members") in accordance with the requirements of International Maritime Organisation Convention on Standards of Training Certification and Watchkeeping for Seafarers 1978 and as subsequently amended, and all replacements therefore as from time to time may be required;
- (ii) arranging for all transportation, board and lodging for the crew members as and when required at rates and types of accommodations as customary in the industry;
- (iii) keeping and maintaining full and complete records of any labour agreements which may be entered into between owner or disponent owner and the crew members and the prompt reporting to owner or disponent owner as soon as notice or knowledge thereof is received of any change or proposed change in labour agreements or other regulations relating to the master and the crew members;
- (iv) negotiating the settlement and payment of all wages with the crew members during the course of and upon termination of their employment;
- (v) the handling of all details and negotiating the settlement of any and all claims of the crew members including, but not limited to, those arising out of accidents, sickness, or death, loss of personal effects, disputes under articles or contracts of enlistment, policies of insurance and fines;

- (vi) keeping and maintaining all administrative and financial records relating to the crew members as required by law, labour agreements, owner or charterer, and rendering to owner or charterer any and all reports when, as and in such form as requested by owner or charterer;
- (vii) the performance of any other function in connection with crew members as may be requested by owner or charterer; and
- (viii) negotiating with unions, if required.

(17) Payment of all charges incurred in connection with the management of each Vessel, including, but not limited to, the cost of the items listed in (2) to (16) above, canal tolls, repair charges and port charges, and any amounts due to any governmental agency with respect to the Vessel crews;

(18) In such form and on such terms as may be requested by CLP, the prompt reporting to CLP of each Vessel's movement, position at sea, arrival and departure dates, casualties and damages received or caused by each Vessel;

(19) In case any of the Vessels is employed under a voyage charter, CLP shall pay for all voyage related expenses (including bunkers, canal tolls and port dues) and CSM shall arrange for the provision of bunker fuel of the quality agreed with CLP as required for any Vessel's trade. CSM shall be entitled to order bunker fuel through such brokers or suppliers as CSM deem appropriate unless CLP instruct CSM to utilize a particular supplier which CSM will be obliged to do provided that CLP have made prior credit arrangements with such supplier. CLP shall comply with the terms of any credit arrangements made by CSM on their behalf;

(20) CSM shall not in any circumstances have any liability for any bunkers which do not meet the required specification. CSM will, however, take such action, on behalf of CLP, against the supplier of the bunkers, as is agreed with CLP.

(21) Except as provided in paragraph (22) below, CSM shall make arrangements as instructed by the Classification Society of each Vessel for the intermediate and special survey of each Vessel and all costs in connection with passing such surveys (including dry-docking) and satisfactory compliance with class requirements will be borne by CSM.

(22) CSM shall make arrangements as instructed by the respective Classification Societies of the Amore Mio II, the Aristofanis, the Agamemnon II, the Ayrton II and the Alkiviadis for the next scheduled intermediate or special survey of each Vessel, following its acquisition by CLP, as applicable, and all costs in connection with passing such survey (including dry-docking) and satisfactory compliance with class requirements will be borne by CSM.

SCHEDULE B

FEES

<u>Vessel Name</u>	<u>Daily Fee in US\$</u>
Atlantas	500*
Aktoras	500*
Aiolos	500*
Alexandros II	250
Aristotelis II	250
Aris II	250

* subject to continuation of the Vessel's charter

SCHEDULE C

EXTRAORDINARY FEES AND COSTS

Notwithstanding anything to the contrary in this Agreement, CSM will not be responsible for paying any costs liabilities and expenses in respect of a Vessel, to the extent that such costs, liabilities and expenses are “extraordinary”, which shall consist of the following:

(1) repairs, refurbishment or modifications, including those not covered by the guarantee of the shipbuilder or by the insurance covering the Vessels, resulting from maritime accidents, collisions, other accidental damage or unforeseen events (except to the extent that such accidents, collisions, damage or events are due to the fraud, gross negligence or wilfull misconduct of CSM, its employees or its agents, unless and to the extent otherwise covered by insurance). CSM shall be entitled to receive additional remuneration for time (charged at the rate of US\$750 per man per day of 8 hours) for any time that the personnel of CSM will spend on attendance on any Vessel in connection with matters set out this subsection (1). In addition CLP will pay any reasonable travel and accommodation expenses of the CSM personnel incurred in connection with such additional time spent.

(2) any improvement, upgrade or modification to, structural changes with respect to the installation of new equipment aboard any Vessel that results from a change in, an introduction of new, or a change in the interpretation of, applicable laws, at the recommendation of the classification society for that Vessel or otherwise.

(3) any increase in crew employment expenses resulting from an introduction of new, or a change in the interpretation of, applicable laws or resulting from the early termination of the charter of any Vessel;

(4) CSM shall be entitled to receive additional remuneration for time spent on the insurance, average and salvage claims (charged at the rate of US\$800 per man per day of 8 hours) in respect of the preparation and prosecution of claims, the supervision of repairs and the provision of documentation relating to adjustments).

(5) CSM shall be entitled to receive additional remuneration for time (charged at the rate of US\$750 per man per day of 8 hours) for any time of over 10 days per year that the personnel of CSM will spend during vetting inspections and attendance on the Vessels in connection with the pre-vetting and vetting of the Vessels by any charterers. In addition CLP will pay any reasonable travel and accommodation expenses of the CSM personnel incurred in connection with such additional time spent.

(6) CLP shall pay the deductible of any insurance claims relating to the Vessels or for any claims that are within such deductible range.

(7) CLP shall pay any significant increase in insurance premiums which are due to factors such as “acts of God” outside of the control of CSM.

(8) CLP shall pay any tax, dues or fines imposed on the Vessels or CSM due to the operation of the Vessels.

(9) CLP shall pay for any expenses incurred in connection with the sale or acquisition of a Vessel, such as in connection with inspections and technical assistance.

(10) CLP shall pay for any similar costs, liabilities and expenses that were not reasonably contemplated by CLP and CSM as being encompassed by or a component of the Fees at the time the Fees were determined.

SCHEDULE D

DATE OF TERMINATION

<u>Vessel Name</u>	<u>Expected Termination Date</u>
Atlantas	November 2016*
Aktoras	February 2017*
Alexandros II	December 2017-March 2018
Aristotelis II	March-June 2018
Aris II	May-August 2018
Aiolos	January 2017

* subject to continuation of the Vessel's charter

AMENDED AND RESTATED MANAGEMENT AGREEMENT

This Amended and Restated Management Agreement dated as of the 28th day of September 2016, is entered into by and between CAPITAL PRODUCT PARTNERS L.P., a limited partnership duly organized and existing under the laws of the Marshall Islands with its registered office at 3 Iassonos Street, Piraeus, 18537, Greece, ("CLP") and CAPITAL SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Panama with its registered office at Hong Kong Bank building, 6th floor, Samuel Lewis Avenue, Panama, and a representative office established in Greece at 3, Iassonos Street, Piraeus Greece ("CSM") and amends and restates in its entirety the Management Agreement by and between CLP and CSM dated April 3, 2007, as amended.

WHEREAS:

- A. CLP, a limited partnership whose units trade on the Nasdaq Global Market, owns vessels and requires certain commercial and technical management services for the operation of its fleet; and
- B. CLP wishes to engage CSM to provide such commercial and technical management services to CLP on the terms set out herein.

NOW THEREFORE, the parties agree that, in consideration of the fees set forth in Schedule "B" to this Agreement (the "Fees") and, if applicable, the Extraordinary Fees and Costs set forth in Schedule "C" to this Agreement, and subject to the Terms and Conditions attached hereto, CSM shall provide the commercial and technical management services set forth in Schedule "A" to this Agreement (the "Services").

IN WITNESS WHEREOF the Parties have executed this Agreement by their duly authorized signatories with effect on the date first above written.

CAPITAL PRODUCT PARTNERS L.P. BY ITS
GENERAL PARTNER, CAPITAL GP L.L.C.,

By: /s/ Gerasimos Kalogiratos
Name: **Gerasimos Kalogiratos**
Title: Chief Executive Officer and Chief Financial Officer of
Capital GP L.L.C

CAPITAL SHIP MANAGEMENT CORP.,

By: /s/ Nikolaos Syntychakis
Name: **Nikolaos Syntychakis**
Title: Managing Director & Legal Representative

ARTICLE I

TERMS AND CONDITIONS

Section 1. Definitions. In this Agreement, the term:

“Additional Vessels” means vessels not in the ownership of CLP on the date of this Agreement that CLP may subsequently purchase to be managed by CSM under the Fee structure described herein at the election of CLP. For the purposes of this Agreement, any such Additional Vessels to be managed by CSM under the terms of this Agreement shall also be referred to herein as Vessels.

“Change of Control” means with respect to any entity, an event in which securities of any class entitling the holders thereof to elect a majority of the members of the board of directors or other similar governing body of the entity are acquired, directly or indirectly, by a “person” or “group” (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act), who did not immediately before such acquisition own securities of the entity entitling such person or group to elect such majority (and for the purpose of this definition, any such securities held by another person who is related to such person shall be deemed to be owned by such person);

“Extraordinary Fees and Costs” means the fees and costs listed in Schedule “C” to this Agreement.

“CGP” means Capital GP L.L.C., a Marshall Islands limited liability company that is the general partner of CLP;

“CLP Group” means CLP, CGP and subsidiaries of CLP;

“Vessels” means all vessels set out in Schedule “B” to this Agreement as of the date hereof and any Additional Vessels.

Section 2. General. CSM shall provide the Services, in a commercially reasonable manner, as CLP, may from time to time direct, all under the supervision of CLP, as represented by CGP in its capacity as the general partner of CLP. CSM shall perform the Services to be provided hereunder in accordance with customary ship management practice and with the care, diligence and skill that a prudent manager of vessels such as the Vessels would possess and exercise.

Section 3. Covenants. During the term of this Agreement CSM shall:

- (i) diligently provide or subcontract for the provision of (in accordance with Section 18 hereof) the Services to CLP as an independent contractor, and be responsible to CLP for the due and proper performance of same;
- (ii) retain at all times a qualified staff so as to maintain a level of expertise sufficient to provide the Services; and
- (iii) keep full and proper books, records and accounts showing clearly all transactions relating to its provision of Services in accordance with established general commercial practices and in accordance with United States generally accepted accounting principles.

Section 4. Non-exclusivity. CSM and its employees may provide services of a nature similar to the Services to any other person. There is no obligation for CSM to provide the Services to CLP on an exclusive basis.

Section 5. Confidential Information. CSM shall be obligated to keep confidential, both during and after the term of this Agreement, all information it has acquired or developed in the course of providing Services under this Agreement. CLP shall be entitled to any equitable remedy available at law or equity, including specific performance, against a breach by CSM of this obligation. CSM shall not resist such application for relief on the basis that CLP has an adequate remedy at law, and CSM shall waive any requirement for the securing or posting of any bond in connection with such remedy.

Section 6. Service Fees.

- (i) In consideration for CSM providing the Services, CLP shall pay: CSM a fixed daily fee, in the amount set out next to the name of each Vessel in Schedule "B" and, if applicable, the Extraordinary Fees and Costs. Schedule "B" shall be amended and restated from time to time to include the applicable Fees for each Additional Vessel, which Fee shall be negotiated on a vessel-by-vessel basis.
- (ii) Within 30 days after the end of each month, CSM shall submit to CLP for payment an invoice for reimbursement of all Extraordinary Fees and Costs incurred by CSM in connection with the provision of the Services under the Agreement for such month. Each statement will contain such supporting detail as may be reasonably required to validate such amounts due. CLP shall make payment within 30 days of the date of each invoice (any such day on which a payment is due, the "Due Date"). All invoices for Services are payable in U.S. dollars. All amounts not paid within 10 days after the Due Date shall bear interest at the rate of 1.00% per annum over US\$ LIBOR from such Due Date until the date payment is received in full by CSM.

Section 7. General Relationship Between The Parties. The relationship between the parties is that of independent contractor. The parties to this Agreement do not intend, and nothing herein shall be interpreted so as, to create a partnership, joint venture, employee or agency relationship between CSM and any one or more of CLP, CGP in its capacity as general partner on behalf of CLP or any member of the CLP Group.

Section 8. Force Majeure and Indemnity.

- (i) Neither CLP nor CSM shall be under any liability for any failure to perform any of their obligations hereunder by reason of any cause whatsoever of any nature or kind beyond their reasonable control.
- (ii) CSM shall be under no liability whatsoever to CLP for any loss, damage, delay or expense of whatsoever nature, whether direct or indirect, (including but not limited to loss of profit arising out of or in

connection with detention of or delay to the Vessels or Additional Vessels) and howsoever arising in the course of performance of the Services UNLESS and to the extent that such loss, damage, delay or expense is proved to have resulted solely from the fraud, gross negligence or willful misconduct of CSM or their employees in connection with the Vessels, in which case (save where such loss, damage, delay or expense has resulted from CSM's personal act or omission committed with the intent to cause same or recklessly and with knowledge that such loss, damage, delay or expense would probably result) CSM's liability for each incident or series of incidents giving rise to a claim or claims shall never exceed a total of US\$3,000,000.

- (iii) Notwithstanding anything that may appear to the contrary in this Agreement, CSM shall not be responsible for any of the actions of the crew of the Vessels even if such actions are negligent, grossly negligent or willful.
- (iv) CLP shall indemnify and hold harmless CSM and its employees and agents against all actions, proceedings, claims, demands or liabilities which may be brought against them arising out of, relating to or based upon this Agreement including, without limitation, all actions, proceedings, claims, demands or liabilities brought under or relating to the environmental laws, regulations or conventions of any jurisdiction ("Environmental Laws"), or otherwise relating to pollution or the environment, and against and in respect of all costs and expenses (including legal costs and expenses on a full indemnity basis) they may suffer or incur due to defending or settling same, provided however that such indemnity shall exclude any or all losses, actions, proceedings, claims, demands, costs, damages, expenses and liabilities whatsoever which may be caused by or due to (A) the fraud, gross negligence or willful misconduct of CSM or its employees or agents, or (B) any breach of this Agreement by CSM.
- (v) Without prejudice to the general indemnity set out in this Section, CLP hereby undertakes to indemnify CSM, their employees, agents and sub-contractors against all taxes, imposts and duties levied by any government as a result of the operations of CLP or the Vessels, whether or not such taxes, imposts and duties are levied on CLP or CSM. For the avoidance of doubt, such indemnity shall not apply to taxes imposed on amounts paid to CSM as consideration for the performance of Services for CLP. CLP shall pay all taxes, dues or fines imposed on the Vessels or CSM as a result of the operation of the Vessels.
- (vi) It is hereby expressly agreed that no employee or agent of CSM (including any sub-contractor from time to time employed by CSM and the employees of such sub-contractors) shall in any circumstances whatsoever be under any liability whatsoever to CLP for any loss, damage or delay of whatsoever kind arising or resulting directly or indirectly from any act, neglect or default on his part while acting in the course of or in connection with his employment and, without prejudice to the generality of the foregoing provisions in this Section, every

exemption, limitation, condition and liberty herein contained and every right, exemption from liability, defense and immunity of whatsoever nature applicable to CSM or to which CSM are entitled hereunder shall also be available and shall extend to protect every such employee or agent of CSM acting as aforesaid.

- (vii) CLP acknowledges that it is aware that CSM is unable to confirm that the Vessels, their systems, equipment and machinery are free from defects, and agrees that CSM shall not under any circumstances be liable for any losses, costs, claims, liabilities and expenses which CLP may suffer or incur resulting from pre-existing or latent deficiencies in the Vessels, their systems, equipment and machinery.

The provisions of this Section 8 shall remain in force notwithstanding termination of this Agreement.

Section 9. Term And Termination. With respect to each of the Vessels, this Agreement shall commence from the date on which each Vessel is acquired by CLP, and will continue for approximately five years or for any other period agreed between CLP and the CSM as set out in Schedule "D" to this Agreement, unless terminated by either party hereto on not less than one hundred and twenty (120) days notice if:

- (a) in the case of CLP, there is a Change of Control of CSM and in the case of CSM, if there is a Change of Control of CGP;
- (b) in the case of CSM and at the election of CSM, there is a Change of Control of CLP;
- (c) the other party breaches this Agreement;
- (d) a receiver is appointed for all or substantially all of the property of the other party;
- (e) an order is made to wind-up the other party;
- (f) a final judgment, order or decree which materially and adversely affects the ability of the other party to perform this Agreement shall have been obtained or entered against that party and such judgment, order or decree shall not have been vacated, discharged or stayed; or
- (g) the other party makes a general assignment for the benefit of its creditors, files a petition in bankruptcy or for liquidation, is adjudged insolvent or bankrupt, commences any proceeding for a reorganization or arrangement of debts, dissolution or liquidation under any law or statute or of any jurisdiction applicable thereto or if any such proceeding shall be commenced.

The approximate termination date of this Agreement with respect to each of the Vessels is set out in Schedule "D" to this Agreement (the "Date of Termination"). Upon the purchase of each Additional Vessel, Schedule "D" to this Agreement shall be amended and restated to include the relevant Date of Termination for such Additional Vessel. This Agreement shall be deemed to be terminated with respect to a particular Vessel in the case of the sale of such

Vessel or if such Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss or is requisitioned. Notwithstanding such deemed termination, any Fees outstanding at the time of the sale or loss shall be paid in accordance with the provisions of this Agreement.

For the purpose of this clause:

- (i) the date upon which a Vessel is to be treated as having been sold or otherwise disposed of shall be the date on which CLP ceases to be the legal owner of the Vessel, or the Vessel owning company, as the case may be;
- (ii) a Vessel shall not be deemed to be lost until either she has become an actual total loss or agreement has been reached with her underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred or the Vessel's owners issue a notice of abandonment to the underwriters.

The termination of this Agreement shall be without prejudice to all rights accrued due between the parties prior to the date of termination.

Section 10. Fees Upon Termination with respect to a Vessel. Upon termination of this Agreement, the Fee shall be adjusted with respect to a Vessel as at the effective date of termination of this Agreement, based on the Fees set forth in Schedule "B". Any overpayment shall forthwith be refunded to CLP and any underpayment shall forthwith be paid to CSM.

Section 11. Surrender Of Books And Records. Upon termination of this Agreement, CSM shall forthwith surrender to CLP any and all books, records, documents and other property in the possession or control of CSM relating to this Agreement and to the business, finance, technology, trademarks or affairs of CLP and any member of the CLP Group and, except as required by law, shall not retain any copies of same.

Section 12. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter of this Agreement and (in relation to such subject matter) supersedes and replaces all prior understandings and agreements, written or oral, between the parties.

Section 13. Amendments to Agreement. CSM reserves the right to make such changes to this Agreement as it shall consider necessary to take account of regulatory changes which come into force after the date hereof and which affect the operation of the Vessels. Such changes will be intimated in writing to CLP and will come into force on intimation or on the date on which such regulatory or other changes come into effect (whichever shall be the later).

Section 14. Severability. If any provision herein is held to be void or unenforceable, the validity and enforceability of the remaining provisions herein shall remain unaffected and enforceable.

Section 15. Currency. Unless stated otherwise, all currency references herein are to United States Dollars.

Section 16. Law And Arbitration. This Agreement shall be governed by the laws of England. Any dispute under this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment then in force. The arbitration shall be conducted in accordance with the London Maritime Arbitrators' (LMAA) Terms current at the time when the arbitration is commenced.

Save as after mentioned, the reference shall be to three arbitrators, one to be appointed by each party and the third by the two arbitrators so appointed. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment to the other party requiring the other party to appoint its arbitrator within 14 calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the 14 calendar days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 calendar days specified, the party referring the dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be as binding as if he had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

Section 17. Notice. Notice under this Agreement shall be given (via hand delivery or facsimile) as follows:

If to CLP:

3 Iassonos Street
Piraeus, 18537, Greece
Attn: Gerasimos Kalogiratos
Fax: +30 210 428 4285

If to CSM:

3 Iassonos Street
Piraeus, 18537, Greece
Attn: Nikolaos Syntichakis
Fax: +30 210 428 4285

Section 18. Subcontracting And Assignment. CSM shall not assign this Agreement to any party that is not a subsidiary or affiliate of CSM except upon written consent of CLP. CSM may freely sub-contract and sub-license this Agreement to any party, so long as CSM remains liable for performance of the Services and its other obligations under this Agreement.

Section 19. Waiver. The failure of either party to enforce any term of this Agreement shall not act as a waiver. Any waiver must be specifically stated as such in writing.

Section 20. Affiliates. This Agreement shall be binding upon and inure to the benefit of the affiliates of CLP and/or CSM.

Section 21. Counterparts. This Agreement may be executed in one or more signed counterparts, facsimile or otherwise, which shall together form one instrument.

SCHEDULE A

SERVICES

CSM shall provide such of the following commercial and technical management services (the “Services”) to CLP, as CGP may from time to time request and direct CSM to:

- (1) Negotiating on behalf of CLP time charters, bareboat charters, voyage charters and other employment contracts with respect to the Vessels and monitor payments thereunder;
- (2) Exercising of due diligence to:
 - (i) maintain and preserve each Vessel and her equipment in full compliance with applicable rules and regulations, including Environmental Laws, good condition, running order and repair, so that each Vessel shall be, insofar as due diligence can make her in every respect seaworthy and in good operating condition;
 - (ii) keep each Vessel in such condition as will entitle her to the highest classification and rating from the classification society chosen by her owner or charter for vessels of the class, age and type;
 - (iii) prepare and obtain all necessary approvals for a shipboard oil pollution emergency plan (SOPEP) in a form approved by the Marine Environment Protection Committee of the International Maritime Organisation pursuant to the requirements of Regulation 26 of Annex I of the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, as amended (MARPOL 73/78), and provide assistance with respect to such other documentation and record-keeping requirements pursuant to applicable Environmental Laws;
 - (iv) arrange for the preparation, filing and updating of a contingency Vessel Response Plan in accordance with the requirements of the U.S. Oil Pollution Act of 1990 as amended (“OPA”), and instruct the crew in all aspects of the operation of such plan;
 - (v) inform CLP promptly of any major release or discharge of oil or other hazardous material in compliance with law and identify and ensure the availability by contract or otherwise of a Qualified Individual, a Spill Management Team, an Oil Spill Removal Organisation (as such terms are defined by applicable Environmental Laws), and any other individual or entity required by Environmental Laws, resources having salvage, firefighting, lightering and, if applicable, dispersant capabilities, and public relations/media personnel to assist CLP to deal with the media in the event of discharges of oil;

- (vi) arrange and procure for the vetting of the Vessels and CLP or CSM by major charterers and arranging and attending relevant inspections of the Vessels, including pre-vetting inspections, or visits at the premises of CSM up to a maximum number of five inspection visits per Vessel per year to be attended by CSM, with additional visits to be for the account of CLP; and
- (vii) provide copies of any vessel inspection reports, valuations, surveys or similar reports upon request.

CSM is expressly authorized as agents for CLP to enter into such arrangements by contract or otherwise as are required to ensure the availability of the Services outlined above. CSM is further expressly authorized as agents for CLP to enter into such other arrangements as may from time to time be necessary to satisfy the requirements of OPA or other Federal or State laws.

- (3) Storing, victualing and supplying of each Vessel and the arranging for the purchase of certain day to day stores, supplies and parts;
- (4) Procuring and arrangement for port entrance and clearance, pilots, vessel agents, consular approvals, and other services necessary or desirable for the management and safe operation of each Vessel;
- (5) Preparing, issuing or causing to be issued to shippers the customary freight contract, cargo receipts and/or bills of lading;
- (6) Performance of all usual and customary duties concerned with the loading and discharging of cargoes at all ports;
- (7) Naming of vessel agents for the transaction of each Vessel's business;
- (8) Arrangement and retention in full force and effect of all customary insurance pertaining to each Vessel as instructed by the owner or charterer and all such policies of insurance, including but not limited to protection and indemnity, hull and machinery, war risk and oil pollution covering each Vessel; if requested by the owner or charterer, making application for certificates of financial responsibility on behalf of the Vessels covered hereunder;
- (9) Adjustment and the negotiating of settlements, with or on behalf of claimants or underwriters, of any claim, damages for which are recoverable under policies of insurance;
- (10) If requested, provide CLP with technical assistance in connection with any sale of any Vessel. CSM will, if requested in writing by CLP, comment on the terms of any proposed Memorandum of Agreement, but CLP will remain solely responsible for agreeing the terms of any Memorandum of Agreement regulating any sale;
- (11) Arrangement or the prompt dispatch of each Vessel from loading and discharging ports and for transit through canals;
- (12) Arrangement for employment of counsel, and the investigation, follow-up and negotiating of the settlement of all claims arising in connection with the operation of each Vessel; it being understood that CLP will be responsible for the payment of such counsel's fees and expenses;

(13) Arrangement for the appointment of an adjuster and assistance in preparing the average account, taking proper security for the cargo's and freight's proportion of average, and in all ways reasonably possible protecting the interest of each Vessel and her owner; it being understood that CLP will be responsible for the payment of such adjuster's fees and expenses;

(14) Arrangement for the appointment of surveyors and technical consultants as necessary; it being understood that CLP will be responsible for the payment of such surveyor's or technical consultant's fees and expenses outside the ordinary course of business;

(15) Negotiating of the settlement of insurance claims of Vessel owner's or charterer's protection and indemnity insurance and the arranging for the making of disbursements accordingly for owner's or charterer's account; CLP shall arrange for the provision of any necessary guarantee bond or other security;

(16) Attendance to all matters involving each Vessel's crew, including, but not limited to, the following:

- (i) arranging for the procurement and enlistment for each Vessel, as required by applicable law, of competent, reliable and duly licensed personnel (hereinafter referred to as "crew members") in accordance with the requirements of International Maritime Organisation Convention on Standards of Training Certification and Watchkeeping for Seafarers 1978 and as subsequently amended, and all replacements therefore as from time to time may be required;
- (ii) arranging for all transportation, board and lodging for the crew members as and when required at rates and types of accommodations as customary in the industry;
- (iii) keeping and maintaining full and complete records of any labour agreements which may be entered into between owner or disponent owner and the crew members and the prompt reporting to owner or disponent owner as soon as notice or knowledge thereof is received of any change or proposed change in labour agreements or other regulations relating to the master and the crew members;
- (iv) negotiating the settlement and payment of all wages with the crew members during the course of and upon termination of their employment;
- (v) the handling of all details and negotiating the settlement of any and all claims of the crew members including, but not limited to, those arising out of accidents, sickness, or death, loss of personal effects, disputes under articles or contracts of enlistment, policies of insurance and fines;
- (vi) keeping and maintaining all administrative and financial records relating to the crew members as required by law, labour agreements, owner or charterer, and rendering to owner or charterer any and all reports when, as and in such form as requested by owner or charterer;

- (vii) the performance of any other function in connection with crew members as may be requested by owner or charterer; and
- (viii) negotiating with unions, if required.

(17) Payment of all charges incurred in connection with the management of each Vessel, including, but not limited to, the cost of the items listed in (2) to (16) above, canal tolls, repair charges and port charges, and any amounts due to any governmental agency with respect to the Vessel crews;

(18) In such form and on such terms as may be requested by CLP, the prompt reporting to CLP of each Vessel's movement, position at sea, arrival and departure dates, casualties and damages received or caused by each Vessel;

(19) In case any of the Vessels is employed under a voyage charter, CLP shall pay for all voyage related expenses (including bunkers, canal tolls and port dues) and CSM shall arrange for the provision of bunker fuel of the quality agreed with CLP as required for any Vessel's trade. CSM shall be entitled to order bunker fuel through such brokers or suppliers as CSM deem appropriate unless CLP instruct CSM to utilize a particular supplier which CSM will be obliged to do provided that CLP have made prior credit arrangements with such supplier. CLP shall comply with the terms of any credit arrangements made by CSM on their behalf;

(20) CSM shall not in any circumstances have any liability for any bunkers which do not meet the required specification. CSM will, however, take such action, on behalf of CLP, against the supplier of the bunkers, as is agreed with CLP.

(21) Except as provided in paragraph (22) below, CSM shall make arrangements as instructed by the Classification Society of each Vessel for the intermediate and special survey of each Vessel and all costs in connection with passing such surveys (including dry-docking) and satisfactory compliance with class requirements will be borne by CSM.

(22) CSM shall make arrangements as instructed by the respective Classification Societies of the Amore Mio II, the Aristofanis, the Agamemnon II, the Ayrton II and the Alkiviadis for the next scheduled intermediate or special survey of each Vessel, following its acquisition by CLP, as applicable, and all costs in connection with passing such survey (including dry-docking) and satisfactory compliance with class requirements will be borne by CSM.

SCHEDULE B

FEES

<u>Vessel Name</u>	<u>Daily Fee in US\$</u>
British Envoy	500*
British Emissary	500*
Alexandros II	250
Overseas Sifnos	250
Overseas Kimolos	250

* subject to continuation of the Vessel's charter

SCHEDULE C

EXTRAORDINARY FEES AND COSTS

Notwithstanding anything to the contrary in this Agreement, CSM will not be responsible for paying any costs liabilities and expenses in respect of a Vessel, to the extent that such costs, liabilities and expenses are “extraordinary”, which shall consist of the following:

- (1) repairs, refurbishment or modifications, including those not covered by the guarantee of the shipbuilder or by the insurance covering the Vessels, resulting from maritime accidents, collisions, other accidental damage or unforeseen events (except to the extent that such accidents, collisions, damage or events are due to the fraud, gross negligence or wilfull misconduct of CSM, its employees or its agents, unless and to the extent otherwise covered by insurance). CSM shall be entitled to receive additional remuneration for time (charged at the rate of US\$750 per man per day of 8 hours) for any time that the personnel of CSM will spend on attendance on any Vessel in connection with matters set out this subsection (1). In addition CLP will pay any reasonable travel and accommodation expenses of the CSM personnel incurred in connection with such additional time spent.
- (2) any improvement, upgrade or modification to, structural changes with respect to the installation of new equipment aboard any Vessel that results from a change in, an introduction of new, or a change in the interpretation of, applicable laws, at the recommendation of the classification society for that Vessel or otherwise.
- (3) any increase in crew employment expenses resulting from an introduction of new, or a change in the interpretation of, applicable laws or resulting from the early termination of the charter of any Vessel;
- (4) CSM shall be entitled to receive additional remuneration for time spent on the insurance, average and salvage claims (charged at the rate of US\$800 per man per day of 8 hours) in respect of the preparation and prosecution of claims, the supervision of repairs and the provision of documentation relating to adjustments).
- (5) CSM shall be entitled to receive additional remuneration for time (charged at the rate of US\$750 per man per day of 8 hours) for any time of over 10 days per year that the personnel of CSM will spend during vetting inspections and attendance on the Vessels in connection with the pre-vetting and vetting of the Vessels by any charterers. In addition CLP will pay any reasonable travel and accommodation expenses of the CSM personnel incurred in connection with such additional time spent.
- (6) CLP shall pay the deductible of any insurance claims relating to the Vessels or for any claims that are within such deductible range.
- (7) CLP shall pay any significant increase in insurance premiums which are due to factors such as “acts of God” outside of the control of CSM.
- (8) CLP shall pay any tax, dues or fines imposed on the Vessels or CSM due to the operation of the Vessels.

(9) CLP shall pay for any expenses incurred in connection with the sale or acquisition of a Vessel, such as in connection with inspections and technical assistance.

(10) CLP shall pay for any similar costs, liabilities and expenses that were not reasonably contemplated by CLP and CSM as being encompassed by or a component of the Fees at the time the Fees were determined.

SCHEDULE D

DATE OF TERMINATION

<u>Vessel Name</u>	<u>Expected Termination Date</u>
British Envoy	February 2017*
Alexandros II	December 2017-March 2018
Overseas Sifnos	March-June 2018
Overseas Kimolos	May-August 2018
British Emissary	January 2017

* subject to continuation of the Vessel's charter

AMENDMENT TO FLOATING RATE MANAGEMENT AGREEMENT

AMENDMENT NO. 21 made effective the 26th day of February 2016, to the Floating Rate Management Agreement dated the 9th of June 2011 (the "Floating Rate Management Agreement"), as amended; by and between CAPITAL PRODUCT PARTNERS L.P., a limited partnership duly organized and existing under the laws of the Marshall Islands ("CLP"), and CAPITAL SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Panama with its registered office at Hong Kong Bank building, 6th floor, Samuel Lewis Avenue, Panama, and a representative office established in Greece at 3, Iassonos Street, Piraeus Greece ("CSM").

WHEREAS:

- A. CLP owns vessels and requires certain commercial and technical management services for the operation of its fleet;
- B. Pursuant to the Floating Rate Management Agreement, CLP engaged CSM to provide such commercial and technical management services to CLP on the terms set out therein;
- C. CLP and CSM agree to make a correction as required and amend and restate this agreement.

NOW THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto hereby agree, on the terms and subject to the conditions set forth herein, as follows:

Section 1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Floating Rate Management Agreement.

Amendments.

(a) Schedule "B" of the Floating Rate Management Agreement is hereby amended to read in its entirety as follows:

SCHEDULE B

VESSELS AND DATE OF TERMINATION

<u>Vessel Name</u>	<u>Expected Termination Date</u>
Cape Agamemnon	June 2021
Arionas	August 2016
Agisilaos	December 2016
Avax	April 2017
Axios	June 2017
Akeraios	August 2017
Apostolos	September 2017
Aristotelis	November 2018
Agamemnon	December 2017
Archimidis	December 2017
Anemos I	December 2017
Hyundai Premium	Mar-April 2018
Hyundai Paramount	Mar-April 2018
Hyundai Platinum	August-September 2018
Hyundai Privilege	August-September 2018
Hyundai Prestige	August-September 2018
Assos	April 2019
Atrotos	April 2019
Ayrton II	April 2019
Amore Mio II	May 2019
Active	March 2020
CMA CGM Amazon	June 2020
Amadeus	June 2020
CMA CGM Uruguay	September 2020
Alkiviadis	October 2020
CMA CGM Magdalena	February 2021

Section 2. Effectiveness of Amendment. This Amendment shall become effective for each vessel as of 26th February 2016 (the "Amendment Effective Date").

Section 3. Effect of Amendment. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, amend, or otherwise affect the rights and remedies of CLP or CSM under the Floating Rate Management Agreement, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle CLP or CSM to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement in similar or different circumstances. This Amendment shall apply and be effective with respect to the matters expressly referred to herein. After the Amendment Effective Date, any reference to the Floating Rate Management Agreement shall mean the Floating Rate Management Agreement with such amendments effected hereby.

Section 4. Counterparts. This Amendment may be executed in one or more signed counterparts, facsimile or otherwise, which shall together form one instrument.

IN WITNESS WHEREOF the Parties have executed this Amendment this 26th day of February 2016 by their duly authorized signatories with effect on the date first above written.

CAPITAL PRODUCT PARTNERS L.P. BY ITS GENERAL PARTNER, CAPITAL GP L.L.C.,

By: /s/ Gerasimos Kalogiratos
Name: Gerasimos Kalogiratos
Title: Chief Executive Officer and Chief Financial Officer of Capital GP L.L.C.

CAPITAL SHIP MANAGEMENT CORP.,

By: /s/ Nikolaos Syntichakis
Name: Nikolaos Syntichakis
Title: Attorney-in-Fact&Legal Representative

AMENDMENT TO FLOATING RATE MANAGEMENT AGREEMENT

AMENDMENT NO. 22 made effective the 1st day of September 2016, to the Floating Rate Management Agreement dated the 9th of June 2011 (the "Floating Rate Management Agreement"), as amended; by and between CAPITAL PRODUCT PARTNERS L.P., a limited partnership duly organized and existing under the laws of the Marshall Islands ("CLP"), and CAPITAL SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Panama with its registered office at Hong Kong Bank building, 6th floor, Samuel Lewis Avenue, Panama, and a representative office established in Greece at 3, Iassonos Street, Piraeus Greece ("CSM").

WHEREAS:

- A. CLP owns vessels and requires certain commercial and technical management services for the operation of its fleet;
- B. Pursuant to the Floating Rate Management Agreement, CLP engaged CSM to provide such commercial and technical management services to CLP on the terms set out therein;
- C. CLP and CSM agree to make a correction as required and amend and restate this agreement.

NOW THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto hereby agree, on the terms and subject to the conditions set forth herein, as follows:

Section 1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Floating Rate Management Agreement.

Amendments.

(a) Schedule "B" of the Floating Rate Management Agreement is hereby amended to read in its entirety as follows:

SCHEDULE B

VESSELS AND DATE OF TERMINATION

<u>Vessel Name</u>	<u>Expected Termination Date</u>
Cape Agamemnon	June 2021
Arionas	August 2021
Agisilaos	December 2016
Avax	April 2017
Axios	June 2017
Akeraios	August 2017
Apostolos	September 2017
Aristotelis	November 2018
Agamemnon	December 2017
Archimidis	December 2017
Anemos I	December 2017
Hyundai Premium	Mar-April 2018
Hyundai Paramount	Mar-April 2018
Hyundai Platinum	August-September 2018
Hyundai Privilege	August-September 2018
Huyn dai Prestige	August-September 2018
Assos	April 2019
Atrotos	April 2019
Ayrton II	April 2019
Amore Mio II	May 2019
Active	March 2020
CMA CGM Amazon	June 2020
Amadeus	June 2020
CMA CGM Uruguay	September 2020
Alkiviadis	October 2020
CMA CGM Magdalena	February 2021

Section 2. Effectiveness of Amendment. This Amendment shall become effective for each vessel as of 1st September 2016 (the "Amendment Effective Date").

Section 3. Effect of Amendment. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, amend, or otherwise affect the rights and remedies of CLP or CSM under the Floating Rate Management Agreement, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle CLP or CSM to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement in similar or different circumstances. This Amendment shall apply and be effective with respect to the matters expressly referred to herein. After the Amendment Effective Date, any reference to the Floating Rate Management Agreement shall mean the Floating Rate Management Agreement with such amendments effected hereby.

Section 4. Counterparts. This Amendment may be executed in one or more signed counterparts, facsimile or otherwise, which shall together form one instrument.

IN WITNESS WHEREOF the Parties have executed this Amendment this 1st day of September 2016 by their duly authorized signatories with effect on the date first above written.

CAPITAL PRODUCT PARTNERS L.P. BY ITS GENERAL PARTNER, CAPITAL GP L.L.C.,

By: /s/ Gerasimos Kalogiratos
Name: **Gerasimos Kalogiratos**
Title: Chief Executive Officer and Chief Financial Officer of Capital GP L.L.C.

CAPITAL SHIP MANAGEMENT CORP.,

By: /s/ Nikolaos Syntichakis
Name: **Nikolaos Syntichakis**
Title: Attorney-in-Fact&Legal Representative

AMENDMENT TO FLOATING RATE MANAGEMENT AGREEMENT

AMENDMENT NO. 23 made effective the 28th day of September 2016, to the Floating Rate Management Agreement dated the 9th of June 2011 (the "Floating Rate Management Agreement"), as amended; by and between CAPITAL PRODUCT PARTNERS L.P., a limited partnership duly organized and existing under the laws of the Marshall Islands ("CLP"), and CAPITAL SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Panama with its registered office at Hong Kong Bank building, 6th floor, Samuel Lewis Avenue, Panama, and a representative office established in Greece at 3, Iassonos Street, Piraeus Greece ("CSM").

WHEREAS:

- A. CLP owns vessels and requires certain commercial and technical management services for the operation of its fleet;
- B. Pursuant to the Floating Rate Management Agreement, CLP engaged CSM to provide such commercial and technical management services to CLP on the terms set out therein;
- C. CLP and CSM agree to make a correction as required and amend and restate this agreement.

NOW THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto hereby agree, on the terms and subject to the conditions set forth herein, as follows:

Section 1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Floating Rate Management Agreement.

Amendments.

(a) Schedule "B" of the Floating Rate Management Agreement is hereby amended to read in its entirety as follows:

SCHEDULE B

VESSELS AND DATE OF TERMINATION

<u>Vessel Name</u>	<u>Expected Termination Date</u>
Cape Agamemnon	June 2021
Arionas	August 2021
Agisilaos	December 2016
Avax	April 2017
Axios	June 2017
Akeraios	August 2017
Apostolos	September 2017
Aristotelis	November 2018
Agamemnon	December 2017
Archimidis	December 2017
Anemos I	December 2017
Hyundai Premium	Mar-April 2018
Hyundai Paramount	Mar-April 2018
Hyundai Platinum	August-September 2018
Hyundai Privilege	August-September 2018
Huyn dai Prestige	August-September 2018
Assos	April 2019
Atrotos	April 2019
Ayrton II	April 2019
Amore Mio II	May 2019
Active	March 2020
CMA CGM Amazon	June 2020
Amadeus	June 2020
CMA CGM Uruguay	September 2020
Alkiviadis	October 2020
CMA CGM Magdalena	February 2021
Atlantas II	September 2021

Section 2. Effectiveness of Amendment. This Amendment shall become effective for each vessel as of 28th September 2016 (the "Amendment Effective Date").

Section 3. Effect of Amendment. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, amend, or otherwise affect the rights and remedies of CLP or CSM under the Floating Rate Management Agreement, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle CLP or CSM to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement in similar or different circumstances. This Amendment shall apply and be effective with respect to the matters expressly referred to herein. After the Amendment Effective Date, any reference to the Floating Rate Management Agreement shall mean the Floating Rate Management Agreement with such amendments effected hereby.

Section 4. Counterparts. This Amendment may be executed in one or more signed counterparts, facsimile or otherwise, which shall together form one instrument.

IN WITNESS WHEREOF the Parties have executed this Amendment this 28th day of September 2016 by their duly authorized signatories with effect on the date first above written.

CAPITAL PRODUCT PARTNERS L.P. BY ITS GENERAL PARTNER, CAPITAL GP L.L.C.,

By: /s/ Gerasimos Kalogiratos
Name: **Gerasimos Kalogiratos**
Title: Chief Executive Officer and Chief Financial Officer of Capital GP L.L.C.

CAPITAL SHIP MANAGEMENT CORP.,

By: /s/ Nikolaos Syntichakis
Name: **Nikolaos Syntichakis**
Title: Attorney-in-Fact&Legal Representative

AMENDMENT TO FLOATING RATE MANAGEMENT AGREEMENT

AMENDMENT NO. 24 made effective the 24th day of October 2016, to the Floating Rate Management Agreement dated the 9th of June 2011 (the "Floating Rate Management Agreement"), as amended; by and between CAPITAL PRODUCT PARTNERS L.P., a limited partnership duly organized and existing under the laws of the Marshall Islands ("CLP"), and CAPITAL SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Panama with its registered office at Hong Kong Bank building, 6th floor, Samuel Lewis Avenue, Panama, and a representative office established in Greece at 3, Iassonos Street, Piraeus Greece ("CSM").

WHEREAS:

- A. CLP owns vessels and requires certain commercial and technical management services for the operation of its fleet;
- B. Pursuant to the Floating Rate Management Agreement, CLP engaged CSM to provide such commercial and technical management services to CLP on the terms set out therein;
- C. CLP and CSM agree to make a correction as required and amend and restate this agreement.

NOW THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto hereby agree, on the terms and subject to the conditions set forth herein, as follows:

Section 1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Floating Rate Management Agreement.

Amendments.

(a) Schedule "B" of the Floating Rate Management Agreement is hereby amended to read in its entirety as follows:

SCHEDULE B

VESSELS AND DATE OF TERMINATION

<u>Vessel Name</u>	<u>Expected Termination Date</u>
Cape Agamemnon	June 2021
Arionas	August 2021
Agisilaos	December 2016
Avax	April 2017
Axios	June 2017
Akeraios	August 2017
Apostolos	September 2017
Aristotelis	November 2018
Agamemnon	December 2017
Archimidis	December 2017
Anemos I	December 2017
Hyundai Premium	Mar-April 2018
Hyundai Paramount	Mar-April 2018
Hyundai Platinum	August-September 2018
Hyundai Privilege	August-September 2018
Huyn dai Prestige	August-September 2018
Assos	April 2019
Atrotos	April 2019
Ayrton II	April 2019
Amore Mio II	May 2019
Active	March 2020
CMA CGM Amazon	June 2020
Amadeus	June 2020
CMA CGM Uruguay	September 2020
Alkiviadis	October 2020
CMA CGM Magdalena	February 2021
Atlantas II	September 2021
Amor	October 2021

Section 2. Effectiveness of Amendment. This Amendment shall become effective for each vessel as of 24th October 2016 (the "Amendment Effective Date").

Section 3. Effect of Amendment. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, amend, or otherwise affect the rights and remedies of CLP or CSM under the Floating Rate Management Agreement, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle CLP or CSM to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement in similar or different circumstances. This Amendment shall apply and be effective with respect to the matters expressly referred to herein. After the Amendment Effective Date, any reference to the Floating Rate Management Agreement shall mean the Floating Rate Management Agreement with such amendments effected hereby.

Section 4. Counterparts. This Amendment may be executed in one or more signed counterparts, facsimile or otherwise, which shall together form one instrument.

IN WITNESS WHEREOF the Parties have executed this Amendment this 24th day of October 2016 by their duly authorized signatories with effect on the date first above written.

CAPITAL PRODUCT PARTNERS L.P. BY ITS GENERAL PARTNER, CAPITAL GP L.L.C.,

By: /s/ Gerasimos Kalogiratos
Name: **Gerasimos Kalogiratos**
Title: Chief Executive Officer and Chief Financial Officer of Capital GP L.L.C.

CAPITAL SHIP MANAGEMENT CORP.,

By: /s/ Nikolaos Syntichakis
Name: **Nikolaos Syntichakis**
Title: Attorney-in-Fact&Legal Representative

AMENDMENT TO FLOATING RATE MANAGEMENT AGREEMENT

AMENDMENT NO. 25 made effective the 1st day of December 2016, to the Floating Rate Management Agreement dated the 9th of June 2011 (the "Floating Rate Management Agreement"), as amended; by and between CAPITAL PRODUCT PARTNERS L.P., a limited partnership duly organized and existing under the laws of the Marshall Islands ("CLP"), and CAPITAL SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Panama with its registered office at Hong Kong Bank building, 6th floor, Samuel Lewis Avenue, Panama, and a representative office established in Greece at 3, Iassonos Street, Piraeus Greece ("CSM").

WHEREAS:

- A. CLP owns vessels and requires certain commercial and technical management services for the operation of its fleet;
- B. Pursuant to the Floating Rate Management Agreement, CLP engaged CSM to provide such commercial and technical management services to CLP on the terms set out therein;
- C. CLP and CSM agree to make a correction as required and amend and restate this agreement.

NOW THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto hereby agree, on the terms and subject to the conditions set forth herein, as follows:

Section 1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Floating Rate Management Agreement.

Amendments.

(a) Schedule "B" of the Floating Rate Management Agreement is hereby amended to read in its entirety as follows:

SCHEDULE B

VESSELS AND DATE OF TERMINATION

<u>Vessel Name</u>	<u>Expected Termination Date</u>
Cape Agamemnon	June 2021
Arionas	August 2021
Agisilaos	December 2021
Avax	April 2017
Axios	June 2017
Akeraios	August 2017
Apostolos	September 2017
Aristotelis	November 2018
Agamemnon	December 2017
Archimidis	December 2017
Anemos I	December 2017
Hyundai Premium	Mar-April 2018
Hyundai Paramount	Mar-April 2018
Hyundai Platinum	August-September 2018
Hyundai Privilege	August-September 2018
Huyn dai Prestige	August-September 2018
Assos	April 2019
Atrotos	April 2019
Ayrton II	April 2019
Amore Mio II	May 2019
Active	March 2020
CMA CGM Amazon	June 2020
Amadeus	June 2020
CMA CGM Uruguay	September 2020
Alkiviadis	October 2020
CMA CGM Magdalena	February 2021
Atlantas II	September 2021
Amor	October 2021

Section 2. Effectiveness of Amendment. This Amendment shall become effective for each vessel as of 1st December 2016 (the "Amendment Effective Date").

Section 3. Effect of Amendment. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, amend, or otherwise affect the rights and remedies of CLP or CSM under the Floating Rate Management Agreement, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle CLP or CSM to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement in similar or different circumstances. This Amendment shall apply and be effective with respect to the matters expressly referred to herein. After the Amendment Effective Date, any reference to the Floating Rate Management Agreement shall mean the Floating Rate Management Agreement with such amendments effected hereby.

Section 4. Counterparts. This Amendment may be executed in one or more signed counterparts, facsimile or otherwise, which shall together form one instrument.

IN WITNESS WHEREOF the Parties have executed this Amendment this 1st day of December 2016 by their duly authorized signatories with effect on the date first above written.

CAPITAL PRODUCT PARTNERS L.P. BY ITS GENERAL PARTNER, CAPITAL GP L.L.C.,

By: /s/ Gerasimos Kalogiratos
Name: **Gerasimos Kalogiratos**
Title: Chief Executive Officer and Chief Financial Officer of Capital GP L.L.C.

CAPITAL SHIP MANAGEMENT CORP.,

By: /s/ Nikolaos Syntichakis
Name: **Nikolaos Syntichakis**
Title: Attorney-in-Fact&Legal Representative

SHARE PURCHASE AGREEMENT

Dated 26th day of February 2016

between

CAPITAL MARITIME & TRADING CORP.

and

CAPITAL PRODUCT PARTNERS L.P.

Atrotos Container Carrier S.A. – 100 Shares

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SHARE PURCHASE AGREEMENT (the "Agreement"), dated as of the 26th day of February 2016, by and between CAPITAL MARITIME & TRADING CORP. (the "Seller"), a corporation organized under the laws of the Republic of the Marshall Islands, and CAPITAL PRODUCT PARTNERS L.P. (the "Buyer"), a limited partnership organized under the laws of the Republic of the Marshall Islands.

WHEREAS, the Buyer wishes to purchase from the Seller, and the Seller wishes to sell to the Buyer, the one hundred (100) shares of capital stock (the "Shares") representing all of the issued and outstanding shares of capital stock of Atrotos Container Carrier S.A., a corporation organized under the laws of both the Republic of Liberia, with its registered office at 80 Broad Street, Monrovia, Liberia and the Republic of the Marshall Islands (the "Vessel Owing Subsidiary").

WHEREAS, the Vessel Owing Subsidiary has entered into a certain shipbuilding contract, dated as of 29 October 2013, by and between the Vessel Owing Subsidiary as buyer and (i) Daewoo Shipbuilding and Marine Engineering Co., Ltd. and (ii) Daewoo-Mangalia Heavy Industries S.A., as co-sellers (together the "Builder") as amended and supplemented by such parties (the "Shipbuilding Contract") for the construction and sale of one (1) container carrier of approximately 9,100 TEU / 89,300 DWT under hull no. 4097 tbr "CMA CGM MAGDALENA" (the "Vessel").

WHEREAS, under the terms of the Shipbuilding Contract a Letter of Refundment Guarantee No. M076Q1310XD00025 has been issued by SHINHAN BANK, Seoul, Korea, in favor of the Vessel Owing Subsidiary (the "Refund Guarantee")

WHEREAS, the Vessel is employed under a charter time charter dated 19 December 2013 by CMA CGM, a company incorporated in France and whose business address is at 4, Quai d'Arenc, 13002, Marseille, France, as charterer (the "Charterer") for a duration of 5 years (with 30 days less, 90 days more, exact period in Charterer's option) commencing on delivery from the Builder (the "Charter").

WHEREAS, the Vessel has been delivered to the Vessel Owing Subsidiary and the Vessel Owing Subsidiary is the registered owner of the Vessel.

WHEREAS, contemporaneously with the execution of this Agreement, the Buyer and Capital Ship Management Corp. ("CSM") will execute an amendment to the Floating Rate Management Agreement dated the 9th day of June 2011 and entered into between the Buyer and CSM as same has been amended and/or supplemented from time to time (the "Amendment to the Management Agreement").

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

Interpretation

SECTION 1.01. Definitions. In this Agreement, unless the context requires otherwise or unless otherwise specifically provided herein, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

“Agreement” means this Agreement, including its recitals and schedules, as amended, supplemented, restated or otherwise modified from time to time;

“Amendment to the Management Agreement” has the meaning given to it in the recitals;

“Applicable Law” in respect of any Person, property, transaction or event, means all laws, statutes, ordinances, regulations, municipal by-laws, treaties, judgments and decrees applicable to that Person, property, transaction or event and, whether or not having the force of law, all applicable official directives, rules, consents, approvals, authorizations, guidelines, orders, codes of practice and policies of any Governmental Authority having or purporting to have authority over that Person, property, transaction or event and all general principles of common law and equity;

“Buyer” has the meaning given to it in the preamble;

“Buyer Entities” means the Buyer and its subsidiaries;

“Buyer Indemnitees” has the meaning given to it in Section 9.01;

“Charter” has the meaning given to it in the recitals;

“Charterer” has the meaning given to it in the recitals;

“Closing” has the meaning given to it in Section 2.02;

“Closing Date” has the meaning given to it in Section 2.02;

“Commission” has the meaning given to it in Section 7.03;

“Commitment” means (a) options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights or other contracts that could require a Person to issue any of its equity interests or to sell any equity interests it owns in another Person (other than this Agreement and the related transaction documents); (b) any other securities convertible into, exchangeable or exercisable for, or representing the right to subscribe for any equity interest of a Person or owned by a Person; and (c) stock appreciation rights, phantom stock, profit participation, or other similar rights with respect to a Person;

“Contracts” has the meaning given to it in Section 5.08;

“CSM” has the meaning given to it in the recitals;

“Encumbrance” means any mortgage, lien, charge, assignment, adverse claim, hypothecation, restriction, option, covenant, condition or encumbrance, whether fixed or floating, on, or any security interest in, any property whether real, personal or mixed, tangible or intangible, any pledge or hypothecation of any property, any deposit arrangement, priority, conditional sale agreement, other title retention agreement or equipment trust, capital lease or other security arrangements of any kind;

“Equity Interest” means (a) with respect to any entity, any and all shares of capital stock or other ownership interest and any Commitments with respect thereto, (b) any other direct equity ownership or participation in a Person and (c) any Commitments with respect to the interests described in (a) or (b);

“Exchange Act” has the meaning given to it in Section 7.03;

“Governmental Authority” means any domestic or foreign government, including federal, provincial, state, municipal, county or regional government or governmental or regulatory authority, domestic or foreign, and includes any department, commission, bureau, board, administrative agency or regulatory body of any of the foregoing and any multinational or supranational organization;

“Losses” means, with respect to any matter, all losses, claims, damages, liabilities, deficiencies, costs, expenses (including all costs of investigation, legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement) or diminution of value, whether or not involving a claim from a third party, however specifically excluding consequential, special and indirect losses, loss of profit and loss of opportunity;

“Notice” means any notice, citation, directive, order, claim, litigation, investigation, proceeding, judgment, letter or other communication, written or oral, actual or threatened, from any Person;

“Organizational Documents” has the meaning given to it in Section 5.03;

“Parties” means all parties to this Agreement and “Party” means any one of them;

“Partnership Agreement” means the Second Amended and Restated Agreement of Limited Partnership of the Buyer dated February 22, 2010, as amended from time to time.

“Person” means an individual, entity or association, including any legal personal representative, corporation, body corporate, firm, partnership, trust, trustee, syndicate, joint venture, unincorporated organization or Governmental Authority;

“Permits” has the meaning given to it in Section 5.13;

“Purchase Price” has the meaning given to it in Section 2.04;

“Securities Act” means the Securities Act of 1933, as amended from time to time;

“Seller” has the meaning given to it in the preamble;

“Seller Entities” means the Seller and its affiliates other than the Buyer Entities;

“Seller Indemnities” has the meaning given to it in Section 9.02;

“Shares” has the meaning given to it in the recitals;

“Taxes” means all income, franchise, business, property, sales, use, goods and services or value added, withholding, excise, alternate minimum capital, transfer, excise, customs, anti-dumping, stumpage, countervail, net worth, stamp, registration, franchise, payroll, employment, health, education, business, school, property, local improvement, development, education development and occupation taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, dues and charges and other taxes required to be reported upon or paid to any domestic or foreign jurisdiction and all interest and penalties thereon;

“Vessel” has the meaning given to it in the recitals; and

“Vessel Owning Subsidiary” has the meaning given to it in the recitals.

ARTICLE II

Purchase and Sale of Shares; Closing

SECTION 2.01. Purchase and Sale of Shares. The Seller agrees to sell and transfer to the Buyer, and the Buyer agrees to purchase from the Seller for the Purchase Price and in accordance with and subject to the terms and conditions set forth in this Agreement, the Shares which in turn shall result in the Buyer indirectly owning the Vessel.

SECTION 2.02. Closing. On the terms of this Agreement, the sale and transfer of the Shares and payment of the Purchase Price shall take place on the date hereof referred to as (the “Closing Date”). The sale and transfer of the Shares is hereinafter referred to as the “Closing.”

SECTION 2.03. Place of Closing. The Closing shall take place at the premises of CSM at 3 Iassonos Street, Piraeus, Greece.

SECTION 2.04. Purchase Price for Shares. On the Closing Date, the Buyer shall pay to the Seller (to such account as the Seller shall nominate) the amount of US Dollars Eighty One Million Five Hundred Thousand (USD 81,500,000.00) (the “Purchase Price”) in exchange for the Shares, less any amounts paid as a deposit for the Shares under that certain Master Vessel Acquisition Agreement between the Buyer and Seller, dated as of July 24, 2014. The Buyer shall have no responsibility or liability hereunder for the Seller’s allocation and distribution of the Purchase Price among the Seller Entities.

SECTION 2.05. Payment of the Purchase Price. The Purchase Price (to the extent paid in US Dollars) will be paid by the Buyer to the Seller of the Shares by wire transfer of immediately available funds to an account designated in writing by the Seller.

ARTICLE III

Representations and Warranties of the Buyer

The Buyer represents and warrants to the Seller that as of the date hereof:

SECTION 3.01. Organization and Limited Partnership Authority. The Buyer is duly formed, validly existing and in good standing under the laws of the Republic of the Marshall Islands, and has all requisite limited partnership power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Buyer, has been effectively authorized by all necessary action, limited partnership or otherwise, and constitutes legal, valid and binding obligations of the Buyer. No meeting has been convened or resolution proposed or petition presented and no order has been made to wind up the Buyer.

SECTION 3.02. Agreement Not in Breach of Other Instruments. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, or conflict with, any agreement or other instrument to which the Buyer is a party or by which it is bound, the Certificate of Formation and the Partnership Agreement, any judgment, decree, order or award of any court, governmental body or arbitrator by which the Buyer is bound, or any law, rule or regulation applicable to the Buyer which would have a material effect on the transactions contemplated hereby.

SECTION 3.03. No Legal Bar. The Buyer is not prohibited by any order, writ, injunction or decree of any body of competent jurisdiction from consummating the transactions contemplated by this Agreement and no such action or proceeding is pending or, to the best of its knowledge and belief, threatened against the Buyer which questions the validity of this Agreement, any of the transactions contemplated hereby or any action which has been taken by any of the parties in connection herewith or in connection with any of the transactions contemplated hereby.

SECTION 3.04. Securities Act. The Shares purchased by the Buyer pursuant to this Agreement are being acquired for investment purposes only and not with a view to any public distribution thereof, and the Buyer shall not offer to sell or otherwise dispose of the Shares so acquired by it in violation of any of the registration requirements of the Securities Act. The Buyer acknowledges that it is able to fend for itself, can bear the economic risk of its investment in the Shares, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in all of the Shares. The Buyer is an “accredited investor” as such term is defined in Regulation D under the Securities Act. The Buyer understands that, when issued to the Buyer at the Closing, none of the Shares will be registered pursuant to the Securities Act and that all of the Shares will constitute “restricted securities” under the federal securities laws of the United States.

SECTION 3.05. Independent Investigation. The Buyer has had the opportunity to conduct to its own satisfaction independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition and prospects of the Vessel Owning Subsidiary and, in making the determination to proceed with the transactions contemplated hereby, has relied solely on the results of its own independent investigation and the representations and warranties set forth in Articles IV, V and VI.

ARTICLE IV

Representations and Warranties of the Seller

The Seller represents and warrants to the Buyer that as of the date hereof:

SECTION 4.01. Organization and Corporate Authority. The Seller is duly incorporated, validly existing and in good standing under the laws of the Republic of the Marshall Islands, and has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Seller, has been effectively authorized by all necessary action, corporate or otherwise, and constitutes legal, valid and binding obligations of the Seller. No meeting has been convened or resolution proposed or petition presented and no order has been made to wind up the Seller.

SECTION 4.02. Agreement Not in Breach. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, or conflict with, any agreement or other instrument to which the Seller is a party or by which it is bound, the Articles of Incorporation and Bylaws of the Seller, any judgment, decree, order or award of any court, governmental body or arbitrator by which the Seller is bound, or any law, rule or regulation applicable to the Seller.

SECTION 4.03. No Legal Bar. The Seller is not prohibited by any order, writ, injunction or decree of any body of competent jurisdiction from consummating the transactions contemplated by this Agreement and no such action or proceeding is pending or, to the best of its knowledge and belief, threatened against the Seller which questions the validity of this Agreement, any of the transactions contemplated hereby or any action which has been taken by any of the parties in connection herewith or in connection with any of the transactions contemplated hereby.

SECTION 4.04. Good and Marketable Title to Shares. The Seller is the owner (of record and beneficially) of all of the Shares and has good and marketable title to the Shares, free and clear of any and all Encumbrances. The Shares constitute 100% of the issued and outstanding Equity Interests of the Vessel Owning Subsidiary.

SECTION 4.05. The Shares. Assuming the Buyer has the requisite power and authority to be the lawful owner of the Shares, upon delivery to the Buyer at the Closing of certificates representing the Shares, duly endorsed by the Seller for transfer to the Buyer or accompanied by appropriate instruments sufficient to evidence the transfer from the Seller to the Buyer of the Shares under the Applicable Laws of the relevant jurisdiction, or delivery of such Shares by electronic means, and upon the Seller's receipt of the Purchase Price, the Buyer shall own good and valid title to the Shares, free and clear of any Encumbrances, other than those arising from acts of the Buyer Entities. Other than this Agreement and any related transaction documents, the Organizational Documents and restrictions imposed by Applicable Law, at the Closing, the Shares will not be subject to any voting trust agreement or other contract, agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or disposition of the Shares, other than any agreement to which any Buyer Entity is a party.

ARTICLE V

Representations and Warranties of the Seller Regarding the Vessel Owning Subsidiary

The Seller represents and warrants to the Buyer that as of the date hereof:

SECTION 5.01. Organization Good Standing and Authority. The Vessel Owning Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of Liberia and the Republic of the Marshall Islands. The Vessel Owning Subsidiary has full corporate power and authority to carry on its business as it is now, and has since its incorporation been, conducted, and is entitled to own, lease or operate the properties and assets it now owns, leases or operates and to enter into legal and binding contracts. No meeting has been convened or resolution proposed or petition presented and no order has been made to wind up the Vessel Owning Subsidiary.

SECTION 5.02. Capitalization; Title to Shares. The Shares consist of the 100 shares of capital stock without par value and have been duly authorized and validly issued and are fully paid and non-assessable, and constitute the total issued and outstanding Equity Interests of the Vessel Owning Subsidiary. There are not outstanding (i) any options, warrants or other rights to purchase from the Vessel Owning Subsidiary any equity interests of the Vessel Owning Subsidiary, (ii) any securities convertible into or exchangeable for shares of such equity interests of the Vessel Owning Subsidiary or (iii) any other commitments of any kind for the issuance of additional shares of equity interests or options, warrants or other securities of the Vessel Owning Subsidiary.

SECTION 5.03. Organizational Documents. The Seller has supplied to the Buyer true and correct copies of the organizational documents of the Vessel Owning Subsidiary, as in effect as of the date hereof (the "Organizational Documents").

SECTION 5.04. Agreement Not in Breach. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will violate, or

result in a breach of, any of the terms and provisions of, or constitute a default under, or conflict with, or give any other party thereto a right to terminate any agreement or other instrument to which the Vessel Owning Subsidiary is a party or by which it is bound including, without limitation, any of the Organizational Documents, or any judgment, decree, order or award of any court, governmental body or arbitrator applicable to the Vessel Owning Subsidiary.

SECTION 5.05. Litigation.

(a) There is no action, suit or proceeding to which the Vessel Owning Subsidiary is a party (either as a plaintiff or defendant) pending before any court or governmental agency, authority or body or arbitrator; there is no action, suit or proceeding threatened against the Vessel Owning Subsidiary; and, to the best knowledge of the Seller, there is no basis for any such action, suit or proceeding;

(b) The Vessel Owning Subsidiary has not been permanently or temporarily enjoined by any order, judgment or decree of any court or any governmental agency, authority or body from engaging in or continuing any conduct or practice in connection with the business, assets, or properties of the Vessel Owning Subsidiary; and

(c) There is not in existence any order, judgment or decree of any court or other tribunal or other agency enjoining or requiring the Vessel Owning Subsidiary to take any action of any kind with respect to its business, assets or properties.

SECTION 5.06. Indebtedness to and from Officers, etc. The Vessel Owning Subsidiary will not be indebted, directly or indirectly, to any person who is an officer, director, stockholder or employee of the Seller or any spouse, child, or other relative or any affiliate of any such person, nor shall any such officer, director, stockholder, employee, relative or affiliate be indebted to the Vessel Owning Subsidiary.

SECTION 5.07. Personnel. The Vessel Owning Subsidiary has no employees.

SECTION 5.08. Contracts and Agreements. Other than the Charter, the Amendment to the Management Agreement and the Shipbuilding Contract (together, the "Contracts"), there are no material contracts or agreements, written or oral, to which the Vessel Owning Subsidiary is a party or by which any of its assets are bound.

(a) Each of the Contracts is a valid and binding agreement of the Vessel Owning Subsidiary, and to the best knowledge of the Seller, of all other parties thereto;

(b) The Vessel Owning Subsidiary has fulfilled all material obligations required pursuant to its Contracts to have been performed by it prior to the date hereof and has not waived any material rights thereunder, including payment in full of the purchase price for the Vessel, together with any other payments of the Vessel Owning Subsidiary due thereunder; and

(c) There has not occurred any material default under any of the Contracts on the part of the Vessel Owning Subsidiary, or to the best knowledge of the Seller, on the part of any other party thereto nor has any event occurred which with the giving of notice or the lapse of time, or both, would constitute any material default on the part of the Vessel Owning Subsidiary

under any of the Contracts nor, to the best knowledge of the Seller, has any event occurred which with the giving of notice or the lapse of time, or both, would constitute any material default on the part of any other party to any of the Contracts.

SECTION 5.09. Compliance with Law. The conduct of business by the Vessel Owning Subsidiary does not and the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not violate any laws, statutes, ordinances, rules, regulations, decrees, orders, permits or other similar items in force (including, but not limited to, any of the foregoing relating to employment discrimination, environmental protection or conservation) of any country, province, state or other governing body, the enforcement of which would materially and adversely affect the business, assets, condition (financial or otherwise) or prospects of the Vessel Owning Subsidiary taken as a whole, nor has the Vessel Owning Subsidiary received any notice of any such violation.

SECTION 5.10. No Undisclosed Liabilities. The Vessel Owning Subsidiary (or the Vessel owned by it) has no liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise, and whether due or to become due (including, without limitation, any liability for Taxes and interest, penalties and other charges payable with respect to any such liability or obligation, including under the Shipbuilding Contract). Notwithstanding the foregoing, the Parties acknowledge and agree that there may be obligations under the Contracts that are not due and payable as of the date hereof and that will be the responsibility of the Seller pursuant to Section 9.01(c) of this Agreement.

SECTION 5.11. Disclosure of Information. The Seller has disclosed to the Buyer all material information on, and about, the Vessel Owning Subsidiary and the Vessel and all such information is true, accurate and not misleading in any material respect. Nothing has been withheld from the material provided to the Buyer which would render such information untrue or misleading.

SECTION 5.12. Payment of Taxes. The Vessel Owning Subsidiary has filed all foreign, federal, state and local income and franchise tax returns required to be filed, which returns are correct and complete in all material respects, and has timely paid all taxes due from it, and the Vessel is in good standing with respect to the payment of past and current Taxes, fees and other amounts payable under the laws of the jurisdiction where it is registered as would affect its registry with the ship registry of such jurisdiction.

SECTION 5.13. Permits. The Vessel Owning Subsidiary has such permits, consents, licenses, franchises, concessions, certificates and authorizations ("Permits") of, and has all declarations and filings with, and is qualified and in good standing in each jurisdiction of, all federal, provincial, state, local or foreign Governmental Authorities and other Persons, as are necessary to own or lease its properties and to conduct its business in the manner that is standard and customary for a business of its nature other than such Permits the absence of which, individually or in the aggregate, has not and could not reasonably be expected to materially or adversely affect the Vessel Owning Subsidiary. The Vessel Owning Subsidiary has fulfilled and performed all its obligations with respect to such Permits which are or will be due to have been fulfilled and performed by such date and no event has occurred that would prevent the Permits from being renewed or reissued or that allows, or after notice or lapse of time would allow,

revocation or termination thereof or results or would result in any impairment of the rights of the holder of any such Permit, except for such non-renewals, non-issues, revocations, terminations and impairments that would not, individually or in the aggregate, materially or adversely affect the Vessel Owning Subsidiary, and none of such Permits contains any restriction that is materially burdensome to the Vessel Owning Subsidiary.

SECTION 5.14. No Material Adverse Change in Business. Since 26 February , 2015, there has been no material adverse change in the condition, financial or otherwise, or in the earnings, properties, business affairs or business prospects of the Vessel Owning Subsidiary, whether or not arising in the ordinary course of business, that would have or could reasonably be expected to have a material adverse effect on the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Vessel Owning Subsidiary.

ARTICLE VI

Representations and Warranties of the Seller regarding the Vessel

The Seller represents and warrants to the Buyer that as of the date hereof:

SECTION 6.01. Title to Vessel. The Vessel Owning Subsidiary is the owner (beneficially and of record) of the Vessel and has good and marketable title to the Vessel.

SECTION 6.02. No Encumbrances. The assets of the Vessel Owning Subsidiary and the Vessel are free of all Encumbrances other than the Encumbrances arising under the Charter.

SECTION 6.03. Condition. The Vessel is (i) adequate and suitable for use by the Vessel Owning Subsidiary in the manner that is standard and customary for a vessel of its type, ordinary wear and tear excepted; (ii) seaworthy in all material respects for hull and machinery insurance warranty purposes and in good running order and repair; (iii) insured against all risks, and in amounts, consistent with common industry practices; (iv) in compliance with maritime laws and regulations; and (v) in compliance in all material respects with the requirements of its class and classification society; and all class certificates of the Vessel are clean and valid and free of recommendations affecting class; and the Buyer acknowledges and agrees that, subject only to the representations and warranties in this Agreement, it is acquiring the Vessel on an “as is, where is” basis.

ARTICLE VII

Covenants

SECTION 7.01. Financial Statements. The Seller agrees to cause the Vessel Owning Subsidiary to provide access to the books and records of the Vessel Owning Subsidiary to allow the Buyer’s outside auditing firm to prepare at the Buyer’s expense any information, review or audit the Buyer reasonably believes is required to be furnished or provided by the

Buyer pursuant to applicable securities laws. The Seller will (A) direct its auditors to provide the Buyer's auditors access to the auditors' work papers and (B) use its commercially reasonable efforts to assist the Buyer with any such information, review or audit and to provide other financial information reasonably requested by the Buyer or its auditors, including the delivery by the Seller Entities of any information, letters and similar documentation, including reasonable "management representation letters" and attestations.

SECTION 7.02. Expenses. All costs, fees and expenses incurred in connection with this Agreement and the related transaction documents shall be paid by the Buyer, including all costs, fees and expenses incurred in connection with conveyance fees, recording charges and other fees and charges applicable to the transfer of the Shares. For the avoidance of doubt, all costs and expenses incurred by the Buyer to load the Vessel with fuel oil, lubricating oil, greases, fresh water and other stores necessary to operate the Vessel after the Closing as well as in connection with the delivery of the Vessel to the delivery port (ballast) shall be for the Buyer's account.

ARTICLE VIII

Amendments and Waivers

SECTION 8.01. Amendments and Waivers. This Agreement may not be amended except by an instrument in writing signed on behalf of each parties hereto. By an instrument in writing the Buyer, on the one hand, or the Seller, on the other hand, may waive compliance by the other with any term or provision of this Agreement that such other party was or is obligated to comply with or perform.

ARTICLE IX

Indemnification

SECTION 9.01. Indemnity by the Seller. The Seller shall be liable for, and shall indemnify the Buyer and each of its subsidiaries and each of their directors, employees, agents and representatives (the "Buyer Indemnitees") against and hold them harmless from, any Losses, suffered or incurred by such Buyer Indemnitee:

(a) by reason of, arising out of or otherwise in respect of any inaccuracy in, or breach of, any representation or warranty (without giving effect to any supplement to the schedules or qualifications as to materiality or dollar amount or other similar qualifications), or a failure to perform or observe any covenant, agreement or obligation of, the Seller in or under this Agreement or in or under any document, instrument or agreement delivered pursuant to this Agreement by the Seller;

(b) any fees, expenses or other payments incurred or owed by the Seller or the Vessel Owning Subsidiary to any brokers, financial advisors or comparable other persons retained or employed by it in connection with the transactions contemplated by this Agreement; or

(c) by reason of, arising out of or otherwise in respect of obligations, liabilities, expenses, cost and claims relating to, arising from or otherwise attributable to the assets owned by the Vessel Owning Subsidiary or the assets, operations, and obligations of the Vessel Owning Subsidiary or the businesses thereof, in each case, to the extent relating to, arising from, or otherwise attributable to facts, circumstances or events occurring prior to the Closing Date.

SECTION 9.02. Indemnity by the Buyer. The Buyer shall indemnify the Seller and its subsidiaries other than any Buyer Indemnitees and each of their respective officers, directors, employees, agents and representatives (the "Seller Indemnitees") against and hold them harmless from, any Losses, suffered or incurred by such Seller Indemnitee by reason of, arising out of or otherwise in respect of any inaccuracy in, or breach of, any representation or warranty (without giving effect to any supplement to the schedules occurring after the date hereof or qualifications as to materiality or dollar amount or other similar qualifications), or a failure to perform or observe any covenant, agreement or obligation of, the Buyer in or under this Agreement or in or under any document, instrument or agreement delivered pursuant to this Agreement by the Buyer.

SECTION 9.03. Exclusive Post-Closing Remedy. After the Closing, and except for any non-monetary, equitable relief to which any Party may be entitled, or any remedies for willful misconduct or actual fraud, the rights and remedies set forth in this Article IX shall constitute the sole and exclusive rights and remedies of the Parties under or with respect to the subject matter of this Agreement.

ARTICLE X

Miscellaneous

SECTION 10.01. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed wholly within such jurisdiction without giving effect to conflict of law principles thereof other than Section 5-1401 of the New York General Obligations Law, except to the extent that it is mandatory that the law of some other jurisdiction, wherein the Vessel is located, shall apply.

SECTION 10.02. Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute but one and the same instrument.

SECTION 10.03. Complete Agreement. This Agreement and Schedules hereto contain the entire agreement between the parties hereto with respect to the transactions contemplated herein and, except as provided herein, supersede all previous oral and written and all contemporaneous oral negotiations, commitments, writings and understandings.

SECTION 10.04. Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.05. Severability. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any governmental body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect, as nearly as possible, to the intention of the Parties as expressed in this Agreement at the time of execution of this Agreement.

SECTION 10.06. Third Party Rights. Except to the extent provided in Article X, a Person who is not a party to this Agreement has no right to enforce or to enjoy the benefit of any term of this Agreement.

SECTION 10.07. Notices. Any notice, claim or demand in connection with this Agreement shall be delivered to the parties at the following addresses (or at such other address or facsimile number for a party as may be designated by notice by such party to the other party):

(a) if to Capital Maritime & Trading Corp., as follows:

c/o Capital Ship Management Corp.,
3 Iassonos Street, Piraeus, Greece
Attention: Gerasimos Kalogiratos
Facsimile: +30 210 428 4286

(b) if to Capital Product Partners L.P., as follows:

c/o Capital Ship Management Corp.,
3 Iassonos Street, Piraeus, Greece
Attention: CEO/CFO
Facsimile: +30 210 428 4285

and any such notice shall be deemed to have been received (i) on the next working day in the place to which it is sent, if sent by facsimile or (ii) forty eight (48) hours from the time of dispatch, if sent by courier.

SECTION 10.08. Representations and Warranties to Survive. All representations and warranties of the Buyer and Seller contained in this Agreement shall survive the Closing and shall remain operative and in full force and effect after the Closing, regardless of (a) any investigation made by or on behalf of any Party or its affiliates, any Person controlling any Party, its officers or directors, and (b) delivery of and payment for the Shares.

SECTION 10.09. Remedies. Except as expressly provided in Section 9.03, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity. Except as expressly provided in this Agreement, nothing in this Agreement will be considered an election of remedies.

SECTION 10.10. Non-recourse to General Partner. Neither the Buyer's general partner nor any other owner of Equity Interests in the Buyer shall be liable for the obligations of the Buyer under this Agreement or any of the related transaction documents, including, in each case, by reason of any payment obligation imposed by governing partnership statutes.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed as of the date first above written.

CAPITAL MARITIME & TRADING CORP.,

by /s/ Gerasimos Kalogiratos

Name: Gerasimos Kalogiratos

Title: Chief Financial Officer

CAPITAL PRODUCT PARTNERS L.P.

by Capital GP L.L.C., its general partner

by /s/ Gerasimos Kalogiratos

Name: Gerasimos Kalogiratos

Title: Chief Executive Officer and Chief
Financial Officer of Capital GP, L.L.C.

SHARE PURCHASE AGREEMENT

Dated October 24, 2016

between

CAPITAL MARITIME & TRADING CORP.

and

CAPITAL PRODUCT PARTNERS L.P.

one hundred (100) Shares

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SHARE PURCHASE AGREEMENT (the "Agreement"), dated as of October 24, 2016, by and between CAPITAL MARITIME & TRADING CORP. (the "Seller"), a corporation organized under the laws of the Republic of the Marshall Islands, and CAPITAL PRODUCT PARTNERS L.P. (the "Buyer"), a limited partnership organized under the laws of the Republic of the Marshall Islands.

WHEREAS, the Buyer wishes to purchase from the Seller, and the Seller wishes to sell to the Buyer, the one hundred (100) shares of capital stock (the "Shares") representing all of the issued and outstanding shares of capital stock of Filonikis Product Carrier S.A., a corporation organized under the laws of Liberia with its registered office at 80 Broad Street, Monrovia, Liberia (the "Vessel Owing Subsidiary"), for a purchase price of approximately \$32.75 million, consisting of: (i) \$16,000,000 in cash consideration, as referenced in Section 2.04, (ii) 283,696 Common Units (as defined below), as referenced in Section 2.04 (resulting in consideration from such Common Units of approximately \$1,000,000, valuing the Common Units at a price per Common Unit of \$3.5429, which is the volume weighted average price per Common Unit on the NASDAQ Global Market for the trading day period beginning on July 14, 2016 and ending on October 14, 2016), and (iii) assumption of approximately \$15,750,000 in debt owed by the Vessel Owing Subsidiary under the Loan Agreement (as defined below) to which the Vessel Owing Subsidiary is a party, as referenced in Section 5.10.

WHEREAS, the Vessel Owing Subsidiary is the registered owner of the Liberian flagged 50,072 DWT MR Tanker "AMOR" (the "Vessel").

WHEREAS, the Vessel is employed under a charter time charter dated December 18, 2015 by Cargill International S.A., a corporation organized under the laws of Switzerland with its registered office at Chemin De-Normandie 14 1206 Geneva, Switzerland, as charterer (the "Charterer"), for a duration of 24 months (with 30 days less or more, exact period in Charterer's option) commencing in October 2015 (the "Initial Charter").

WHEREAS, the Vessel Owing Subsidiary has entered into a time charter dated October 20, 2016 with Product & Crude Tanker Chartering Inc., a corporation organized under the laws of the Republic of the Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands and a wholly-owned subsidiary of the Seller, as charterer, for a duration of two months commencing upon completion of the Initial Charter, at a rate of US\$14,000 per day with a 50/50 profit sharing component above such daily rate (the "Second Charter" and, together with the Initial Charter, the "Charter").

WHEREAS, contemporaneously with the Closing (as defined below), the Buyer and Capital Ship Management Corp. ("CSM") will execute an amendment to the Floating Rate Management Agreement dated the 9th day of June 2011 and entered into between the Buyer and CSM as same has been amended and/or supplemented from time to time (the "Amendment to the Management Agreement").

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

Interpretation

SECTION 1.01. Definitions. In this Agreement, unless the context requires otherwise or unless otherwise specifically provided herein, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

“Agreement” means this Agreement, including its recitals and schedules, as amended, supplemented, restated or otherwise modified from time to time;

“Amendment to the Management Agreement” has the meaning given to it in the recitals;

“Applicable Law” in respect of any Person, property, transaction or event, means all laws, statutes, ordinances, regulations, municipal by-laws, treaties, judgments and decrees applicable to that Person, property, transaction or event and, whether or not having the force of law, all applicable official directives, rules, consents, approvals, authorizations, guidelines, orders, codes of practice and policies of any Governmental Authority having or purporting to have authority over that Person, property, transaction or event and all general principles of common law and equity;

“Buyer” has the meaning given to it in the preamble;

“Buyer Entities” means the Buyer and its subsidiaries;

“Buyer Indemnitees” has the meaning given to it in Section 9.01;

“Charter” has the meaning given to it in the recitals;

“Charterer” has the meaning given to it in the recitals;

“Closing” has the meaning given to it in Section 2.02;

“Closing Date” has the meaning given to it in Section 2.02;

“Commitment” means (a) options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights or other contracts that could require a Person to issue any of its equity interests or to sell any equity interests it owns in another Person (other than this Agreement and the related transaction documents); (b) any other securities convertible into, exchangeable or exercisable for, or representing the right to subscribe for any equity interest of a Person or owned by a Person; and (c) stock appreciation rights, phantom stock, profit participation, or other similar rights with respect to a Person;

“Common Units” has the meaning ascribed to such term in the Partnership Agreement;

“Contracts” has the meaning given to it in Section 5.08;

“CSM” has the meaning given to it in the recitals;

“Encumbrance” means any mortgage, lien, charge, assignment, adverse claim, hypothecation, restriction, option, covenant, condition or encumbrance, whether fixed or floating, on, or any security interest in, any property whether real, personal or mixed, tangible or intangible, any pledge or hypothecation of any property, any deposit arrangement, priority, conditional sale agreement, other title retention agreement or equipment trust, capital lease or other security arrangements of any kind;

“Equity Interest” means (a) with respect to any entity, any and all shares of capital stock or other ownership interest and any Commitments with respect thereto, (b) any other direct equity ownership or participation in a Person and (c) any Commitments with respect to the interests described in (a) or (b);

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time;

“Governmental Authority” means any domestic or foreign government, including federal, provincial, state, municipal, county or regional government or governmental or regulatory authority, domestic or foreign, and includes any department, commission, bureau, board, administrative agency or regulatory body of any of the foregoing and any multinational or supranational organization;

“Initial Charter” has the meaning given to it in the recitals;

“Loan Agreement” means that certain Loan Agreement, dated 19 November 2015, among the Vessel Owning Subsidiary, Helios Product Carrier S.A., Hercules Product Carrier S.A., Iason Product Carrier S.A. and Archon Product Carrier S.A., as joint and several borrowers, the Banks and Financial Institutions listed on Schedule 1 thereto, ING Bank N.V., London Branch, as Facility Agent and Security Trustee, and ING Bank N.V., as Swap Bank.

“Losses” means, with respect to any matter, all losses, claims, damages, liabilities, deficiencies, costs, expenses (including all costs of investigation, legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement) or diminution of value, whether or not involving a claim from a third party, however specifically excluding consequential, special and indirect losses, loss of profit and loss of opportunity;

“Notice” means any notice, citation, directive, order, claim, litigation, investigation, proceeding, judgment, letter or other communication, written or oral, actual or threatened, from any Person;

“Organizational Documents” has the meaning given to it in Section 5.03;

“Parties” means all parties to this Agreement and “Party” means any one of them;

“Partnership Agreement” means the Second Amended and Restated Agreement of Limited Partnership of the Buyer dated February 22, 2010, as amended from time to time.

“Person” means an individual, entity or association, including any legal personal representative, corporation, body corporate, firm, partnership, trust, trustee, syndicate, joint venture, unincorporated organization or Governmental Authority;

“Permits” has the meaning given to it in Section 5.13;

“Purchase Price” has the meaning given to it in Section 2.04;

“SEC Documents” means all filings the Buyer is required to make pursuant to the Securities Act and the Exchange Act, as amended from time to time;

“Second Charter” has the meaning given to it in the recitals;

“Securities Act” means the Securities Act of 1933, as amended from time to time;

“Seller” has the meaning given to it in the preamble;

“Seller Entities” means the Seller and its affiliates other than the Buyer Entities;

“Seller Indemnities” has the meaning given to it in Section 9.02;

“Shares” has the meaning given to it in the recitals;

“Taxes” means all income, franchise, business, property, sales, use, goods and services or value added, withholding, excise, alternate minimum capital, transfer, excise, customs, anti-dumping, stumpage, countervail, net worth, stamp, registration, franchise, payroll, employment, health, education, business, school, property, local improvement, development, education development and occupation taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, dues and charges and other taxes required to be reported upon or paid to any domestic or foreign jurisdiction and all interest and penalties thereon;

“Transferred Common Units” has the meaning given to it in Section 2.04;

“Vessel” has the meaning given to it in the recitals; and

“Vessel Owning Subsidiary” has the meaning given to it in the recitals.

ARTICLE II

Purchase and Sale of Shares; Closing

SECTION 2.01. Purchase and Sale of Shares. The Seller agrees to sell and transfer to the Buyer, and the Buyer agrees to purchase from the Seller for the Purchase Price and in accordance with and subject to the terms and conditions set forth in this Agreement, the Shares which in turn shall result in the Buyer indirectly owning the Vessel.

SECTION 2.02. Closing. On the terms of this Agreement, the sale and transfer of the Shares and payment of the Purchase Price shall take place on the date hereof (the "Closing Date"). The sale and transfer of the Shares is hereinafter referred to as the "Closing."

SECTION 2.03. Place of Closing. The Closing shall take place at the premises of CSM at 3 Iassonos Street, Piraeus, Greece.

SECTION 2.04. Purchase Price for Shares. On the Closing Date, the Buyer shall pay to the Seller (to such account as the Seller shall nominate) the amount of \$16,000,000 US Dollars and shall issue to the Seller 283,696 Common Units (the "Transferred Common Units" and, together with such cash consideration, the "Purchase Price"). The Buyer shall have no responsibility or liability hereunder for the Seller's allocation and distribution of the Purchase Price among the Seller Entities.

SECTION 2.05. Payment of the Purchase Price. The Purchase Price (i) (to the extent paid in US Dollars) will be paid by the Buyer to the Seller of the Shares by wire transfer of immediately available funds to an account designated in writing by the Seller and (ii) (to the extent paid in Common Units) will be paid by the Buyer to the Seller of the Shares by delivery of certificates representing the Transferred Common Units.

ARTICLE III

Representations and Warranties of the Buyer

The Buyer represents and warrants to the Seller that as of the date hereof:

SECTION 3.01. Organization and Limited Partnership Authority. The Buyer is duly formed, validly existing and in good standing under the laws of the Republic of the Marshall Islands, and has all requisite limited partnership power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Buyer, has been effectively authorized by all necessary action, limited partnership or otherwise, and constitutes legal, valid and binding obligations of the Buyer. No meeting has been convened or resolution proposed or petition presented and no order has been made to wind up the Buyer.

SECTION 3.02. Agreement Not in Breach of Other Instruments. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, or conflict with, any agreement or other instrument to which the Buyer is a party or by which it is bound, the Certificate of Formation and the Partnership Agreement, any judgment, decree, order or award of any court, governmental body or arbitrator by which the Buyer is bound, or any law, rule or regulation applicable to the Buyer which would have a material effect on the transactions contemplated hereby.

SECTION 3.03. No Legal Bar. The Buyer is not prohibited by any order, writ, injunction or decree of any body of competent jurisdiction from consummating the transactions contemplated by this Agreement and no such action or proceeding is pending or, to the best of its

knowledge and belief, threatened against the Buyer which questions the validity of this Agreement, any of the transactions contemplated hereby or any action which has been taken by any of the parties in connection herewith or in connection with any of the transactions contemplated hereby.

SECTION 3.04. Issuance of Transferred Common Units. The Transferred Common Units have been duly authorized and validly issued and are fully paid and non-assessable. The Transferred Common Units shall have been approved for listing on Nasdaq Global Select Market.

SECTION 3.05. The Transferred Common Units. Assuming the Seller has the requisite power and authority to be the lawful owner of the Transferred Common Units, upon delivery to the Seller at the Closing of certificates representing the Transferred Common Units, or delivery of such Transferred Common Units by electronic means, and upon the consummation of the purchase contemplated hereby, the Seller shall own good and valid title to the Transferred Common Units, free and clear of any Encumbrances, other than those arising from acts of the Seller Entities. Other than those created by or described in this Agreement and the related transaction documents, the Buyer's organizational documents, restrictions imposed by Applicable Law or as disclosed in the SEC Documents, at the Closing, the Transferred Common Units will not be subject to any voting trust agreement or other contract, agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or disposition of the Transferred Common Units other than any agreement to which any Seller Entity is a party.

SECTION 3.06. Securities Act. The Shares purchased by the Buyer pursuant to this Agreement are being acquired for investment purposes only and not with a view to any public distribution thereof, and the Buyer shall not offer to sell or otherwise dispose of the Shares so acquired by it in violation of any of the registration requirements of the Securities Act. The Buyer acknowledges that it is able to fend for itself, can bear the economic risk of its investment in the Shares, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in all of the Shares. The Buyer is an "accredited investor" as such term is defined in Regulation D under the Securities Act. The Buyer understands that, when issued to the Buyer at the Closing, none of the Shares will be registered pursuant to the Securities Act and that all of the Shares will constitute "restricted securities" under the federal securities laws of the United States.

SECTION 3.07. Private Offering. None of the Buyer, its affiliates and its representatives has issued, sold or offered any security of the Buyer to any person under circumstances that would cause the issuance and delivery of the Transferred Common Units as contemplated by this Agreement to be subject to the registration requirements of the Securities Act. None of the Buyer, its affiliates and its representatives will offer the Transferred Common Units or any part thereof or any similar securities for issuance or sale to, or solicit any offer to acquire any of the same from, any person so as to make the issuance and sale of the Transferred Common Units subject to the registration requirements of the Securities Act. Assuming the representations of the Seller contained in Section 4.06 are true and correct, the issuance and delivery of the Transferred Common Units on or prior to the Closing Date will be exempt from the registration and prospectus delivery requirements of the Securities Act.

SECTION 3.08. Independent Investigation. The Buyer has had the opportunity to conduct to its own satisfaction independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition and prospects of the Vessel Owning Subsidiary and, in making the determination to proceed with the transactions contemplated hereby, has relied solely on the results of its own independent investigation and the representations and warranties set forth in Articles IV, V and VI.

ARTICLE IV

Representations and Warranties of the Seller

The Seller represents and warrants to the Buyer that as of the date hereof:

SECTION 4.01. Organization and Corporate Authority. The Seller is duly incorporated, validly existing and in good standing under the laws of the Republic of the Marshall Islands, and has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Seller, has been effectively authorized by all necessary action, corporate or otherwise, and constitutes legal, valid and binding obligations of the Seller. No meeting has been convened or resolution proposed or petition presented and no order has been made to wind up the Seller.

SECTION 4.02. Agreement Not in Breach. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, or conflict with, any agreement or other instrument to which the Seller is a party or by which it is bound, the Articles of Incorporation and Bylaws of the Seller, any judgment, decree, order or award of any court, governmental body or arbitrator by which the Seller is bound, or any law, rule or regulation applicable to the Seller.

SECTION 4.03. No Legal Bar. The Seller is not prohibited by any order, writ, injunction or decree of any body of competent jurisdiction from consummating the transactions contemplated by this Agreement and no such action or proceeding is pending or, to the best of its knowledge and belief, threatened against the Seller which questions the validity of this Agreement, any of the transactions contemplated hereby or any action which has been taken by any of the parties in connection herewith or in connection with any of the transactions contemplated hereby.

SECTION 4.04. Good and Marketable Title to Shares. The Seller is the owner (of record and beneficially) of all of the Shares and has good and marketable title to the Shares, free and clear of any and all Encumbrances other than under the Loan Agreement. The Shares constitute 100% of the issued and outstanding Equity Interests of the Vessel Owning Subsidiary.

SECTION 4.05. The Shares. Assuming the Buyer has the requisite power and authority to be the lawful owner of the Shares, upon delivery to the Buyer at the Closing of certificates representing the Shares, duly endorsed by the Seller for transfer to the Buyer or accompanied by appropriate instruments sufficient to evidence the transfer from the Seller to the

Buyer of the Shares under the Applicable Laws of the relevant jurisdiction, or delivery of such Shares by electronic means, and upon the Seller's receipt of the Purchase Price, the Buyer shall own good and valid title to the Shares, free and clear of any Encumbrances, other than those arising from acts of the Buyer Entities or arising under the Loan Agreement. Other than this Agreement and any related transaction documents, the Organizational Documents and restrictions imposed by Applicable Law, at the Closing, the Shares will not be subject to any voting trust agreement or other contract, agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or disposition of the Shares, other than any agreement to which any Buyer Entity is a party.

SECTION 4.06. Securities Act. The Transferred Common Units transferred to the Seller pursuant to this Agreement are being acquired for investment purposes only and not with a view to any public distribution thereof, and the Seller shall not offer to sell or otherwise dispose of the Transferred Common Units so acquired by it in violation of any of the registration requirements of the Securities Act. The Seller acknowledges that it is able to fend for itself, can bear the economic risk of its investment in the Transferred Common Units, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in all of the Transferred Common Units. The Seller is an "accredited investor" as such term is defined in Regulation D under the Securities Act. The Seller understands that, when issued to the Seller at the Closing, none of the Transferred Common Units will be registered pursuant to the Securities Act and that all of the Transferred Common Units will constitute "restricted securities" under the federal securities laws of the United States.

SECTION 4.07. Independent Investigation. The Seller has had the opportunity to conduct to its own satisfaction independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition and prospects of the Buyer and, in making the determination to proceed with the transactions contemplated hereby, has relied solely on the results of its own independent investigation and the representations and warranties set forth in Article III.

ARTICLE V

Representations and Warranties of the Seller Regarding the Vessel Owning Subsidiary

The Seller represents and warrants to the Buyer that as of the date hereof:

SECTION 5.01. Organization Good Standing and Authority. The Vessel Owning Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of Liberia. The Vessel Owning Subsidiary has full corporate power and authority to carry on its business as it is now, and has since its incorporation been, conducted, and is entitled to own, lease or operate the properties and assets it now owns, leases or operates and to enter into legal and binding contracts. No meeting has been convened or resolution proposed or petition presented and no order has been made to wind up the Vessel Owning Subsidiary.

SECTION 5.02. Capitalization; Title to Shares. The Shares consist of the 100 shares of capital stock without par value and have been duly authorized and validly issued and are fully paid and non-assessable, and constitute the total issued and outstanding Equity Interests of the Vessel Owing Subsidiary. There are not outstanding (i) any options, warrants or other rights to purchase from the Vessel Owing Subsidiary any equity interests of the Vessel Owing Subsidiary, (ii) any securities convertible into or exchangeable for shares of such equity interests of the Vessel Owing Subsidiary or (iii) any other commitments of any kind for the issuance of additional shares of equity interests or options, warrants or other securities of the Vessel Owing Subsidiary.

SECTION 5.03. Organizational Documents. The Seller has supplied to the Buyer true and correct copies of the organizational documents of the Vessel Owing Subsidiary, as in effect as of the date hereof (the "Organizational Documents").

SECTION 5.04. Agreement Not in Breach. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will violate, or result in a breach of, any of the terms and provisions of, or constitute a default under, or conflict with, or give any other party thereto a right to terminate any agreement or other instrument to which the Vessel Owing Subsidiary is a party or by which it is bound including, without limitation, any of the Organizational Documents, or any judgment, decree, order or award of any court, governmental body or arbitrator applicable to the Vessel Owing Subsidiary.

SECTION 5.05. Litigation.

(a) There is no action, suit or proceeding to which the Vessel Owing Subsidiary is a party (either as a plaintiff or defendant) pending before any court or governmental agency, authority or body or arbitrator; there is no action, suit or proceeding threatened against the Vessel Owing Subsidiary; and, to the best knowledge of the Seller, there is no basis for any such action, suit or proceeding;

(b) The Vessel Owing Subsidiary has not been permanently or temporarily enjoined by any order, judgment or decree of any court or any governmental agency, authority or body from engaging in or continuing any conduct or practice in connection with the business, assets, or properties of the Vessel Owing Subsidiary; and

(c) There is not in existence any order, judgment or decree of any court or other tribunal or other agency enjoining or requiring the Vessel Owing Subsidiary to take any action of any kind with respect to its business, assets or properties.

SECTION 5.06. Indebtedness to and from Officers, etc. The Vessel Owing Subsidiary will not be indebted, directly or indirectly, to any person who is an officer, director, stockholder or employee of the Seller or any spouse, child, or other relative or any affiliate of any such person, nor shall any such officer, director, stockholder, employee, relative or affiliate be indebted to the Vessel Owing Subsidiary.

SECTION 5.07. Personnel. The Vessel Owing Subsidiary has no employees.

SECTION 5.08. Contracts and Agreements. Other than the Charter, the Amendment to the Management Agreement and the Loan Agreement (together, the “Contracts”), there are no material contracts or agreements, written or oral, to which the Vessel Owning Subsidiary is a party or by which any of its assets are bound.

(a) Each of the Contracts is (or, in the case of the Amendment to the Management Agreement, will be at Closing) a valid and binding agreement of the Vessel Owning Subsidiary, and to the best knowledge of the Seller, of all other parties thereto;

(b) The Vessel Owning Subsidiary has fulfilled all material obligations required pursuant to its Contracts to have been performed by it prior to the date hereof and has not waived any material rights thereunder, including payment in full of the purchase price for the Vessel, together with any other payments of the Vessel Owning Subsidiary due thereunder;

(c) The Vessel Owning Subsidiary and the Buyer Loan Parties (as defined below) have no obligations with respect to, or any liability for any breach or default of the Loan Agreement by, any of the other borrowers or other party under the Loan Agreement (other than with respect to obligations, breaches or defaults of the Buyer or any such borrowers that are wholly owned subsidiaries of the Buyer (collectively, “Buyer Loan Parties”)) (“Third Party Loan Agreement Breaches”); no Third Party Loan Agreement Breaches shall result in a breach or default of the Loan Agreement by the Vessel Owning Subsidiary or the Buyer Loan Parties, result in any payment obligation of the Vessel Owning Subsidiary or the Buyer Loan Parties under the Loan Agreement, or otherwise affect the rights and obligations of the Vessel Owning Subsidiary or the Buyer Loan Parties under the Loan Agreement; and the Vessel Owning Subsidiary and the Buyer Loan Parties are not jointly liable for any obligations under the Loan Agreement other than in respect of the Vessel Owning Subsidiary or the Buyer Loan Parties.

(d) There has not occurred any material default under any of the Contracts on the part of the Vessel Owning Subsidiary, or to the best knowledge of the Seller, on the part of any other party thereto nor has any event occurred which with the giving of notice or the lapse of time, or both, would constitute any material default on the part of the Vessel Owning Subsidiary under any of the Contracts nor, to the best knowledge of the Seller, has any event occurred which with the giving of notice or the lapse of time, or both, would constitute any material default on the part of any other party to any of the Contracts.

SECTION 5.09. Compliance with Law. The conduct of business by the Vessel Owning Subsidiary does not and the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not violate any laws, statutes, ordinances, rules, regulations, decrees, orders, permits or other similar items in force (including, but not limited to, any of the foregoing relating to employment discrimination, environmental protection or conservation) of any country, province, state or other governing body, the enforcement of which would materially and adversely affect the business, assets, condition (financial or otherwise) or prospects of the Vessel Owning Subsidiary taken as a whole, nor has the Vessel Owning Subsidiary received any notice of any such violation.

SECTION 5.10. No Undisclosed Liabilities. The Vessel Owning Subsidiary (or the Vessel owned by it) has no liabilities or obligations of any nature, whether absolute, accrued,

contingent or otherwise, and whether due or to become due (including, without limitation, any liability for Taxes and interest, penalties and other charges payable with respect to any such liability or obligation, including under the Loan Agreement), other than under the Loan Agreement solely with respect to the approximately \$15,750,000 aggregate principal amount borrowed and outstanding thereunder to fund the purchase of the Vessel, plus accrued interest thereon, if any, from the last payment date. Notwithstanding the foregoing, the Parties acknowledge and agree that there may be obligations under the Contracts that are not due and payable as of the date hereof and that will be the responsibility of the Seller pursuant to Section 9.01(c) of this Agreement.

SECTION 5.11. Disclosure of Information. The Seller has disclosed to the Buyer all material information on, and about, the Vessel Owing Subsidiary and the Vessel and all such information is true, accurate and not misleading in any material respect. Nothing has been withheld from the material provided to the Buyer which would render such information untrue or misleading.

SECTION 5.12. Payment of Taxes. The Vessel Owing Subsidiary has filed all foreign, federal, state and local income and franchise tax returns required to be filed, which returns are correct and complete in all material respects, and has timely paid all taxes due from it, and the Vessel is in good standing with respect to the payment of past and current Taxes, fees and other amounts payable under the laws of the jurisdiction where it is registered as would affect its registry with the ship registry of such jurisdiction.

SECTION 5.13. Permits. The Vessel Owing Subsidiary has such permits, consents, licenses, franchises, concessions, certificates and authorizations ("Permits") of, and has all declarations and filings with, and is qualified and in good standing in each jurisdiction of, all federal, provincial, state, local or foreign Governmental Authorities and other Persons, as are necessary to own or lease its properties and to conduct its business in the manner that is standard and customary for a business of its nature other than such Permits the absence of which, individually or in the aggregate, has not and could not reasonably be expected to materially or adversely affect the Vessel Owing Subsidiary. The Vessel Owing Subsidiary has fulfilled and performed all its obligations with respect to such Permits which are or will be due to have been fulfilled and performed by such date and no event has occurred that would prevent the Permits from being renewed or reissued or that allows, or after notice or lapse of time would allow, revocation or termination thereof or results or would result in any impairment of the rights of the holder of any such Permit, except for such non-renewals, non-issues, revocations, terminations and impairments that would not, individually or in the aggregate, materially or adversely affect the Vessel Owing Subsidiary, and none of such Permits contains any restriction that is materially burdensome to the Vessel Owing Subsidiary.

SECTION 5.14. No Material Adverse Change in Business. Since December 31, 2014, there has been no material adverse change in the condition, financial or otherwise, or in the earnings, properties, business affairs or business prospects of the Vessel Owing Subsidiary, whether or not arising in the ordinary course of business, that would have or could reasonably be expected to have a material adverse effect on the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Vessel Owing Subsidiary.

ARTICLE VI

Representations and Warranties of
the Seller regarding the Vessel

The Seller represents and warrants to the Buyer that as of the date hereof

SECTION 6.01. Title to Vessel. The Vessel Owning Subsidiary is the owner (beneficially and of record) of the Vessel and has good and marketable title to the Vessel.

SECTION 6.02. No Encumbrances. The assets of the Vessel Owning Subsidiary and the Vessel are free of all Encumbrances other than the Encumbrances arising under the Charter or the Loan Agreement.

SECTION 6.03. Condition. The Vessel is (i) adequate and suitable for use by the Vessel Owning Subsidiary in the manner that is standard and customary for a vessel of its type, ordinary wear and tear excepted; (ii) seaworthy in all material respects for hull and machinery insurance warranty purposes and in good running order and repair; (iii) insured against all risks, and in amounts, consistent with common industry practices; (iv) in compliance with maritime laws and regulations; and (v) in compliance in all material respects with the requirements of its class and classification society; and all class certificates of the Vessel are clean and valid and free of recommendations affecting class; and the Buyer acknowledges and agrees that, subject only to the representations and warranties in this Agreement, it is acquiring the Vessel on an “as is, where is” basis.

ARTICLE VII

Covenants

SECTION 7.01. Financial Statements. The Seller agrees to cause the Vessel Owning Subsidiary to provide access to the books and records of the Vessel Owning Subsidiary to allow the Buyer’s outside auditing firm to prepare at the Buyer’s expense any information, review or audit the Buyer reasonably believes is required to be furnished or provided by the Buyer pursuant to applicable securities laws. The Seller will (A) direct its auditors to provide the Buyer’s auditors access to the auditors’ work papers and (B) use its commercially reasonable efforts to assist the Buyer with any such information, review or audit and to provide other financial information reasonably requested by the Buyer or its auditors, including the delivery by the Seller Entities of any information, letters and similar documentation, including reasonable “management representation letters” and attestations.

SECTION 7.02. Expenses. All costs, fees and expenses incurred in connection with this Agreement and the related transaction documents shall be paid by the Buyer, including all costs, fees and expenses incurred in connection with conveyance fees, recording charges and other fees and charges applicable to the transfer of the Shares. For the avoidance of doubt, all costs and expenses incurred by the Buyer to load the Vessel with fuel oil, lubricating oil, greases, fresh water and other stores necessary to operate the Vessel after the Closing as well as in connection with the delivery of the Vessel to the delivery port (ballast) shall be for the Buyer’s account.

SECTION 7.03. Subsequent Share Purchase Agreements. Seller agrees to negotiate in good faith mutually agreeable terms (including a “market” based price) upon which the Parties potentially could agree to execute (i) a purchase agreement pursuant to which Seller would sell (directly or indirectly) to Buyer (on or shortly after completion) the Aristaios, a 115,000 DWT Aframax tanker currently being constructed and expected to be delivered in November/December 2016 and (ii) a purchase agreement pursuant to which Seller would sell (directly or indirectly) to Buyer (on or shortly after completion) the Aristoklis, a 115,000 DWT Aframax tanker currently being constructed and expected to be delivered in January 2017. Other than the obligation to negotiate in good faith, this Section does not create any obligations on either Party with respect to the Aristaios or Aristoklis, and neither Party would have any additional obligations unless and until each Party (in its sole discretion) is satisfied with the terms of any applicable definitive agreements and has obtained any necessary or desirable approvals, including, without limitation, approvals of any management group, board of directors or similar authority and the Conflicts Committee of Buyer, which approvals or rejections would be within the sole discretion of each applicable individual, entity or authority.

ARTICLE VIII

Amendments and Waivers

SECTION 8.01. Amendments and Waivers. This Agreement may not be amended except by an instrument in writing signed on behalf of each parties hereto. By an instrument in writing the Buyer, on the one hand, or the Seller, on the other hand, may waive compliance by the other with any term or provision of this Agreement that such other party was or is obligated to comply with or perform.

ARTICLE IX

Indemnification

SECTION 9.01. Indemnity by the Seller. The Seller shall be liable for, and shall indemnify the Buyer and each of its subsidiaries and each of their directors, employees, agents and representatives (the “Buyer Indemnitees”) against and hold them harmless from, any Losses, suffered or incurred by such Buyer Indemnitee:

(a) by reason of, arising out of or otherwise in respect of any inaccuracy in, or breach of, any representation or warranty (without giving effect to any supplement to the schedules or qualifications as to materiality or dollar amount or other similar qualifications), or a failure to perform or observe any covenant, agreement or obligation of, the Seller in or under this Agreement or in or under any document, instrument or agreement delivered pursuant to this Agreement by the Seller;

(b) any fees, expenses or other payments incurred or owed by the Seller or the Vessel Owning Subsidiary to any brokers, financial advisors or comparable other persons retained or employed by it in connection with the transactions contemplated by this Agreement; or

(c) by reason of, arising out of or otherwise in respect of (i) Third Party Loan Agreement Breaches or (ii) obligations, liabilities, expenses, cost and claims relating to, arising from or otherwise attributable to (x) the Loan Agreement (other than those attributable to the Buyer Loan Parties, excluding any resulting from joint liability (or similar concepts) thereunder), including with respect to any amounts borrowed or otherwise owing thereunder other than the aggregate principal amount specified in Section 5.10) or (y) assets owned by the Vessel Owning Subsidiary or the assets, operations, and obligations of the Vessel Owning Subsidiary or the businesses thereof, in each case under clause (y), to the extent relating to, arising from, or otherwise attributable to facts, circumstances or events occurring prior to the Closing Date.

SECTION 9.02. Indemnity by the Buyer. The Buyer shall indemnify the Seller and its subsidiaries other than any Buyer Indemnitees and each of their respective officers, directors, employees, agents and representatives (the "Seller Indemnitees") against and hold them harmless from, any Losses, suffered or incurred by such Seller Indemnitee by reason of, arising out of or otherwise in respect of any inaccuracy in, or breach of, any representation or warranty (without giving effect to any supplement to the schedules occurring after the date hereof or qualifications as to materiality or dollar amount or other similar qualifications), or a failure to perform or observe any covenant, agreement or obligation of, the Buyer in or under this Agreement or in or under any document, instrument or agreement delivered pursuant to this Agreement by the Buyer.

SECTION 9.03. Exclusive Post-Closing Remedy. After the Closing, and except for any non-monetary, equitable relief to which any Party may be entitled, or any remedies for willful misconduct or actual fraud, the rights and remedies set forth in this Article IX shall constitute the sole and exclusive rights and remedies of the Parties under or with respect to the subject matter of this Agreement.

ARTICLE X

Miscellaneous

SECTION 10.01. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed wholly within such jurisdiction without giving effect to conflict of law principles thereof other than Section 5-1401 of the New York General Obligations Law, except to the extent that it is mandatory that the law of some other jurisdiction, wherein the Vessel is located, shall apply.

SECTION 10.02. Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute but one and the same instrument.

SECTION 10.03. Complete Agreement. This Agreement and Schedules hereto contain the entire agreement between the parties hereto with respect to the transactions contemplated herein and, except as provided herein, supersede all previous oral and written and all contemporaneous oral negotiations, commitments, writings and understandings.

SECTION 10.04. Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.05. Severability. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any governmental body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect, as nearly as possible, to the intention of the Parties as expressed in this Agreement at the time of execution of this Agreement.

SECTION 10.06. Third Party Rights. Except to the extent provided in Article X, a Person who is not a party to this Agreement has no right to enforce or to enjoy the benefit of any term of this Agreement.

SECTION 10.07. Notices. Any notice, claim or demand in connection with this Agreement shall be delivered to the parties at the following addresses (or at such other address or facsimile number for a party as may be designated by notice by such party to the other party):

(a) if to Capital Maritime & Trading Corp., as follows:

c/o Capital Ship Management Corp.,
3 Iassonos Street, Piraeus, Greece
Attention: Gerassimos Kalogiratos
Facsimile: +30 210 428 4286

(b) if to Capital Product Partners L.P., as follows:

c/o Capital Ship Management Corp.,
3 Iassonos Street, Piraeus, Greece
Attention: CEO/CFO
Facsimile: +30 210 428 4285

and any such notice shall be deemed to have been received (i) on the next working day in the place to which it is sent, if sent by facsimile or (ii) forty eight (48) hours from the time of dispatch, if sent by courier.

SECTION 10.08. Representations and Warranties to Survive. All representations and warranties of the Buyer and Seller contained in this Agreement shall survive the Closing and shall remain operative and in full force and effect after the Closing, regardless of (a) any investigation made by or on behalf of any Party or its affiliates, any Person controlling any Party, its officers or directors, and (b) delivery of and payment for the Shares.

SECTION 10.09. Remedies. Except as expressly provided in Section 9.03, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity. Except as expressly provided in this Agreement, nothing in this Agreement will be considered an election of remedies.

SECTION 10.10. Non-recourse to General Partner. Neither the Buyer's general partner nor any other owner of Equity Interests in the Buyer shall be liable for the obligations of the Buyer under this Agreement or any of the related transaction documents, including, in each case, by reason of any payment obligation imposed by governing partnership statutes.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed as of the date first above written.

CAPITAL MARITIME & TRADING CORP.,

by /s/ Gerasimos Kalogiratos

Name: Gerasimos Kalogiratos

Title: Chief Financial Officer

CAPITAL PRODUCT PARTNERS L.P.

by Capital GP L.L.C., its general partner

by /s/ Gerasimos Kalogiratos

Name: Gerasimos Kalogiratos

Title: Chief Executive Officer and Chief
Financial Officer of Capital GP,
L.L.C.

LIST OF SIGNIFICANT SUBSIDIARIES

The following is a list of Capital Product Partners L.P.'s significant subsidiaries as at December 31, 2016:

Name of Subsidiary	Jurisdiction of Incorporation	Proportion of Ownership Interest
Capital Product Operating L.L.C.	Republic of The Marshall Islands	100%
Crude Carriers Corp.	Republic of the Marshall Islands	100%

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gerasimos (Jerry) Kalogiratos, certify that:

1. I have reviewed this annual report on Form 20-F of Capital Product Partners L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: February 3, 2017

By: /s/ Gerasimos (Jerry) Kalogiratos

Name: Gerasimos (Jerry) Kalogiratos

Title: Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Gerasimos (Jerry) Kalogiratos, certify that:

1. I have reviewed this annual report on Form 20-F of Capital Product Partners L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: February 3, 2017

By: /s/ Gerasimos (Jerry) Kalogiratos

Name: Gerasimos (Jerry) Kalogiratos

Title: Chief Financial Officer

**Certification Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 20-F of Capital Product Partners L.P., a master limited partnership organized under the laws of the Republic of The Marshall Islands (the "Company"), for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 3, 2017

By: /s/ Gerasimos (Jerry) Kalogiratos
Name: Gerasimos (Jerry) Kalogiratos
Title: Chief Executive Officer

**Certification Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 20-F of Capital Product Partners L.P., a master limited partnership organized under the laws of the Republic of The Marshall Islands (the "Company"), for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 3, 2017

By: /s/ Gerasimos (Jerry) Kalogiratos
Name: Gerasimos (Jerry) Kalogiratos
Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-210394 on Form F-3 of our reports dated February 3, 2017, relating to the consolidated financial statements of Capital Product Partners L.P. (the "Partnership") and the effectiveness of the Partnership's internal control over financial reporting, appearing in this Annual Report on Form 20-F of the Partnership for the year ended December 31, 2016.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece

February 3, 2017