Capital Product Partners L.P.
Form 20-F
February 18, 2014
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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

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

For the fiscal year ended December 31, 2013

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)

Ioannis E. Lazaridis, i.lazaridis@capitalpplp.com

(Name and Email of company contact person)

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

Title of each class	Name of each exchange on which registered
Common units representing limited partnership interests	**Nasdaq Global 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.

88,440,710 Common Units

1,765,457 General Partner Units

18,922,221 Class B Convertible Preferred Units

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

YES ¨ **NO** x

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** x

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 x **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 x **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** x **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 x **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** x

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CAPITAL PRODUCT PARTNERS L.P.

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FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F (the Annual Report) should be read in conjunction with our audited consolidated financial statements and accompanying notes included herein.

Our disclosure and analysis in this Annual Report concerning our business, operations, cash flows, and financial position, including, in particular, 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 , 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 3D: 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 of our ability to make cash distributions on our common units and the 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 in domestic or worldwide oil consumption;
- 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 new markets, including the container carrier market;
- 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 profit sharing arrangements and required levels of reserves;
- future levels of operating surplus and levels of distributions, as well as our future cash distribution policy;
- future charter hire rates and vessel values;
- anticipated future acquisition of vessels from Capital Maritime & Trading Corp. (Capital Maritime or CMTC) and from third parties;
- anticipated future chartering arrangements with Capital Maritime and third parties;
- 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;
- changes in the availability and costs of funding due to conditions in the bank market, capital markets and other factors;
- our ability to refinance our debt and/or achieve further postponement of any amortization of our debt if necessary under the current terms of our credit facilities;
- 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 viability and sustainability of our customers;

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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;
the effectiveness of our risk management policies and procedures and the ability of counterparties to our derivative contracts to fulfill their contractual obligations;
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;
the ability of our manager, Capital Ship Management Corp., a subsidiary of Capital Maritime (Capital Ship Management), to qualify for short- and long-term charter business with oil major charterers and oil traders;
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 recharter our vessels as their existing charters expire at attractive rates;
the changes to the regulatory requirements applicable to the oil transportation industry, including, without limitation, stricter requirements adopted by international organizations, such as the International Maritime Organization 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;
increases in costs and expenses including but not limited to: crew wages, insurance, provisions, port expenses, lube 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 of the floating fee structure under which an increasing number of our vessels are managed on operating expenses;
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 medium range vessels in particular;
the expected lifespan and condition of our vessels;
our ability to employ and retain key employees;
our track record, 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; 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 3D: 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.

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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.

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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, 2013, and as of December 31, 2013 and 2012, from our audited consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 (the Financial Statements) respectively, appearing elsewhere in this Annual Report. The historical financial data presented as of December 31, 2011, 2010 and 2009 and for the years ended December 31, 2010 and 2009 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 amongst others, the number of vessels in our fleet, prevailing charter rates, management and administrative services fees, as well as financing and interest swap 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 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 as described in Note 1 (Basis of Presentation and General Information) 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,				
	2013	**2012**	**2011**	**2010[1]**	**2009[1]**
Income Statement Data:					
Revenues	$ 116,520	$ 84,012	$ 98,517	$ 113,562	$ 134,519
Revenues related party	54,974	69,938	31,799	11,030	
Total revenues	171,494	153,950	130,316	124,592	134,519
Expenses:					
Voyage expenses [2]	5,776	5,114	11,565	7,009	3,993
Voyage expenses related party[2]	314	554	165		
Vessel operating expenses [3]	38,284	22,126	4,949	1,034	2,204
Vessel operating expenses related party[3]	17,039	23,634	30,516	30,261	30,830
General and administrative expenses	9,477	9,159	10,609	3,506	2,876
Loss / (gain) on sale of vessels to third parties	7,073	(1,296)			
Depreciation and amortization	52,208	48,235	37,214	31,464	30,685
Vessels impairment charge		43,178			
Total operating expenses	130,171	150,704	95,018	73,274	70,588
Operating income	41,323	3,246	35,298	51,318	63,931
Gain from bargain purchase	42,256		82,453		
Gain on sale of claim	31,356				
Interest expense and finance costs	(15,991)	(26,658)	(33,820)	(33,259)	(32,675)
Gain on interest rate swap agreement	4	1,448	2,310		

Interest and other income	533	775	879	860	1,460
Partnership s net income / (loss)	$ 99,481	$ (21,189)	$ 87,120	$ 18,919	$ 32,716

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	Year ended December 31,				
	2013	2012	2011	2010[(1)]	2009[(1)]
Class B unit holders interest in our net income / (loss)	18,805	10,809			
General partner s interest in our net income / (loss)	1,598	(640)	1,742	359	584
Limited and subordinated unit holders interest in our net income / (loss)	79,078	(31,358)	85,378	17,577	28,641
Net income / (loss) allocable to limited partner per [(4)]:					
Common unit basic	1.04	(0.46)	1.78	0.54	1.15
Subordinated unit basic					1.17
Total unit basic	1.04	(0.46)	1.78	0.54	1.15
Common unit diluted	1.01	(0.46)	1.78	0.54	1.15
Subordinated unit diluted					1.17
Total unit diluted	1.01	(0.46)	1.78	0.54	1.15
Weighted average units outstanding basic					
Common units	75,645,207	68,256,072	47,138,336	32,437,314	23,755,663
Subordinated units					1,061,488
Total units	75,645,207	68,256,072	47,138,336	32,437,314	24,817,151
Weighted average units outstanding diluted					
Common units	97,369,136	68,256,072	47,138,336	32,437,314	23,755,663
Subordinated units					1,061,488
Total units	97,369,136	68,256,072	47,138,336	32,437,314	24,817,151
Balance Sheet Data (at end of period)**:**					
Vessels, net and under construction [(10) (11) (16)]	$ 1,176,819	$ 959,550	$ 1,073,986	$ 707,339	$ 703,707
Total assets	1,401,772	1,070,128	1,196,289	758,252	760,928
Total partners capital / stockholders equity [(6) (7) (8) (9) (12) (13) (14) (15)]	781,426	573,828	517,326	239,760	188,352
Number of units	109,128,388	86,343,388	70,787,834	38,720,594	25,323,623
Common units	88,440,710	69,372,077	69,372,077	37,946,183	24,817,151
Class B units	18,922,221	15,555,554			
Subordinated units [(5)]					
General Partner units	1,765,457	1,415,757	1,415,757	774,411	506,472
Dividends declared per common and subordinated unit	$ 0.93	$ 0.93	$ 0.93	$ 1.09	$ 2.27
Dividends declared per class B unit	0.86	0.48			
Cash Flow Data:					
Net cash provided by operating activities	129,576	84,798	56,539	50,051	72,562
Net cash (used in) / provided by investing activities	(335,346)	15,935	(16,656)	(79,202)	(55,770)
Net cash provided by / (used in) financing activities	226,191	(110,552)	(18,984)	58,070	(56,389)

(1) The results of operations for the vessels set out below are included in our income statements for the periods prior to their acquisitions by us, as described below, as these vessels were acquired from an entity under common control. However, such earnings for the periods prior to their acquisitions were not allocated to our unitholders and were not included in the cash available for distribution calculation. Specifically, we refer to the amount of historical earnings per unit for:

a) the period from January 1, 2009 to April 6, 2009 and April 12, 2009 for the M/T Agamemnon II, and M/T Ayrton II respectively;
b) the year ended December 31, 2009 and for the period from January 1, 2010 to June 29, 2010 for the M/T Alkiviadis; and
c) the period from April 13, 2009 to December 31, 2009 and from January 1, 2010 to February 28, 2010 for the M/T Atrotos.

(2) Vessel voyage expenses primarily consist of commissions, port expenses, canal dues and bunkers.

(3) Our vessel operating expenses have consisted of management fees payable to Capital Ship Management, 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 by our vessels.

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(4) On January 1, 2009, we adopted accounting guidance newly available at the time 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 our Second Amended and Restated Agreement of Limited Partnership, as amended (the partnership agreement) contains any contractual limitations concerning distributions to the incentive distribution rights that would impact the amount of earnings to allocate to the incentive distribution rights for each reporting period. According to the two class method, the portion of net income allocated to nonvested shares reduces the net income available to common unitholders.

(5) Following the early termination of the subordination period on February 14, 2009, all of our 8,805,522 subordinated units converted into common units on a one-for-one basis.

(6) In February and August 2010, we completed two equity offerings of 6,281,578 and 6,052,254 common units, which include the partial exercise of the underwriters overallotment option of 481,578 and 552,254 common units, respectively. During the same periods we issued, in exchange for cash, 128,195 and 123,515 general partner units, respectively, to our general partner in order for it to maintain its 2% interest in us.

(7) On August 31, 2010, we issued, either directly or through our general partner, 795,200 restricted units to the members of our board of directors, to all employees of our general partner, our manager, Capital Maritime and certain key affiliates and other eligible persons. Please read Item 6E: Share Ownership Omnibus Incentive Compensation Plan and Note 14 (Omnibus Incentive Compensation Plan) to our Financial Statements included herein for additional information.

(8) On June 9, 2011, we completed the acquisition of Patroklos Marine Corp., the vessel owning company of the M/V Cape Agamemnon, from Capital Maritime. The acquisition was funded through $1.5 million from available cash and the incurrence of $25.0 million of debt under a new credit facility entered into in 2011 (as amended, the 2011 credit facility) and the remainder through the issuance of 6,958,000 common units to Capital Maritime. On September 30, 2011 we completed a merger with Crude Carriers Corp., a company incorporated in 2009 under the laws of The Marshall Islands, (Crude Carriers or Crude) in a unit-for-share transaction. The exchange ratio was 1.56 of our common units for each Crude Carriers share.

(9) In accordance with certain subscription agreements entered into on May 11 and June 6, 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 an amount of $13.2 million from our available cash, were used to prepay bank debt of $149.6 million.

(10) During the first half of 2012, we sold the M/T Attikos and the M/T Aristofanis, the two small tankers in our fleet, to unrelated third parties. The proceeds from these sales plus cash were used to repay bank debt of $20.5 million.

(11) On December 22, 2012, we acquired all of Capital Maritime s interest in its wholly owned subsidiaries that owned the two 7,943 twenty foot equivalent (TEU) container carrier vessels M/V Archimidis and M/V Agamemnon, in exchange for all of our interest in our wholly owned subsidiaries that owned the two Very Large Crude Carriers (VLCC) M/T Alexander the Great and M/T Achilleas. Capital Maritime paid a total net consideration of $0.3 million in connection with this transaction and has waived any compensation for the early termination of the charters of the two VLCCs. In view of this transaction we repaid $5.2 million in debt. As a consequence of this exchange we recognized an impairment charge of $43.2 million in our consolidated statements of comprehensive income / (loss) 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.

(12) In accordance with a subscription agreement entered into on March 15, 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 from our existing $350.0 million credit facility entered into in 2008 (as amended, the 2008 credit facility) and an amount of $3.4 million from our available cash, were used to acquire the shares of two separate vessel owning companies, each of which owns a 5,000 TEU high specification container vessel, built in 2013, from Capital Maritime at a price of $65.0 million each.

(13) 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 draw down of $75.0 million from our new term loan facility of up to $225.0 million we entered into during 2013 (as amended, the 2013 credit facility), and together with $0.2 million from our available cash were used to fund the acquisition cost of three separate vessel owning companies each of which owned a 5,000 TEU high specification container vessel, built in 2013, from Capital Maritime at a price of $65.0 million each.

(14) In August 2013, we issued 349,700 general partner units to our general partner in exchange for a capital contribution of 349,700 common units, in order for it to maintain its 2% interest in us.

(15) In July, August, October and December 2013, certain holders of our Class B Units converted 5,733,333 Class B Units into common units in accordance with the terms of the partnership agreement.

(16) 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. Furthermore 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 selling proceeds of the M/T Agamemnon II and from Capital Product Partners L.P. s (the Partnership or CPLP) available cash. The M/T Aristotelis replaced the M/T Agamemnon II as a security under the Partnership s credit facility entered into in 2007 of $370.0 million (as amended, the 2007 credit facility).

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Please read Item 4A: History and Development of the Partnership 2013 Developments and Note 3 (Acquisitions), Note 5 (Vessels), Note 7 (Long Term Debt), and Note 13 (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 of a corporation engaged in a similar business would face, limited partner interests are inherently different from the capital stock of a corporation. In particular, 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.

RISKS RELATING TO THE TANKER INDUSTRY

Global economic conditions may have a material adverse effect on our ability to pay distributions as well as on our business, financial position, distributions and results of operations, and, along with changes in the oil markets, could result in decreased demand for our vessels and services, and could materially affect our ability to recharter our vessels at favorable rates.

Oil has been one of the world s primary energy sources for a number of decades. The global economic growth of previous years had a significant impact on the demand for oil and subsequently on the oil trade and shipping demand. However, the past five years were marked by a major economic slowdown which has had, and continues to have, a significant impact on world trade, including the oil trade. Global economic conditions remain fragile with significant uncertainty remaining with respect to recovery prospects, levels of recovery and long-term economic growth effects. In particular, the uncertainty surrounding the future of the Euro zone, the economic prospects of the United States and the future economic growth of China, Brazil, Russia, India and other emerging markets are all expected to affect demand for product and crude tankers going forward. Demand for oil and refined petroleum products remains weak as a result of the weak global economic environment, which in combination with the diminished availability of trade credit and deteriorating international liquidity conditions, led to decreased demand for tanker vessels, creating downward pressure on charter rates. This economic downturn has also affected vessel values overall. Despite global oil demand growth remaining marginally positive for 2013, charter rates for product and crude tankers remained, and continue to be, at historically low levels. Continuing positive oil demand growth is expected to come primarily from emerging markets which have been historically volatile, such as China and India, and a slowdown in these countries economies may severely affect global oil demand growth, and may result in protracted, reduced consumption of oil products and a decreased demand for our vessels and lower charter rates, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to make cash distributions.

If these global economic conditions persist we may not be able to operate our vessels profitably or employ our vessels at favorable charter rates as they come up for rechartering. In the long term, oil demand may also be reduced by an increased reliance on alternative energy sources and/or a drive for increased efficiency in the use of oil as a result of environmental concerns or high oil prices. Furthermore, a significant decrease in the market value of our vessels may cause us to recognize losses if any of our vessels are sold or if their values are impaired, and may affect our ability to comply with our loan covenants. A deterioration of the current economic and market conditions or a negative change in global economic conditions or the product or crude tanker markets would be expected to have a material adverse effect on our business, financial position, results of operations and ability to make cash distributions and comply with our loan covenants, as well as our future prospects and ability to grow our fleet.

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Charter rates for tanker vessels are highly volatile and are currently near historically low levels and may further decrease in the future, which may adversely affect our earnings and our ability to make cash distributions, as we may not be able to recharter our vessels or we may not be able to recharter them at competitive rates.

The shipping industry is cyclical, which may result in volatility in charter hire rates and vessel values. We may not be able to successfully charter our vessels in the future or renew existing charters at the same or similar rates. Charter hires are currently near historically low levels and may further decrease in the future, which may adversely affect our earnings as we may not be able to recharter our vessels for period charters at competitive rates or at all. We are particularly exposed to the fundamentals of the product and crude tanker markets as the majority of the vessels in our fleet are tankers and all the period charters scheduled to expire over the next 12 month period relate to tanker vessels. We may only be able to recharter these vessels at reduced or unprofitable rates as their current charters expire, or we may not be able to recharter these vessels at all. In the event the current low rate environment continues and charterers do not display an increased interest in chartering vessels for longer periods at improved rates, we may not be able to obtain competitive rates for our vessels and our earnings and distributions may be adversely affected. Even if we manage to successfully charter our vessels in the future, our charterers may go bankrupt or fail to perform their obligations under the charter agreements, they may delay payments or suspend payments altogether, they may terminate the charter agreements prior to the agreed-upon expiration date or they may attempt to renegotiate the terms of the charters. If we are required to enter into a charter when charter hire rates are low, our results of operations and our ability to make cash distributions to our unitholders could be adversely affected.

Alternatively, we may have to deploy these vessels in the spot market, which, although common in the tanker industry, is cyclical and highly volatile, with rates fluctuating significantly based upon demand for oil and oil products and tanker supply, amongst others. In the past, the spot market has also experienced periods when spot rates have declined below the operating cost of vessels and currently charter rates in the spot market are also close to historical lows. The successful operation of our vessels in the spot market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. Furthermore, as charter rates for spot charters are fixed for a single voyage which may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

The demand for period charters may not increase and the tanker charter market may not significantly recover over the next several months or may decline further. The occurrence of any of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to meet our obligations and to make cash distributions.

In addition, the market value and charter hire rates of product and crude oil tankers can fluctuate substantially over time due to a number of different factors outside of our control, including:

- the supply for oil and oil products which is influenced by, amongst others:
  - 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;
- regional availability of refining capacity;
- prevailing economic conditions in the market in which the vessel trades;
- availability of credit to charterers and traders in order to finance expenses associated with the relevant trades;
- regulatory change;
- lower levels of demand for the seaborne transportation of refined products and crude oil;

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- increases in the supply of vessel capacity; and
- the cost of retrofitting or modifying existing ships, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

The market value of vessels is influenced by the ability of buyers to access bank finance and equity capital and any disruptions to the market and the possible lack of adequate available finance may negatively affect such market values. If we sell a vessel at a time when the market value of our vessels has fallen, the sale may be at less than the vessel s carrying amount, resulting in a loss. In addition, a decrease in the future charter rate and/or market value of our vessels could potentially result in an impairment charge. A decline in the market value of our vessels could also lead to a default under any prospective credit facility to which we become a party, affect our ability to refinance our existing credit facilities and/or limit our ability to obtain additional financing.

Increasing self-sufficiency in energy by the United States could lead to a decrease in imports of oil to that country, which to date has been one of the largest importers of oil worldwide.

The United States is expected to overtake Saudi Arabia as the world s top oil producer by 2017, according to an annual long-term report by the International Energy Agency (IEA). The steep rise in shale oil and gas production is expected to push the country toward self-sufficiency in energy. In recent years the share of total U.S. consumption met by total liquid fuel net imports, including both crude oil and products, has been decreasing since peaking at over 60% in 2005 and it is estimated that it fell at around 33% in 2013 as a result of lower consumption and the substantial increase in domestic crude oil production. The IEA expects the net import share to decline to 24% in 2015, which would be the lowest level since 1970. A slowdown in oil imports to the United States, one of the most important oil trading nations worldwide, may result in decreased demand for our vessels and lower charter rates, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to make cash distributions.

An oversupply of tanker vessel capacity may lead to reductions in charter hire rates, vessel values and profitability.

The market 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. Newbuildings, especially for crude vessels, were delivered in significant numbers starting at the beginning of 2006 and continued to be delivered in significant numbers through to 2012 and 2013. In addition, it is estimated by Clarkson Research Services Limited that the newbuilding order book, which extends to 2017 equals approximately 12.3% of the existing world tanker fleet and the order book may increase further in proportion to the existing fleet. If the capacity of new ships delivered exceeds the capacity of tankers being scrapped and lost, tanker capacity will increase. If the supply of tanker capacity increases and if the demand for tanker capacity does not increase correspondingly, charter rates and vessel values could materially decline. If such a reduction occurs, we may only be able to recharter our vessels at reduced or unprofitable rates as their current charters expire, or we may not be able to charter these vessels at all. A reduction in charter rates and the value of our vessels may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to make cash distributions.

A number of third party owners have ordered so-called eco-type vessel designs, which offer substantial bunkers savings as compared to older designs. Increased demand for and supply of eco-type vessels could reduce demand for our vessels and expose us to lower vessel utilization and/or decreased charter rates.

The product tanker newbuilding order book as of January 2014 is estimated at 353 vessels or 18.6% of the current product tanker fleet according to Clarksons Research Services Limited. The majority of these orders are based on new vessel designs, which purport to offer material bunker savings compared to older designs, which include our vessels. Such savings could result in a substantial reduction of bunker cost for charterers compared to our vessels. As the supply of such eco-type vessel increases and if charterers prefer such vessels over our vessels, this may reduce demand for our vessels, impair our ability to recharter our vessels at competitive rates and have a material adverse effect on our cash flows and operations.

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RISKS INHERENT IN THE DRYBULK TRADE

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 on June 10, 2011, we have been subject to various risks of the drybulk shipping industry. The drybulk shipping industry is cyclical with attendant volatility in charter rates, vessel values and profitability. In addition, the degree of charter hire rate volatility among different types of drybulk carriers has varied widely. After reaching historical highs in mid-2008, charter hire rates for Capesize drybulk carriers such as the M/V Cape Agamemnon have been decreasing and are currently at or, near historical low levels. The M/V Cape Agamemnon is currently deployed on a period time charter. In the future we may have to charter it pursuant to short-term time charters, and may be exposed to changes in spot market and short-term charter rates for drybulk carriers, and such changes may affect our earnings and the value of the M/V Cape Agamemnon at any given time.

Moreover, the factors affecting the supply and demand for drybulk vessels are outside of our control and are difficult to predict with confidence. As a result, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include, among others:

- supply and demand for drybulk products;
- 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;
- developments in international trade;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

Factors that influence the supply of vessel capacity include, among others:

- the number of newbuild deliveries, which among other factors relates to the ability of shipyards to deliver newbuilds by contracted delivery dates and the ability of purchasers to finance such newbuilds;
- the scrapping rate of older vessels;
- the number of vessels that are in or out of service, including due to vessel casualties;
- changes in environmental and other regulations and standards that may limit the profitability 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 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 and results of operations.

The M/V Cape Agamemnon is currently chartered at rates that are at a substantial premium to the spot and period market, and 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 10 year time charter to Cosco Bulk Carrier Co. Ltd. (Cosco), an affiliate of the China Ocean Shipping (Group) Company (COSCO Group) and one of the largest drybulk charterers globally, which commenced in July 2010 and was amended in November 2011. The earliest expiry under the charter is June 2020. Since the charter amendment in November 2011, the gross charter rate is a flat rate of $42,200 per day.

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Cosco has faced financial difficulties and has incurred losses recently. The loss of this customer could result in a significant loss of revenues, cash flow and our ability to maintain or improve distributions over the long term. We could lose this customer or the benefits of the charter entered into with it if, among other things:

- the customer is unable or unwilling to perform its obligations under the charter, including the payment of the agreed rates in a timely manner;
- the customer continues to face financial difficulties forcing it to declare bankruptcy or to default under the charter;
- the customer fails to make charter payments because of its financial inability, disagreements with us or otherwise;
- the customer seeks to renegotiate the terms of the charter agreement due to prevailing economic and market conditions or due to continued poor performance by the charterer;
- the customer exercises certain rights to terminate the charter;
- the customer 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 customer, including war or political unrest prevents us from performing services for that customer; or
- the customer 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 recharter the vessel at the then prevailing charter rates. In such event, we may not be able to obtain competitive, or profitable, rates for this vessel and our earnings and ability to make cash distributions may be adversely affected.

A negative change in the economic conditions in the United States, the European Union or the Asian region, especially in China, Japan or India, could reduce drybulk trade and demand, which could reduce charter rates and have a material adverse effect on our business, financial condition and results of operations.

A significant number of the port calls made by capesize bulk carriers involve the loading or discharging of raw materials in ports in the Asian region, particularly China, Japan and India. As a result, a negative change in economic conditions in any Asian country, particularly China, Japan or India, could have a material adverse effect on our business, financial position and results of operations, as well as our future prospects, by reducing demand and, as a result, charter rates and affecting our ability to recharter the M/V Cape Agamemnon at a profitable rate. 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 driving force behind increases in marine drybulk trade and the demand for drybulk vessels. If economic growth declines in China, Japan, India and other countries in the Asian region, we may face decreases in such drybulk trade and demand. Moreover, a slowdown in the United States and Japanese economies, or the economies of the European Union, as has occurred recently, or certain Asian countries will likely adversely affect economic growth in China, India and elsewhere. Such an economic downturn in any of these countries could have a material adverse effect on our business, financial condition and results of operations.

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

The market supply of drybulk vessels has been increasing, and the number of drybulk vessels on order as of January 2014, was estimated by market sources to be approximately 20.7% of the then-existing global drybulk fleet in terms of dwt, with deliveries expected mainly during the succeeding 24 months, although available data with regard to cancellations of existing newbuild orders or delays of newbuild deliveries are not always accurate.

Despite increased demolition of older drybulk vessels in 2011 2013, the drybulk fleet continues to grow at a rapid pace. An oversupply of drybulk vessel capacity will likely result in a reduction of charter hire rates. Upon the expiration of its current period time charter 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.

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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, and we may not be able to successfully operate the vessel.

We have historically owned tanker vessels and have been active in the tanker market only. We employ the M/V Cape Agamemnon in the highly competitive drybulk market. The drybulk market is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of which have substantially greater resources than we have or will have. 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 additional competitors with greater resources may be able to offer lower charter rates than we are able to offer, which could have a material adverse effect on our ability to utilize 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 and results of operations.

The M/V Cape Agamemnon is the only drybulk vessel in our fleet. 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 and results of operations.

RISKS RELATING TO THE CONTAINER CARRIER TRADE

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.

With the exception of the M/V Cape Agamemnon, we have historically owned tanker vessels and have been active in the tanker market only. Since December 2012, we have acquired seven container vessels from Capital Maritime, and have become subject to various risks of the container shipping industry. We employ these seven vessels in the container shipping market in which we had limited experience prior to 2010. 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 demand for the shipment of cargoes in containers and, in turn, containerships. Containership charter rates peaked in 2005 but have declined sharply and have remained low throughout 2013, as the impact of the European sovereign debt crisis and economic slowdown across the globe have affected international trade including exports from China to Europe and the United States, and have been subject to downward fluctuations, which in many cases have resulted in historical lows. Liner companies have experienced a substantial drop-off in container shipping activity, resulting in decreased average freight rates since the second half of 2011, and the continuation of such decreased freight rates or any further declines in freight rates would negatively affect the liner companies to which we charter our containerships. Variations in containership charter rates result from changes in the supply and demand for ship capacity and changes in the supply and demand for the major products transported by containerships. The economics of the container business have also been affected negatively by the large number of containership newbuild vessels ordered prior to the onset of the downturn. Accordingly, weak conditions in the containership sector may affect our ability to generate cash flows and maintain liquidity, as well as adversely affect our ability to obtain financing.

The factors affecting the supply and demand for containerships are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable and include supply and demand for products shipped in containers, changes in global production of products transported by containerships, global and regional economic and political conditions, developments in international trade, environmental and other regulatory developments, the distance container cargo products are to be moved by sea, changes in seaborne and other transportation patterns, port and canal congestion and currency exchange rates, number and price of newbuilding deliveries, availability of shipyard capacity and scrapping rate of older vessels as well as the overall number of containerships that are out of service.

Consumer confidence and consumer spending remain relatively weak and uncertain. Consumer purchases of discretionary items, many of which are transported by sea in containers, generally decline during periods where disposable income is adversely affected or there is economic uncertainty and, as a result, liner company customers may ship fewer containers or may ship containers only at reduced rates. Any such decrease in shipping volume could adversely impact liner companies and increasing the counterparty risk associated with the charters for our vessels and, in turn, affect overall demand for containerships.

Our ability to recharter our containerships upon the expiration or termination of their current time charters and the charter rates payable under any renewal options or replacement time charters will depend upon, among other things, the prevailing state of the containership charter market, which can be affected by consumer demand for products shipped in containers. If the charter market is depressed when our containerships time charters expire, we may be forced to recharter our containerships at reduced or even unprofitable rates, or we may not be able to recharter them at all, which may reduce or eliminate our earnings or make our earnings volatile. The same issues will be faced if we acquire additional vessels and attempt to obtain multi-year time charters as part of our acquisition and financing plan.

The decline in the containership market has affected the major liner companies and the value of container vessels, which follow the trends of freight rates and containership charter rates, and can affect the earnings on our charters, and similarly, our cash flows and liquidity. The decline in the containership charter market has had and may continue to have additional adverse consequences for the container industry including, a less active secondhand market for the sale of vessels, charterers not performing under, or requesting modifications of, existing time charters. A further downturn in the container shipping industry could adversely affect our ability to pay distributions to our unitholders and affect our results of operations and financial condition.

The factors affecting the supply and demand for containerships and supply and demand for products shipped in containers are outside of our control and are difficult to predict with confidence. As a result, the nature, timing, direction and degree of changes in industry conditions are unpredictable.

Factors that influence demand for containership capacity include, among others:

- supply and 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;
- global and regional economic and political conditions;
- developments in international trade;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

Factors that influence the supply of containership capacity include, among others:

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

An oversupply of containership capacity may prolong or further depress the current charter rates and adversely affect our ability to recharter 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 order-book volume dropped during 2011 to relatively low levels compared to previous years, the order-book is still at almost 20% of the existing fleet and deliveries of vessels ordered will significantly increase the size of the container fleet over the next two 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 rechartered or idle containership capacity entering the market, combined with any future decline in the demand for containerships, may result in a reduction of charter rates and may decrease our ability to recharter our containerships other than for reduced rates or unprofitable rates, or we may not be able to recharter our containerships at all.

We are dependent on our charterers fulfilling their obligations under their agreements with us, and their inability or unwillingness to honor these obligations could reduce our revenues and cash flow.

Our seven container carrier vessels are currently under charters with Hyundai Merchant Marine Co. Ltd. (HMM) and A.P. Moller-Maersk A.S (Maersk Line). We expect that our containerships will continue to be chartered to customers mainly under multi-year fixed rate time charters. Many liner companies, including our charterers, finance their activities through cash from operations, the incurrence of debt or the issuance of equity. Since 2008, there has been a significant decline in the credit markets and the availability of credit, and the equity markets have been volatile. The combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. If we lose a time charter because the charterer is unable to pay us or for any other reason, we may be unable to redeploy the related vessel on similarly favorable terms or at all. Also, we will not receive any revenues from such a vessel while it is unchartered, but we will be required to pay expenses necessary to maintain and insure the vessel and service any indebtedness on it. The combination of any surplus of containership capacity and the expected increase in the size of the world containership fleet over the next few years may make it difficult to secure substitute employment for any of our containerships if our counterparties fail to perform their obligations under the currently arranged time charters, and any new charter arrangements we are able to secure may be at lower rates. Furthermore, the surplus of containerships available at lower charter rates and lack of demand for our customers liner services could negatively affect our charterers willingness to perform their obligations under our time charters, which in many cases provide for charter rates significantly above current market rates. A failure of HMM or Maersk Line to comply with the terms of its charters, and our inability to replace such charters in a certain manner may, under certain circumstances, result in an event of default under our credit facilities.

The loss of either of our charterers or vessels, or a decline in payments under our time charters, could have a material adverse effect on our business, results of operations and financial condition, revenues and cash flow and our ability to pay distributions to our unitholders.

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Five of our container vessels are currently chartered at rates that are at a substantial premium to the spot and period market, and the loss of these charters could result in a significant loss of expected future revenues and cash flows.

The M/V Hyundai Premium, M/V Hyundai Paramount, M/V Hyundai Privilege, M/V Hyundai Platinum and M/V CCNI Angol are each currently under 12 year time charters to HMM, at a gross charter rate of $29,350 per day, that all commenced in the first half of 2013.

HMM has faced financial difficulties and has incurred losses recently. The loss of this customer could result in a significant loss of revenues, cash flow and our ability to maintain or improve distributions over the long term. We could lose this customer or the benefits of the charters entered into with it if, among other things:

- the customer is unable or unwilling to perform its obligations under the charters, including the payment of the agreed rates in a timely manner;
- the customer continues to face financial difficulties forcing it to declare bankruptcy or to default under the charters;
- the customer fails to make charter payments because of its financial inability, disagreements with us or otherwise;
- the customer seeks to renegotiate the terms of the charter agreements due to prevailing economic and market conditions or due to continued poor performance by the charterer;
- the customer exercises certain rights to terminate the charters;
- the customer 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 customer, including war or political unrest prevents us from performing services for that customer; or
- the customer 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.

In the event we lose the benefit of the charters with HMM prior to their respective expiration date, we would have to recharter 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 and our earnings and ability to make cash distributions may be adversely affected.

A decrease in the level of China s export of goods or an increase in trade protectionism could have a material adverse impact on our charterers business and, in turn, could cause a material adverse impact on our results of operations, financial condition and cash flows.

China exports considerably more goods than it imports. 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 the Asia Pacific region to various overseas export markets including the United States and Europe. Any reduction in or hindrance to the output of China-based exporters could have a material adverse effect on the growth rate of China s exports and on our charterers business. For instance, the government of China has implemented economic policies aimed at increasing domestic consumption of Chinese-made goods. This may have the effect of reducing the supply of goods available for export and may, in turn, result in a decrease of demand for container shipping. Additionally, though in China there is an increasing level of autonomy and a gradual shift in emphasis to a market economy and enterprise reform, many of the reforms, particularly some limited price reforms that result in the prices for certain commodities being principally determined by market forces, are unprecedented or experimental and may be subject to revision, change or abolition. The level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government.

Our operations expose us to the risk that increased trade protectionism will adversely affect our business. If the incipient global recovery is undermined by downside risks and the recent economic downturn is prolonged, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing the demand for shipping. Specifically, increasing trade protectionism in the markets that our charterers serve has caused and may continue to cause an increase in (i) the cost of goods exported from China, (ii) the length of time required to deliver goods from China and (iii) the risks associated with exporting goods from China, as well as a decrease in the quantity of goods to be shipped. Any increased trade barriers or restrictions on trade, especially

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trade with China, 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. This could have a material adverse effect on our business, results of operations and financial condition and our ability to pay distributions to our unitholders.

Containership values decreased significantly in 2008 and 2009 and have remained at depressed levels through 2013. Containership values may decrease further and over time may fluctuate substantially. If these values are low at a time when we are attempting to dispose of a vessel, we could incur a loss.

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.

If the market values of our vessels deteriorate significantly, we may be required to record an impairment charge in our financial statements, which could adversely affect our results of operations. If a charter expires or is terminated, we may be unable to recharter the vessel at an acceptable rate and, rather than continue to incur costs to maintain the vessel, may seek to dispose of it. Our inability to dispose of one or more of the containerships at a reasonable price could result in a loss on its sale and adversely affect our results of operations and financial condition.

Our growth and our ability to recharter our containerships depends on our ability to expand relationships with existing customers and develop relationships with new customers, for which we will face substantial competition.

We will look to recharter our existing containerships following the expiration of their current charters and we will seek charters for any additional containerships that we acquire. 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 relating to the vessel operator, including, among others:

- shipping industry relationships and reputation for customer service and safety;
- container shipping experience and quality of ship operations, including cost effectiveness;
- quality and experience of seafaring crew;
- the ability to finance containerships at competitive rates and the ship 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 ships 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.

Competition for providing new 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 customers or to develop relationships with new customers on a profitable basis, if at all, which could harm our business, results of operations, financial condition and ability to make cash distributions.

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RISKS RELATING 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 our ability to:

- capitalize on opportunities in the crude, product tanker, drybulk and container markets by fixing period charters for our vessels at attractive rates;
- identify businesses engaged in managing, operating or owning vessels for acquisitions or joint ventures;
- identify vessels and/or shipping companies for acquisitions;
- access financing and obtain required financing for existing and new operations, including refinancing of existing indebtedness;
- integrate any acquired businesses or vessels successfully with existing operations;
- hire, train and retain qualified personnel to manage, maintain and operate its growing 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 newbuildings or secondhand vessels on favorable terms, which could impede our growth and negatively impact our financial condition and ability to pay 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.

The failure to effectively identify, purchase, develop, employ and integrate any vessels or businesses could adversely affect our business, financial condition and results of operations and our ability to make cash distributions.

Fees and cost reimbursements paid by us to Capital Maritime for services provided to us and certain of our subsidiaries 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 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. Please read Item 4B: Business Overview Our Management Agreements for a detailed description of the main terms of our three management agreements.

The expenses incurred under our three management agreements 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 been increasing and may increase in the future. Increases in any of these costs would decrease our earnings, cash flows and the amount of cash available for distribution to our unitholders.

We expect that as the fixed fee management agreement expires for vessels currently managed under it, such vessels, and any additional acquisitions we make in the future, shall be managed under floating fee management agreements, on similar terms to the ones currently in place. It is possible that the level of our operating costs may materially change following any such renewal. Any increase in the costs and expenses associated with the provision of these services by our manager in the future, such as the condition and age of our vessels, costs of crews for our time chartered vessels and insurance, will lead to an increase in the fees we would have to pay to Capital Ship Management or another third party under any new agreements we enter into.

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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 or our vessels, which are expected to be significant, could adversely affect our business, financial condition and results of operations, including our ability to make cash distributions.

We cannot assure you that we will pay any distributions.

We currently observe a cash dividend and cash distribution policy implemented by our board of directors. The actual declaration of future cash distributions, and the establishment of record and payment dates, is subject to the terms of the partnership agreement and final determination by our board of directors each quarter after its review of financial performance. Our ability to pay distributions in any period will depend upon factors including but not limited to financial condition, results of operations, prospects and applicable provisions of Marshall Islands law. Further, holders of our common units are subject to the prior distribution rights of any holders of our preferred units then outstanding. As of the date of this Annual Report, there were 18,922,221 Class B Units issued and outstanding, of which 4,048,484 were owned by Capital Maritime. 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. We may not have sufficient cash available each quarter to pay the declared quarterly distribution per Class B or per common unit following establishment of cash reserves and payment of fees and expenses.

The timing and amount of distributions, if any, could be affected by factors affecting cash flows, results of operations, required capital expenditures, compliance with our loan covenants, or reserves. Maintaining the distribution policy will depend on shipping market development and the charter rates we earn when we recharter our vessels, our cash earnings, financial condition and cash requirements and could be affected by factors, including the loss of a vessel, required capital expenditures, reserves established by our board of directors, increased or unanticipated expenses, additional borrowings and compliance with our loan covenants as well as our ability to refinance existing indebtedness, asset valuations or future issuances of securities, which may be beyond our control.

Under Marshall Islands law, a limited partnership shall not make a 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 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 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 of this and the other factors mentioned above, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

Our distribution policy may be changed at any time, and from time to time, by our board of directors.

Our common units are equity securities and are subordinate to our existing and future indebtedness and our preferred units.

Our common units are equity interests in us and do not constitute indebtedness. The 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 Capital Product Partners L.P. (the Partnership or CPLP). Additionally, holders of the 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.

As long as our outstanding Class B Units remain outstanding, under our partnership agreement, distribution payments relating to our common units are prohibited until all accrued and unpaid distributions are paid on the Class B Units.

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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. Any such actions could adversely affect the market price of our common units.

If we reduce or eliminate the replacement capital expenditures deducted from our operating surplus, our growth and the future income generating capacity of our fleet may be significantly affected.

Our partnership agreement requires our board of directors to deduct from operating surplus cash reserves that it determines are necessary to fund our future operating expenditures. In the past we have made substantial capital expenditures to expand and renew our fleet, which also reduced the amount of cash available for distribution to our unitholders. Replacement capital expenditures include capital expenditures associated with an estimation for future acquisitions of new vessels or a replacement of a vessel in our fleet in order to maintain and grow the income generating capacity of our fleet. These expenditures could increase as a result of 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;
- increases in the size of our fleet;
- 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.

The amount of estimated 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 the conflicts committee of our board of directors. In years when estimated capital expenditures are higher than actual capital expenditures, the amount of cash available for distribution to unitholders will be lower than if actual capital expenditures were deducted from operating surplus. If our board of directors underestimates the appropriate level of estimated replacement capital expenditures, we may have less cash available for distribution in future periods when actual capital expenditures exceed our previous estimates.

Our board of directors has elected not to deduct any replacement capital expenditures from our operating surplus since 2011, which may affect our ability to acquire new vessels or replace a vessel in our fleet, as well as our future income generating capacity.

We separately account for the maintenance capital expenditures required to maintain the operating quality of our vessels as we incur maintenance expenses as part of our operating expenses, including any costs associated with scheduled drydockings. We may have to separately provide for estimated capital expenditures associated with drydocking and, in addition to estimated replacement capital expenditures, also deduct these from our operating surplus.

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

During 2014, a vessel managed under our fixed fee management agreement is scheduled for its next special or intermediate survey and associated drydocking. Once any of our vessels is put into drydock, it is automatically considered to be off-hire in connection with such special or intermediate survey and associated drydocking, which means that for such period of time any such vessel will not be earning any revenues. In addition, during the drydocking of our vessels, we may incur certain costs, the levels of which are not possible to predict, are not covered under this management agreement and which we will have to reimburse to our manager. Consequently, as our vessels scheduled drydocking approaches, the number of off-hire days of our fleet and operating expenses will increase, which may materially affect our cash available for distribution to our unitholders.

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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.

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 pay cash distributions.

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. 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. 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.

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

A 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 pay cash distributions.

Acts of piracy on ocean-going vessels have recently increased in frequency, which 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 and in the Gulf of Aden off the coast of Somalia. Over the last several years, the frequency of piracy incidents has increased significantly, particularly in the Gulf of Aden and towards the Mozambique Channel in the North Indian Ocean.

If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as war risk zones, as the Gulf of Aden temporarily was in May 2008, 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 losses 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.

We are responsible for the cost of fuel in the form of bunkers, which is a significant vessel expense, at any time our vessels are trading in the spot market, are off-hire or during the drydocking of any of our vessels. In addition, 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 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 or lesser cost than originally anticipated and may result in losses or diminished profits.

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, or have longer physical lives than our current vessels, competition from these more technologically advanced vessels could adversely affect our ability to recharter 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.

RISKS RELATING TO FINANCING ACTIVITIES

If the contraction of the global credit markets and the resulting volatility in the financial markets and limited availability of funding continues or worsens, it may have a material adverse impact on our results of operations and on our ability to obtain bank financing and/or to access the capital markets for future debt or equity offerings. The restrictions imposed by our credit facilities may also limit our ability to access such financing, even if it is available. If we are unable to obtain financing or access the capital markets, we may be unable to complete any future purchases of vessels from Capital Maritime or from third parties, or pursue other potential growth opportunities.

Since 2008, a number of major financial institutions have experienced serious financial difficulties and, in some cases, have entered into bankruptcy proceedings or are in regulatory enforcement actions. These difficulties have resulted, in part, from declining markets for assets held by such institutions, particularly the reduction in the value of their mortgage and asset-backed securities portfolios. These difficulties have been compounded by financial turmoil affecting the world s debt, credit and capital markets, and the general decline in the willingness by banks and other financial institutions to extend credit, particularly to the shipping industry due to the historically low vessel earnings and values, and, in part, due to changes in overall banking regulations (for example, Basel III). Given these conditions, the ability of banks and credit institutions to finance new projects, including the acquisition of new vessels in the future, is uncertain. In addition, these difficulties may adversely affect the financial institutions that provide our credit facilities and may impair their ability to continue to perform under their financing obligations to us, which could have an impact on our ability to fund current and future obligations.

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Furthermore, our ability to obtain bank financing or to access the capital markets for future equity or debt offerings may be limited by our financial condition at the time of any such financing or offering, as well as by the continuing adverse market conditions, including weakened demand for, and increased supply of, product tankers, drybulk or container vessels, resulting from, among other things, general economic conditions, weakness in the financial markets and contingencies and uncertainties that are beyond our control. The restrictions imposed by our credit facilities, including the obligation to comply with certain collateral maintenance and other requirements, may further restrict our ability to access available financing. Continued access to the capital markets is not assured. If we are unable to obtain additional credit or draw down upon borrowing capacity, it may negatively impact our ability to fund current and future obligations. In addition, the severe deterioration in the banking and credit markets has resulted in potentially higher interest costs and overall limited availability of liquidity, which may further affect our ability to complete any future purchases of vessels from Capital Maritime or from third parties or to refinance our debt. Furthermore, banks and financial institutions are faced with ongoing financial difficulties, and increased scrutiny by credit rating agencies means that there may be no funding available from banks limiting our ability to refinance our debt. Our failure to obtain the funds for necessary future capital expenditures and for the refinancing of our debt could also have a material adverse impact on our business, results of operations and financial condition, our ability to grow and make cash distributions and could cause the market price of our common units to decline.

Disruptions in world financial markets and further governmental action in the United States and in other parts of the world could have a material adverse impact on our results of operations, financial condition and cash flows, and could cause the market price of our common units decline.

Since 2008, global financial markets have experienced extraordinary disruption and volatility following adverse changes in the global credit markets. The credit markets in the United States have experienced significant contraction, deleveraging and reduced liquidity, and governments around the world have taken highly significant measures in response to such events, including the enactment of the Emergency Economic Stabilization Act of 2008 in the United States, and may implement other significant responses in the future. Securities and futures markets, and the credit markets, are subject to comprehensive statutes, regulations and other requirements. The SEC, other regulators, self-regulatory organizations and exchanges have enacted temporary emergency regulations in the past and may take other extraordinary actions in the event of market emergencies and may affect permanent changes in law or interpretations of existing laws. Any changes to securities, tax, environmental, or other laws or regulations, could have a material adverse effect on our results of operations, financial condition or cash flows, and could cause the market price of our common units to decline.

A limited number of financial institutions hold our cash including financial institutions located in Greece.

We maintain our cash with a limited number of financial institutions, 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 in Greece, including the possibility of further sovereign credit rating downgrades and the restructuring of Greece s sovereign debt, as well as a potential exit from the Euro, 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 and cash flows.

We have incurred significant indebtedness which could adversely affect our ability to further finance our operations, pursue desirable business opportunities or successfully run our business in the future as well as our ability to make cash distributions.

As of December 31, 2013 our total debt was $583.3 million consisting of: (i) $250.9 million outstanding under the 2007 credit facility; (ii) $238.4 outstanding under the 2008 credit facility; (iii) $19.0 million outstanding under the 2011 credit facility and (iv) 75.0 million outstanding under the 2013 credit facility. All facilities are non-amortizing until March 2016.

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Our leverage and debt service obligations could have significant additional consequences, including the following:

- If future cash flows are insufficient, we may need to incur further indebtedness in order to make the capital expenditures and other expenses or investments we have planned.
- If future cash flows are insufficient and we are not able to service our debt or, when the non-amortizing period of our existing credit facilities expires in March 2016, we are not able to refinance our existing indebtedness with non-amortizing debt with similar terms to our existing facilities, our obligation to make principal payments under our credit facilities may force us to take actions such as reducing or eliminating distributions, 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.
- Our indebtedness will have the general effect of reducing our flexibility to react to changing business and economic conditions insofar as they affect our financial condition and, therefore, may pose substantial risk to 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 the holders of our common units.
- Our 2007, 2008, 2011 and 2013 credit facilities mature in 2017, 2018, 2018 and 2020, respectively. Our ability to secure additional financing prior to or after that time, if needed, may be substantially restricted by the existing level of our indebtedness and the restrictions contained in our debt instruments. Upon maturity, we will be required to dedicate a substantial portion of our cash flow to the payment of such debt, which will reduce the amount of funds available for operations, capital expenditures and future business opportunities.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, prospects and ability to make distributions and to satisfy our obligations under our credit facilities or any debt securities.

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 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 the fixed daily fee payable under the management agreement.

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 amended credit facilities require us to comply with certain financial covenants:

- maintain minimum free consolidated liquidity of at least $500,000 per collateralized vessel;
- 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
- 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 (the leverage ratio).

In addition, our credit facilities require that we maintain an aggregate fair market value of the vessels in our fleet of at least 125% of the aggregate amount outstanding under each credit facility (the collateral maintenance).

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The interest margin of our credit facilities was amended to 2.0% for our 2007 credit facility and 3.0% for our 2008 credit facility in connection with the 2012 issuance and sale of our Class B Units. The interest margin for our 2011 and 2013 credit facilities is 3.25% and 3.5%, respectively. 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 further deteriorate or fail to improve, 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, especially 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 set out above. The recent global economic downturn has had an adverse effect on vessel values which is likely to persist if the economic slowdown resumes. If the estimated asset values of the vessels in our fleet continue to decrease, such decreases may limit the amounts we can drawdown under our credit facilities to purchase additional vessels and our ability to expand our fleet. In addition, 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. If funds under our credit facilities become unavailable as a result of a breach of our covenants or otherwise, we may not be able to perform our business strategy which could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

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 loan agreements, 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 loan agreements, replace them with alternate credit arrangements or provide additional security. We may not be able to refinance or replace our loan agreements 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 with similar terms to the existing facilities, 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, as amended, a significant portion of our obligations may become immediately due and payable and our lenders commitments to make further loans to us may terminate. We may also be unable to execute our business strategy.

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 vessel earnings and valuations, or market or other economic conditions deteriorate further, 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, especially if we trigger a cross-default currently contained in our credit facilities or any interest rate swap agreements we have entered 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 may terminate. We may not be able to reach agreement with our lenders to

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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. 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, if funds under our credit facilities become unavailable as a result of a breach of our covenants or otherwise, we may not be able to execute our business strategy, 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 the vessels in our fleet is less than 125% of the aggregate amount outstanding under each of our credit facilities.

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 for 20 days after written notice of the lenders;
- 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;
- 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 $1.0 million or more that is not discharged within 10 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 Market or on any other recognized securities exchange;
- any breach under any provisions contained in our interest rate swap agreements;
- termination of our interest rate swap agreements or an event of default thereunder that is not remedied within five business days;
- 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 HMM or Maersk Line to comply with the terms of the their charters and 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.

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We anticipate that any subsequent refinancing of our current debt or any new debt could have similar or more onerous restrictions. For more information regarding our financing arrangements, please read Item 5A: Management s Discussion and Analysis of Financial Condition and Results of Operations below.

RISKS INHERENT IN OUR OPERATIONS

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

We have derived, and believe that we will continue to derive, all of our revenues and cash flow from a limited number of customers. For the year ended December 31, 2013, Capital Maritime, BP Shipping Limited, Maersk Line and HMM accounted for 32%, 17%, 14% and 13% of our revenues, respectively. For the year ended December 31, 2012, Capital Maritime and BP Shipping Limited accounted for 45% and 23% of our revenues, respectively. For the year ended December 31, 2011, Capital Maritime, BP Shipping Limited and subsidiaries of Overseas Shipholding Group Inc. (OSG) accounted for 24%, 32% and 11% of our revenues, respectively. We could lose a customer, including Capital Maritime, or the benefits of some or all of a charter if:

- the customer faces financial difficulties forcing it to declare bankruptcy or making it impossible for it to perform its obligations under the charter, including the payment of the agreed rates in a timely manner;
- the customer 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 customer fails to make charter payments due to disagreements with us or otherwise;
- the customer tries to renegotiate the terms of the charter agreement due to prevailing economic and market conditions;
- the customer exercises certain rights to terminate the charter or purchase the vessel;
- the customer terminates the charter because we fail to 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; or
- a prolonged force majeure event affecting the customer, including damage to or destruction of relevant production facilities, war or political unrest prevents us from performing services for that customer.

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. Please read Item 4B: Business Overview Our Customers and Our Charters below for further information on our customers.

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. 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 rechartered, we may have to operate it in the spot market at charter rates which may not be as favorable to us as our current charter rates. In addition, 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 customers, time or bareboat charters or vessels, or a decline in payments under our charters, could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

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One of our largest customers, BP Shipping Limited, has been adversely affected by the oil leak in the Gulf of Mexico. This spill or future spills by other companies may result in additional or changes to existing regulation that could result in additional costs to us or expose us to additional liabilities.

One of our largest customers, BP Shipping Limited, is an affiliate of BP p.l.c. (BP). BP and its affiliates have been materially adversely affected by the explosion onboard the semisubmersible drilling rig Deepwater Horizon in the Gulf of Mexico in April 2010 and the resulting oil leak from a well being operated by an affiliate of BP and in which such affiliate had a majority working interest. As of December 31, 2013, five of our vessels were chartered to BP or its affiliates. BP Shipping Limited accounted for approximately 17%, 23% and 32% of our revenues for the years ended December 31, 2013, 2012 and 2011, respectively.

Future costs associated with the Gulf of Mexico oil spill could adversely affect BP and could, in turn, have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to meet our obligations and to make cash distributions. Future significant spills that capture public or regulatory attention could result in stricter regulation.

The United States Oil Pollution Act of 1990 (OPA 90) regulations or implementation may become more stringent in application in the future. Our operations may be subject to more rigorous preparedness requirements and practice demonstrations, more unannounced exercises and increased penalties for any failure to demonstrate preparedness and additional disaster response planning. Increased requirements under the OPA 90 or state laws could subject us to increased liabilities in the event of a disaster and increased operating costs.

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 the ongoing market fluctuations, and risks or suffers material damage to its reputation, it may affect 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.

As of December 31, 2013, eleven of our 30 vessels were under charter with Capital Maritime. In the future we may enter into additional contracts with Capital Maritime to charter our vessels as they become available for rechartering. Capital Maritime is subject to the same risks and market fluctuations as all other charterers. In the event Capital Maritime is affected by the ongoing 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.

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 7B: Related-Party Transactions Transactions entered into during the year ended December 31, 2012 and Transactions entered into during the year ended December 31, 2011 below 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 the ongoing 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

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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, results of operations and financial condition and our ability to make cash distributions.

If our ability to do any of the things described above is impaired, it could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

Our growth depends on general trends in the shipping industry that may affect the product tanker, container carrier and drybulk trade, as well as on continued growth in demand for refined products and crude oil and the continued demand for their seaborne transportation.

Our growth strategy depends on developments in the refined product tanker, crude oil, drybulk and container shipping sectors. In particular, our growth depends on continued growth in world and regional demand for refined products and crude oil, and the transportation of refined products and crude oil by sea, as well as drybulk products, commodities and other materials that are transported by container or drybulk vessels, all of which could be negatively affected by a number of factors, including:

- the economic and financial developments globally, including actual and projected global economic growth;
- fluctuations in the actual or projected price of refined products and crude oil;
- refining capacity and its geographical location;
- 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;
- 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; and
- availability of new, alternative energy sources.

Additionally, our growth depends on continued growth in world and regional demand for the transportation of containerized and drybulk goods, which could be negatively affected by a number of factors, including:

- our ability to operate in new markets, including the container carrier market;
- drybulk and container carrier industry trends;
- the supply and demand of containerized goods;
- developments in the market for exports of containerized goods from emerging markets, including China;
- 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;
- negative or deteriorating global or regional economic or political conditions, particularly in oil consuming regions, which could reduce energy consumption or its growth;
- the location of consuming regions for containerized and drybulk goods;
- the globalization of production and manufacturing;
- the price of steel and other raw materials;
- 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;
- the number of vessels being laid up or scrapped in a particular sector compared to the number of newbuild deliveries; and
- environmental and other regulatory developments.

Continued reduced demand for refined products, crude oil, containerized and dry cargo goods, and the shipping of these, would have a material adverse effect on our future growth and could harm our business, results of operations, cash flows and financial condition.

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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 International Maritime Organization (the IMO), a United Nations agency that issues international trade standards for shipping;
- 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;
- 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 results of operations and cash flows. Please read Item 4B: Business Overview Major Oil Company Vetting Process for more information regarding this process.

If we purchase and operate secondhand vessels, we will be exposed to increased operating costs which could adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.

Our current business strategy includes additional growth through the acquisition of new and secondhand vessels. While we typically inspect secondhand vessels prior to purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated solely by us. Generally, we do not receive the benefit of warranties from the builders for the secondhand vessels that we acquire. Our fleet had an average age of approximately 5.8 years as of December 31, 2013. In general the costs to maintain 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. Cargo insurance rates also increase with the age of a vessel making older vessels less desirable to charterers.

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 replace aging vessels in the future will be affected by our ability to acquire new vessels on favorable terms. From time to time, we expect to enter into agreements with

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Capital Maritime or other third parties to purchase additional newbuildings or other modern vessels (or interests in vessel owning companies). 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 finance and equity capital and any disruptions to the market and the possible lack of adequate available finance 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 and results of operations and our ability to make cash distributions.

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 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 generally will 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, 2013, our fleet consisted of 30 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 partly 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 3D: Risk Factors Risks Inherent in an Investment in Us We may issue additional equity securities without your approval, which would dilute your ownership interests. below.

If we elect to expand our fleet in the future 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% to 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 meet our quarterly distributions to unitholders, which could have a material adverse effect on our ability to make cash distributions.

Political and government instability, terrorist or other attacks, war or international hostilities can affect the tanker industry, 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, the bombings in Spain on March 11, 2004 and in London on July 7, 2005, the recent conflicts in Iraq and Afghanistan and other current and future conflicts, and the continuing response of the United States 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.

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 may 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 and persons are targeted by sanctions and embargoes imposed by the United States, the European Union and other jurisdictions, and Cuba, Iran, Sudan and Syria are identified as state sponsors of terrorism by the U.S. Department of State. Such sanctions and embargo laws and regulations vary in their application. They do not apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be strengthened or otherwise amended over time. We generally do not do business in the targeted jurisdictions and have not entered into agreements or other arrangements with the governments or any governmental entities of Cuba, Iran, Sudan or Syria and have entertained no direct business contacts with officials or representatives of any such governments or entities. However, although we have various policies and controls designed to help ensure our compliance with these sanctions and embargo laws, it is possible that the charterers of our vessels, or their subcharterer, may arrange for vessels in our fleet to call on ports located in one or more of these countries.

In recent years, one focus of these sanctions, especially with respect to Iran, has been on shipping concerns. For example, in 2010, the United States enacted the Comprehensive Iran Sanctions Accountability and Divestment Act (CISADA), which amended and expanded the scope of the Iran Sanctions Act of 1996 (as amended, the ISA). Among other things, after CISADA, the ISA provides that sanctions may be imposed on any person who provides ships or shipping services to deliver refined petroleum products to Iran, subject to certain conditions. The Iran Threat Reduction and Syria Human Rights Act of 2012 (the ITRA) further adds to and strengthens U.S. sanctions regarding Iran. In particular, with regard to shipping concerns, the ITRA adds new categories of sanctionable commercial activities, including ownership, operation or control of a vessel that was used to transport crude oil from Iran to another country, subject to certain conditions and exceptions. The ITRA also amended the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), to require that issuers required to file with the SEC an annual or quarterly report under Section 13(a) of the Exchange Act include in the applicable report disclosure as to whether such issuer or its affiliates have knowingly engaged in certain activities described in the ISA and CISADA, or in transactions or dealings with certain persons identified in Section 13(r) of the Exchange Act. In December 2012, the United States enacted the Iran Freedom and Counter-Proliferation Act of 2012, as a subtitle of the National Defense Authorization Act for Fiscal Year 2012 (the IFCPA), which, among other things, further targets Iran s ports, shipping, and ship-building sectors as entities of proliferation concern and authorizes the designation of persons and entities operating a port in Iran, or who knowingly provide significant financial, material, technological or other support to, or goods and services in support of any activity or transaction on behalf of or for the benefit of such a port operator, as a Specially Designated Nationals and Blocked Person (SDN) to be listed on the U.S. Office of Foreign Assets Control s (OFAC) list of Specially Designated Nationals and Blocked Persons (SDN List). The IFCPA also allows for sanctions to be imposed on any person who knowingly sells, supplies or transfers, directly or indirectly, materials to be used in connection with the energy, shipping, or shipbuilding sectors of Iran, subject to certain conditions and exceptions.

If it is determined that a person has engaged in sanctionable conduct under the ISA, the President of the United States (acting through the U.S. State Department and/or the U.S. Treasury Department) is required to impose at least five of 12 available sanctions. Sanctions include denial of export licenses, restrictions or prohibition on extensions of loans or credit, loss of eligibility to be awarded government contracts, a prohibition on transactions in foreign exchange by the sanctioned company, a prohibition of any transfers of credit or payments between, by, through or to any financial institution to the extent the interest of a sanctioned company is involved, a ban on investment in the debt or equity securities of the sanctioned party, exclusion of the sanctioned entity s corporate officers from the United States, sanctions imposed directly on the principal executive officers of the sanctioned entity and a requirement to block or freeze any property of the sanctioned company that is subject to the jurisdiction of the United States.

In addition to these United States sanctions, the European Union has a variety of restrictive measures in force against Iran and Syria. Those measures include restrictions on the transportation of goods which could be used for nuclear enrichment related activities. Measures are also in place restricting the import, purchase and transport of Iranian or Syrian crude oil and the transportation of equipment used in the production of petroleum. In the case of Iran, those measures extend also to the import, purchase and transport of petrochemical products.

We are mindful of the restrictions discussed above and contained in the other applicable sanctions and embargo laws of 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. We believe that we are currently in compliance with all applicable sanctions and embargo laws and regulations.

In order to maintain compliance, among other things, we monitor and review the movement of our vessels, as well as the cargo being transported by our vessels, on a continuing basis. During 2013, our vessels made approximately 821 total calls on worldwide ports. None of the vessels in our fleet made any port calls in Cuba or

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Syria. Of the vessels in our fleet, six made one port call each to Iran representing approximately 0.7% of our total calls. In addition, a vessel owned by our affiliate, Capital Maritime, made one port call to Iran. As part of the voyage charter arrangements between our affiliate Capital Maritime and third party charterers, Capital Maritime 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, which in 2013 did not include any payments for refueling or bunkers for the vessels making such port calls. The six port calls made by CPLP vessels and the one port call made by a Capital Maritime vessel all occurred while the respective vessels were sublet by their charterer under voyage charters to third parties. To the best of our knowledge, the vessels making these port calls were transporting either vegetable oils or molasses, not crude oil, petroleum, refined petroleum, petrochemical products, uranium or weapons, or other goods that are specially targeted by various sanctions and embargo laws of the United States, such as the ISA, or the European Union. We believe all such port calls were made in full compliance with applicable regulations, including those of the United States, the European Union and other relevant jurisdictions.

Our charter agreements include provisions that, on the one hand, restrict trades of our vessels to countries under sanctions or embargoes and, on the other, allow any transportation activities involving sanctioned countries to the extent permitted under the applicable sanction or embargo requirements. Our ordinary chartering policy is to try and include similar provisions in all of our period charters. Prior to agreeing to waive existing charter party restrictions on carrying cargoes to or from Iranian ports, we ensure that the charterers have proof of compliance with international and U.S. sanction exemptions. More specifically, our current charters proscribe trades of our vessels to Cuba and contain provisions to also exclude Iran and Syria in certain situations, including in the event that a boycott or further sanctions are imposed by a relevant jurisdiction regarding trade with Iran and Syria. Our charters at this time do not impose a blanket prohibition on port calls in the Sudan.

Should one of our charterers engage in actions that involve us or our vessels and that may, if completed, represent material violations of 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 sanctions-related legislation that could impact our business may be enacted in the future. 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 these countries, 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, we may not be in strict and absolute compliance in the future, particularly as the scope of certain laws may be unclear, may be subject to changing interpretations or may be strengthened or otherwise amended. Any such violation could result in fines 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 may do business with 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 tankers from making any calls at certain ports, which potentially could have a negative impact on our business and results of operations.

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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 any 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 and operating results.

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, a cost which is undertaken by our manager under the terms of our management agreement.

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 do not currently maintain off-hire insurance, covering loss of revenue during extended vessel off-hire periods such as may occur whilst a vessel is under repair. Accordingly, even though a unique cover has been negotiated to mitigate such off-hire losses to a certain extent, 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. Certain of our insurance coverage is maintained through mutual protection and indemnity associations, and 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 3D: 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 us.   below.

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, financial condition and operating results. In addition, certain of our vessels are under bareboat charters with BP Shipping Limited and subsidiaries of OSG. 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 and financial condition. In addition, our insurance may be voidable 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 us.

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, air emissions and other pollution, and to reduce potential negative environmental effects associated with the maritime industry in general. Our compliance with these requirements can be costly.

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.

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 of owners, operators and bareboat charterers of vessels for oil pollution in U.S. waters. Similarly, the 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 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 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, shipowners 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. For example, recent amendments to MARPOL regulations regarding the prevention of air pollution from ships establish a series of progressively stricter standards to further limit the sulfur content in fuel oil, which will be phased in through 2020, and new tiers of nitrogen oxide (NOx) emission standards for new marine diesel engines, depending on their date of installation. Additionally, more stringent emission standards apply in the coastal areas designated as Emission Control Areas, including the Baltic Sea, the North Sea, and the United States and Canadian coastal areas.

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.

For example, legislation and regulations that will require more stringent controls of air emissions from ocean-going vessels are pending or have been approved at the federal and state level in the United States. The relevant standards are consistent with the 2008 Amendments to Annex VI of MARPOL. Such legislation or regulations may require significant additional capital expenditures (such as additional costs required for the installation of control equipment on each vessel) or operating expenses (such as increased costs for low-sulfur fuel) in order for us to maintain our vessels compliance with international and/or national regulations and standards.

In addition, various jurisdictions and organizations, including the IMO and the United States government, have proposed or implemented requirements governing the management of ballast water to prevent the introduction of non-indigenous invasive species. To meet this challenge, the IMO has developed the International Convention for the Control and Management of Ships Ballast Water and Sediments (the BWM Convention), to regulate discharges of ballast water and reduce the risk of introducing non-native species from ships ballast water. The BWM Convention will enter into force 12 months after ratification by 30 states, representing 35% of world s merchant shipping tonnage. As of December 2013, 38 states, representing approximately 30.38% of the world s merchant shipping tonnage, have ratified the BWM Convention. We may incur additional costs to install the relevant control equipment on our vessels in order to comply with the new standards.

In the United States, ballast water management legislation has been enacted in several states, and federal legislation is currently pending in the U.S. Congress. In addition, the U.S. Environmental Protection Agency has also adopted a rule which requires commercial vessels to obtain a Vessel General Permit from the U.S. Coast Guard 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 comply with U.S. Coast Guard regulations that phase in new ballast water management system standards and requirements for new built and existing ships beginning in 2013 and through 2016. 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 regulations regarding ballast water management in these other jurisdictions, along with the potential for increased port disposal costs.

Other requirements may also come into force regarding the protection of 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 amongst 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 or through other multilateral or bilateral agreements.

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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. In recent years, the IMO and EU have both accelerated their existing non-double-hull phase-out schedules in response to highly publicized oil spills and other shipping incidents involving companies unrelated to us. 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 below for a more detailed discussion of 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 Capital Ship Management, our manager, may not prevent labor interruptions and the failure to renegotiate these agreements successfully in the future may disrupt our operations and adversely affect our cash flows.

The crew employment agreements that manning agents enter into on behalf of Capital Maritime or any of its affiliates, including Capital Ship Management, our manager, may not prevent labor interruptions and are subject to renegotiation in the future. Any labor interruptions, including due to a failure to renegotiate employment agreements with our crew members successfully could disrupt our operations and could adversely affect our business, results of operations, cash flows and financial condition.

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 flow may be subject to instability in the long term. 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 are available 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.

RISKS INHERENT IN AN INVESTMENT IN US

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

Pursuant to the omnibus agreement that we and Capital Maritime have entered into, as amended and restated, 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 over 30,000 dwt under time or bareboat charters with a remaining duration, excluding any extension options, of at least 12 months at the earliest of the following dates: (a) the date the tanker to which such time or bareboat charter is attached is first acquired by Capital Maritime and its controlled affiliates and (b) the date on which a tanker owned by Capital Maritime or its controlled affiliates is put under such time or bareboat charter without the consent of our general partner or 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 such restatement without first offering such tanker vessel first to Capital Maritime. In addition, both we and Capital Maritime have granted the other party a right of first offer on the transfer or rechartering of any vessels with carrying capacity over 30,000 dwt. The omnibus agreement, however, contains significant exceptions that may allow Capital Maritime or any of its controlled affiliates to compete with us, which could harm our business. Please read Item 7B: Related-Party Transactions Transactions entered into during the year ended December 31, 2011 .

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

Capital Maritime is our largest customer, with eleven of our 30 vessels chartered to it as of December 31, 2013. 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 its 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 common units have only limited voting rights on matters affecting our business. We hold a meeting of the limited partners every year to elect one or more members of our board of directors and to vote on any other matters that are properly brought before the meeting. Common unitholders (excluding Capital Maritime and its affiliates) elect five of the eight members of our board of directors. We do not currently have any outstanding subordinated units. 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. The partnership agreement also contains provisions limiting the ability of common 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 66 $^2/_3$% of the outstanding units, including any units owned by our general partner and its affiliates, voting together as a single class and a majority vote of our board of directors. Currently, 67,237,409 common units are owned by non-affiliated public unitholders, representing 76.0% of our common units and a 61.6% common unitholder interest in us overall.

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, 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, 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 holding less than 4.9% of the voting power of all classes of units entitled to vote. As affiliates of our general partner, Capital Maritime and Crude Carriers Investments Corp. (Crude Carriers Investments) are not subject to this limitation.

As of December 31, 2013, the Marinakis family, including Evangelos M. Marinakis, our chairman, may be deemed to beneficially own a 27.3% interest in us through its beneficial ownership, amongst others, of Capital Maritime, which owned a 21.5% interest in us, including 17,692,891 common units, 4,048,484 Class B Units and a 1.6% interest in us through its ownership of our general partner, and of Crude Carriers Investments, which owned a 3.0% interest in us.

Our general partner and its other 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. The common units owned by affiliates of our general partner have the same rights as our other outstanding common 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

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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 3D: 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. below. 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 unitholders 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 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 a distribution on any subordinated units or 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 7B: Related-Party Transactions below.

The vote of a majority of our common unitholders generally is required to amend the terms of our partnership agreement, including votes cast by affiliates of our general partner. As of December 31, 2013, a 27.3% interest in us may be deemed to be owned by affiliates of our general partner which can significantly impact any vote under the terms of our partnership agreement and may significantly affect your rights under the partnership agreement. In addition, affiliates of our general partner are not subject to the limitations on voting rights imposed on our other limited partners and 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 (or in certain cases a higher percentage), generally is required in order to amend the terms of the partnership agreement or to reach certain decisions or actions, including:

- amendments to the definition of available cash, operating surplus and adjusted operating surplus;
- changes in our cash distribution policy;

- elimination of the obligation to pay the minimum quarterly distribution;
- elimination of the obligation to hold an annual general meeting;
- removal of any appointed director for cause;
- transfer of the general partner interest;
- transfer of the incentive distribution rights;
- the ability of the board to sell, exchange or otherwise dispose of all or substantially all of our assets;
- resolution of conflicts of interest;
- 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 a change that our board of directors determines to be necessary or appropriate to qualify or continue our qualification as a limited partnership or a partnership in which our limited partners maintain limited liability under the laws of The Marshall Islands or any other jurisdiction, and an 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.

Capital Maritime, our largest unitholder, may propose amendments to the partnership agreement that may favor its interests over yours and which may change or limit your rights under the partnership agreement. Following the conversion of our subordinated units into common units in February 2009, the risk of any shortfall in the payment of the quarterly distribution is now borne by our common unitholders, including Capital Maritime and Crude Carriers Investments, equally.

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.

Please also read Item 3D: 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. above for more 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 is also an executive officer 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, results of operations and financial condition.

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 to which our general partner and directors would otherwise be held by 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 call right, 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 incentive distribution rights, 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.

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 66 2/3% 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, 2013, the Marinakis family, including Evangelos M. Marinakis, our chairman, may be deemed to beneficially own a 27.3% interest in us through its beneficial ownership, amongst others, of Capital Maritime and of Crude Carriers Investments.

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, 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 common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote.

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. 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, results of operations or financial condition and our ability to make cash distributions.

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, including sales of units by our large unitholders or under our three registration statements on Form F-3 filed with the SEC during 2011, 2012 and 2013, 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. Please see Item 4A: History and Development of the Partnership for a more detailed description of our three registration statements on Form F-3 filed with the SEC.

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 certain anti-dilution protection provisions, the distribution rate on our common units is increased. As of December 31, 2013, certain Class B unitholders have converted 5,733,333 Class B Units into 5,733,333 common units. For a more thorough description of the rights and privileges of our Class B unitholders under our partnership agreement, including voting rights, please refer to our partnership agreement, as amended, filed as Exhibit I to our Current Report on Form 6-K dated February 22, 2010, as Exhibit I to our Current Report on Form 6-K dated September 30, 2011, as Exhibit II to the our Current Report on Form 6-K/A dated May 23, 2012 and as Exhibit II to our Current Report on Form 6-K dated March 21, 2013.

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

We may, without the approval of our unitholders, issue an unlimited number of additional units or other equity securities, including securities to Capital Maritime. To date, we have issued and outstanding 18,922,221 Class B units to certain investors which are convertible on a one-for-one basis into common units under certain circumstances, and have also issued 24,967,240 common units to holders of Crude Carriers shares, in a unit-for-share transaction consummated in September 2011 whereby Crude Carriers became a wholly owned subsidiary of ours. We have also issued common units in connection with the acquisition of certain of our vessels, either directly to Capital Maritime or through public offerings, including an issuance in August 2013 of 279,286 common units under our 2011 Form F-3 filed with the SEC. We may make additional such issuances in the future. In addition, in August 2010, we issued a total of 795,200 restricted common units under our Omnibus Incentive Compensation Plan adopted in April 2008, as amended (the Plan). The issuance by us of additional units or other equity securities of equal or senior rank will 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 strength of each previously outstanding unit may be diminished; and

the market price of the units may decline.

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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 common units, 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 common units or subordinated units 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 common units or subordinated 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 Marshall Islands, you could be held liable for our obligations to the same extent as a general partner if you participate 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, except for those contractual obligations of the partnership that are expressly made without recourse to our general partner. 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 The Partnership Agreement Limited Liability in our Registration Statement on Form F-1 filed with the SEC on March 19, 2007, for a more detailed discussion of the implications of the limitations on liability to a unitholder.

We can borrow money to pay distributions, 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 common 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 common units. Any such increase in interest rates or reduction in demand for our common units resulting from other relatively more attractive investment opportunities may cause the trading price of our common 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 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 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 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. As our manager, 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 it uniform with the Delaware Revised Uniform Partnership Act and, so long as it does not conflict with the MILPA or decisions of the Marshall Islands courts, interpreted according to the non-statutory law (or case law) of the State of Delaware. 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 United States Federal Income Tax Considerations 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 U.S. 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 United States 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.

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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. Any foreign taxes imposed on us or any subsidiaries 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 formed as Capital Product Partners L.P. under the laws of The Marshall Islands on January 16, 2007. We completed our IPO in April 2007 at which time our fleet consisted of eight vessels as compared to the 30 currently in our fleet. 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.

On February 23, 2010, we announced the issuance of 5,800,000 common units at a public offering price of $8.85 per common unit under our Registration Statement on Form F-3 dated August 29, 2008, as amended (the 2008 Form F-3). An additional 481,578 common units were subsequently sold on the same terms following the partial exercise of the over-allotment option granted to the underwriters for the offering. Capital GP L.L.C., our general partner, participated in both the offering and the exercise of the over-allotment option and purchased an additional 128,195 units at the public offering price, thereby maintaining its 2% interest us. Aggregate proceeds, net of commissions but before expenses relating to the offering, were approximately $54.0 million. 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.

On July 22, 2010, we held our annual general meeting of unitholders, at which time the two initial directors appointed by Capital Maritime and designated as Class III elected directors were reelected by a majority of our common unitholders (excluding common units held by Capital Maritime). As of this annual meeting, a majority of our board has been elected by our common unitholders, rather than appointed by our general partner.

On August 9, 2010, we announced the issuance of 5,500,000 common units at a public offering price of $8.63 per common unit under our 2008 Form F-3. An additional 552,254 common units were subsequently sold on the same terms following the partial 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 an additional 123,515 units at the public offering price, thereby maintaining its 2% interest in us.

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Aggregate proceeds, net of commissions but before expenses relating to the offering, were approximately $50.8 million. 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.

On May 5, 2011, we entered into a definitive agreement to merge with Crude Carriers in a unit-for-share transaction whereby Crude Carriers would become a wholly owned subsidiary of ours. The exchange ratio was 1.56 of our units for each Crude Carriers share. In September 2011, we completed the merger with Crude Carriers, which was approved by 60.3% of Crude Carriers unaffiliated shareholders voting as a separate class, representing approximately 97.9% of the total votes cast, at a special shareholders meeting. In connection with the merger, we issued an additional 24,967,240 common units to holders of Crude Carriers shares, which include 3,284,210 common units resulting from the conversion of Crude Carriers Class B Shares owned by Crude Carriers Investments and 623,064 common units resulting from the conversion of common shares issued under the Crude Carriers Equity Incentive Plan (the Crude Plan). We also approved the election of Dimitris Christacopoulos, an independent member of the Crude Carriers board, to our board of directors. Concurrently with the completion of the merger, and in order for our general partner to maintain its 2% interest in us, 499,346 common units owned by Capital Maritime were converted into general partner units. For additional information regarding the merger with Crude Carriers please see our Registration Statement on Form F-4 filed with the SEC and declared effective on August 12, 2011 (our Form F-4) and Note 3 (Acquisitions) to our Financial Statements included herein.

In June 2011, we completed the acquisition of the vessel owning company of the M/V Cape Agamemnon and the attached charter from Capital Maritime. The vessel is under a charter to Cosco, which was amended in November 2011, 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 and the remainder through the issuance of 6,958,000 common units to Capital Maritime. The acquisition was approved by our board of directors following approval by the conflicts committee.

In June 2011, we entered into a new $25.0 million credit facility with Credit Agricole Emporiki Bank which, as subsequently amended, is non-amortizing until March 2016 and is priced at LIBOR plus 3.25%. We used the full amount available under this facility in connection with the acquisition of the M/V Cape Agamemnon. Following certain prepayments, as of the date of this Annual Report $19.0 million was outstanding under the 2011 credit facility.

In September 2011, we completed the refinancing of Crude Carriers outstanding debt of $134.6 million using our 2008 credit facility. The refinanced amount is non-amortizing until March 2016.

In September 2011, pursuant to the terms of our merger agreement with Crude Carriers, we amended and restated the omnibus agreement we had entered into at the time of our IPO with Capital Maritime. Under the terms of the amended and restated 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 over 30,000 dwt under time or bareboat charters with a remaining duration, excluding any extension options, of at least 12 months at the earliest of the following dates: (a) the date the tanker to which such time or bareboat charter is attached is first acquired by Capital Maritime and its controlled affiliates and (b) the date on which a tanker owned by Capital Maritime or its controlled affiliates is put under such time or bareboat charter without the consent of our general partner or 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 such restatement without first offering such tanker vessel first to Capital Maritime. In addition, both we and Capital Maritime have granted the other party a right of first offer on the transfer or rechartering of any vessels with carrying capacity over 30,000 dwt.

On December 9, 2011, our Registration Statement on Form F-3 filed with the SEC during 2011 using a shelf registration process, as amended, was declared effective (the 2011 Form F-3). Under this 2011 Form F-3, we may sell, in one or more offerings, up to $500.0 million in total aggregate offering price of common units, preferred units, debt securities, including debt securities convertible into or exchangeable for common units or other securities, and warrants.

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In May 2012 we announced an agreement to issue $140.0 million of Class B Units to a group of investors including amongst others Kayne Anderson Capital Advisors, L.P., Swank Capital LLC, Salient Partners, Spring Creek Capital LLC, Mason Street Advisors LLC and our sponsor Capital Maritime (the Purchasers). As of June 6, 2012, we had completed the issuance and sale of 15,555,554 Class B Units to the Purchasers pursuant to the Class B Convertible Preferred Unit Subscription Agreements dated May 11, 2012 and June 6, 2012, respectively (the Subscription Agreements), entered into with the Purchasers. The Class B Units were priced at $9.00 per unit and are convertible at any time into common units of the Partnership on a one-for-one basis. The Class B Units pay a fixed quarterly 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 of $149.6 million across our three credit facilities. The transaction was unanimously approved by our board of directors.

In connection with the issuance and sale of the Class B Units, we adopted the Second Amendment, dated as of May 22, 2012 (the Second Amendment to the Partnership Agreement), to our partnership agreement, which established and set forth the rights, preferences, privileges, duties and obligations of the Class B Units. The issued Class B Units have certain rights that are senior to the rights of the holders of common units, such as the right to distributions and rights upon liquidation of the Partnership. Furthermore, we entered into the certain Registration Rights Agreements, dated as of May 22, 2012 and June 6, 2012, respectively (Registration Rights Agreements), with certain Purchasers, relating to the registered resale of common units issuable upon the conversion of the Class B Units purchased pursuant to the Subscription Agreements. 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 addition, we also entered into amendments to our three credit facilities which provide for a deferral of scheduled amortization payments under each of our three credit facilities until March 31, 2016, the conversion of the 2007 credit facility to a term loan and cancellation of the undrawn tranche of $52.5 million of our 2008 facility. In addition, the interest margin of our 2007 and 2008 facilities was increased to 2.0% and 3.0%, respectively. All other terms in these credit facilities remained unchanged.

For additional information regarding the issuance and sale of the Class B Units, the Registration Rights Agreements, the Subscription Agreements and the Second Amendment to the Partnership Agreement please see our Current Reports on Form 6-K furnished to the SEC on May 23, 2012 and June 6, 2012 and Note 13 (Partners Capital) to our Financial Statements included herein.

2013 Developments

Issuance and Sale of Class B Units

In March 2013 we announced an agreement to issue 9.1 million Class B Units to funds managed by Kayne Anderson Capital Advisors, L.P. and Oaktree Capital Management, L.P. as well as to our sponsor Capital Maritime (the 2013 Purchasers) and completed the issuance and sale of such 9.1 million Class B Units to the 2013 Purchasers pursuant to the Class B Convertible Preferred Unit Subscription Agreement dated March 15, 2013 (the 2013 Subscription Agreement) entered into with the 2013 Purchasers. The Class B Units were priced at $8.25 per unit. In connection with the issuance and sale of the Class B Units, we adopted the Third Amendment, dated as of March 19, 2013 (the Third Amendment to the Partnership Agreement), to our partnership agreement, which amends some of the rights, preferences and privileges of the Class B Units. As described above and in further detail in the Second Amendment to the Partnership Agreement, filed as Exhibit II to the our Current Report on Form 6-K/A dated May 23, 2012, the Class B Units have certain rights that are senior to the rights of the holders of our common units, such as the right to distributions and rights upon liquidation of the Partnership. The Third Amendment to the Partnership Agreement amends certain terms of the Class B Units, including an adjustment to the distribution rate for the Class B Units in the event the distribution rate on our common units is increased, and providing for the payment of distributions to holders of Class B Units in common units in the event distributions are not paid in cash. The Class B Units remain convertible at any time into common units of the Partnership on a one-for-one basis and continue to pay a fixed quarterly distribution of $0.21375 per unit representing an annualized distribution yield of 9.5%.

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The net proceeds of the transaction, together with approximately $54.0 million from our existing credit facilities 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. Both the M/V Hyundai Premium and M/V Hyundai Paramount are 2013 built at Hyundai Heavy Industries Co. Ltd.. The vessels were originally ordered by Capital Maritime and have secured a 12 year time charter employment (+/- 60 days) to HMM at a gross rate of $29,350 per day.

OSG Bankruptcy and Assignment of Claims

On November 14, 2012, OSG and certain of its subsidiaries made a voluntary filing for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware (the Bankruptcy Court). As of December 31, 2013, we had three IMO II/III Chemical/Product tankers (M/T Alexandros II, M/T Aristotelis II and M/T Aris II, all built in 2008 by STX Offshore & Shipbuilding Co. Ltd.) on long term bareboat charter to subsidiaries of OSG. These charters were scheduled to terminate, approximately, in November 2017, April and June of 2018, respectively, and were at rates that were substantially above then current market rates. OSG requested that we reduce the charter rates for their remaining terms to substantially lower rates.

After discussions with OSG, we agreed to enter into new charters with OSG on substantially the same terms as the prior charters, but at a bareboat rate of $6,250 per day. The new charters were approved by the Bankruptcy Court on March 21, 2013, and were effective as of March 1, 2013. On the same date, the Bankruptcy Court also rejected the prior charters as of March 1, 2013. Rejection of each prior charter constitutes a material breach of such charter.

On May 24, 2013, we filed six claims (the 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, including, among other things, for the difference between the bareboat rate of the new charters and the bareboat rate under each of the rejected prior charters.

We transferred to Deutsche Bank Securities Inc. (Deutsche Bank) all of our rights, title, interest, claims and causes of action in and to, or arising under or in connection with, the Claims pursuant to three separate Assignment of Claim Agreements, dated as of June 24, 2013, and effective as of June 26, 2013 (collectively, as may be amended or supplemented from time to time, the Assignment Agreements). In connection with the Assignment Agreements, on July 2, 2013, Deutsche Bank filed with the Bankruptcy Court six separate Evidences of Transfer of Claim in connection with each of the six Claims. The total proceeds received by the Partnership from the sale of claims to Deutsche Bank were dependent on the actual claim amount allowed by the Bankruptcy Court we may have been required to refund a portion of the purchase price (up to a maximum of $9 million) or may have received an additional payment from Deutsche Bank. On December 18, 2013, we entered into a Settlement Notice and Refund Modification with Deutsche Bank pursuant to which, among other things, we agreed that if the Claims are allowed in an aggregate amount less than $43.25 million, the maximum aggregate amount that we are obligated to refund to Deutsche Bank is $0.6 million.

On January 6, 2014, OSG and certain of its affiliates filed a motion (the Settlement Motion) with the Bankruptcy Court seeking approval of a settlement (the Settlement) with Deutsche Bank in connection with the Claims. Among other things, the Settlement provides that the Claims will be allowed as general unsecured non-priority claims in the aggregate reduced amount of $43 million. The Bankruptcy Court approved the Settlement Motion on February 3, 2014. Pursuant to the terms of the Assignment Agreements, because the Claims are allowed in an aggregate amount of $43 million, we are obligated to refund $0.6 million Deutsche Bank.

Issuance and Sale of Common Units

On August 5, 2013, we announced the issuance of 11,900,000 common units at a public offering price of $9.25 per common unit under our 2011 Form F-3. An additional 1,785,000 common units were subsequently sold on the same terms 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. Subsequent to the completion of the equity issuance, our general partner converted 349,700 common units into general partner units to maintain its 2% interest in us. Net proceeds, before expenses, relating to the offering were approximately $120.7 million. 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 CCNI Angol (ex Hyundai Prestige), the M/V Hyundai Privilege and the M/V Hyundai Platinum, from our sponsor Capital Maritime for an aggregate purchase price of $195.0 million. Each of these vessels was built in 2013 at Hyundai Heavy Industries. Co. Ltd. and each such vessel is employed under a 12 year time charter employment (+/- 60 days) to HMM at a gross rate of $29,350 per day. The charters commenced shortly after the delivery of the vessels to Capital Maritime during the first half of 2013.

Other Developments

On July 22, 2013, we held our annual general meeting of unitholders, at which time both Keith Forman and Evangelos Bairactaris were reelected to act as Class III Directors until our 2016 annual general meeting. No other actions were taken at the meeting.

In July, August, October and December 2013, certain holders of our Class B Units converted 5,733,333 Class B Units into common units in accordance with the terms of the partnership agreement.

On September 6, 2013, and as amended on December 27, 2013, we entered into the 2013 credit facility. The 2013 credit facility is non-amortizing until March 2016, with a final maturity date in December 2020, and is priced at LIBOR plus 3.50% and a commitment fee of 1.00%. The facility will be available for the funding of up to 50% of the charter free value of modern product tankers and post-panamax container vessels.

On November 5, 2013, we sold the M/T Agamemnon II (51,238 dwt IMO II/III Chemical Product Tanker built 2008, STX Shipbuilding & Offshore, S. Korea) to unaffiliated third parties.

On November 28, 2013, we acquired an eco-type MR product tanker to be renamed M/T Aristotelis (51,604 dwt IMO II/III Chemical Product Tanker built 2013, Hyundai Mipo Dockyard Ltd, S. Korea). The acquisition of M/T Aristotelis was funded with proceeds from the sale of M/T Agamemnon II and approximately $6.3 million from our cash balances.

Our fleet consists of 30 high specification vessels. We currently have no capital commitments to purchase or build additional vessels. We intend to continue to evaluate potential acquisitions of vessels or businesses and to take advantage of our relationship with Capital Maritime in a prudent manner that is accretive to our unitholders and to long-term distribution growth.

Please see Item 4B: Business Overview Our Fleet below for more information regarding our vessels, their charters, charter rates and expirations, operating expenses and other information, Item 5A: Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Accounting for Acquisition and Disposal of Vessels and Merger with Crude Carriers and Item 5B: Liquidity and Capital Resources Net Cash Provided by/(Used in) Investing Activities for more information regarding any acquisitions and Item 7B: Related-Party Transactions for a description of the terms of certain transactions.

B. Business Overview

We are an international owner of modern tanker, container and drybulk vessels. Our fleet of 30 modern high specification vessels 2.1 million dwt) with an average age of approximately 5.8 years as of December 31, 2013, consists of four Suezmax crude oil tankers, 18 modern MR tankers all of which are classed as IMO II/III vessels, seven 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, 2013, all our vessels were chartered under medium- to long-term time and bareboat charters (with an average remaining term of approximately 8.8 years) to large charterers such as BP Shipping Limited, HMM, Capital Maritime, Cosco, Maersk Line, Bluemarine Cargo, S.A. de C.V. (Bluemarine Cargo), Subtec S.A. de C.V. (Subtec) and subsidiaries of OSG. 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 12 of our 17 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 below for a detailed description of how profit sharing is calculated. As of December 31, 2013, the Marinakis family, including Evangelos M. Marinakis, our chairman, may be deemed to beneficially own a 27.3% interest in us through its beneficial ownership, amongst others, of Capital Maritime, and of Crude Carriers Investments.

Business Strategies

Our primary business objective is to pay a sustainable quarterly distribution on our common units and Class B Units and to increase our distributions on our common units over time by executing 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, our profit sharing arrangements, and our cost-efficient ship management operations under our agreements with Capital Ship Management provide visibility of revenues and cash flows in the medium- to long-term. As of December 31, 2013, all our vessels were chartered under medium- to long-term time and bareboat charters with an average remaining term of approximately 8.8 years. As our vessels come up for rechartering we will seek to redeploy them under period contracts that reflect our expectations of the market conditions prevailing at the time. We believe that the 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 position us well to recharter our vessels.

Expand our fleet through accretive acquisitions. Our fleet consists of 30 vessels, compared to eight vessels at the time of our IPO in 2007. We intend to continue to evaluate potential acquisitions of both newbuildings and second-hand vessels from Capital Maritime and unaffiliated third parties and to take advantage of our unique relationship with Capital Maritime to 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. We have approximately $150 million available under a new credit facility that may be used for further vessel acquisitions. Please refer to Item 5B: Liquidity and Capital Resources Borrowings Our Credit Facilities for more information. In addition, we may pursue opportunities for acquisitions of, or combinations with, other shipping businesses.

Capitalize on our relationship with Capital Maritime and expand our relationships with our existing and new charterers. We 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 those of other charterers in the tanker, drybulk and container sectors, in order to attract new customers for the 30 vessels in our fleet. We may increase the number of vessels we charter to our existing charterers, including Capital Maritime, in order to expand our relationship with them and satisfy their diverse trading requirements. In addition, we plan to enter into charter agreements with new customers in order to maintain a portfolio of charters that is diverse from a customer, geography and maturity perspective.

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 in the future, we will need to maintain our excellent vessel safety record and maintain and build on our high level of customer service and support. Capital Ship Management has an excellent vessel safety record, is capable of complying with rigorous health, safety and environmental protection standards, and is 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 and our future prospects for success are enhanced because of the following competitive strengths:

Well-established relationships with our counterparties and with Capital Maritime. We believe our strong relationships with our counterparties, many of which have chartered vessels since our IPO, and

with Capital Maritime and its affiliates, provide numerous benefits which are essential to our long-term growth and success. Capital Maritime 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 ability to meet 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 fleet with long-term charters. We benefit from the diverse trading requirements of our charterers, as well as the diversity of our fleet, which allow us to expand our chartering relationships and enter into agreements with additional counterparties, including in the drybulk and container markets. We further enjoy a long remaining duration on our charters, as a number of our vessels are chartered under long-term contracts, providing cash flow visibility into the future. Our average remaining charter duration stood at 8.8 years, as of December 31, 2013.

Modern, high specification product tanker fleet. The 18 medium range tankers that form part of our fleet of 30 modern high specification vessels 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 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. In addition, we believe that these characteristics of our fleet position us well to take advantage of the positive demand fundamentals in the product tanker business as our vessels become available for rechartering.

Financial strength and flexibility. We believe we enjoy a strong balance sheet and that our financial strength positions us to grow our business in the future, as well as to be a strong counterparty to our charterers as they seek financially sound counterparties with which to enter into long-term contracts. We believe that our equity raisings of approximately $195.8 million completed in 2013 and the terms of our credit facilities enhance our financial flexibility to pay attractive distributions and to realize potential new vessel acquisitions from Capital Maritime and third parties. In addition, the new senior secured credit facility we entered into in 2013 will further facilitate our growth ahead. Please refer to Item 5B: Liquidity and Capital Resources Borrowings Our Credit Facilities for more information regarding the 2013 credit facility.

Our Customers

We provide marine transportation services under medium to long-term time charters or bareboat charters with counterparties that we believe are creditworthy:

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 over 20 countries. BP Shipping Limited provides all logistics for the marketing of BP s oil and gas cargoes.
Overseas Shipholding Group Inc., one of the largest independent shipping companies in the world operating crude and product tankers with a fleet of over 100 owned and operated vessels.
Bluemarine Cargo S.A. de C.V., is a Mexican company specializing in the supply and operation of vessels for the offshore oil and gas industry.
Capital Maritime & Trading Corp., an established 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.
SUBTEC S.A. de C.V., is a Mexican company specializing in the supply and operation of vessels for the offshore oil and gas industry.
Cosco Bulk Carrier Co. Ltd., is an affiliate of the COSCO Group which is one of the largest drybulk charterers globally. The COSCO Group, listed on the Hong Kong Stock Exchange 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 400 million tons.

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Maersk Line, is the global containerized division of A.P.Møller-Mærsk Maersk Group, which is presently the world s largest liner company with a fleet of more than 600 owned and operated vessels.

Hyundai Merchant Marine Co. Ltd., is an integrated logistics company, operating around 160 state-of-the-art vessels. HMM boasts 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.

For the year ended December 31, 2013, Capital Maritime, BP Shipping Limited, Maersk Line and HMM accounted for 32%, 17%, 14% and 13% of our revenues, respectively. For the year ended December 31, 2012, Capital Maritime and BP Shipping Limited accounted for 45% and 23% of our revenues, respectively. For the year ended December 31, 2011, Capital Maritime, BP Shipping Limited and subsidiaries of OSG accounted for 24%, 32% and 11% of our revenues, respectively.

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 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, according to which our manager provides us 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 vessel s 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 drydocking, of each vessel. In addition to the fixed daily fees payable under the management agreement, Capital Ship Management is entitled to supplementary compensation for Extraordinary Fees and Costs (as defined 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 include 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 based on actual expenses with an initial term of five years per managed vessel. 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. 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. We also pay 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 & 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. The 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 Consumer Price Index over the immediately preceding 12 months. As of March 2013, this termination fee had been adjusted to $9.7 million.

We expect that as the fixed fee management agreement expires for certain of our vessels, such vessels, and any additional acquisitions we make in the future, shall be managed under the floating fee management agreement. Under the terms of all three agreements, Capital Ship Management may provide these services to us directly or it may subcontract for certain of these services with other entities, including other Capital Maritime subsidiaries.

The table below sets out, as of December 31, 2013 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 Atlantas (M/T British Ensign)	X	-	-
M/T Assos (M/T Insurgentes)	X	-	-
M/T Aktoras (M/T British Envoy)	X	-	-
M/T Agisilaos	until Dec 4, 2011	as of Dec 5, 2011	-
M/T Arionas	until Aug 3, 2011	as of Aug 4, 2011	-
M/T Avax	until Apr 17, 2012	as of Apr 18, 2012	-
M/T Aiolos (M/T British Emissary)	X	-	-
M/T Axios	until Jun 12, 2012	as of Jun 13, 2012	-
M/T Atrotos (M/T El Pipila)	X	-	-
M/T Akeraios	until Aug 25, 2012	as of Aug 26, 2012	-
M/T Apostolos	until Sept 14, 2012	as of Sep 15, 2012	-
M/T Anemos I	until Dec 23, 2012	as of Dec 24, 2012	-
M/T Alexandros II (M/T Overseas Serifos)	until Jan 21, 2013 & since May 9, 2013	from Jan 22, 2013 up to May 8, 2013	-
M/T Amore Mio II	X	-	-
M/T Aristotelis II (M/T Overseas Sifnos)	X	-	-
M/T Aris II (M/T Overseas Kimolos)	X	-	-
M/T Agamemnon II (sold on November 5, 2013)	until Nov 5, 2013	-	-
M/T Ayrton II	X	-	-
M/T Alkiviadis	X	-	-
M/V Cape Agamemnon	-	as of Jun 10, 2011	-
M/T Miltiadis M II	-	-	as of Sep 30, 2011
M/T Amoureux	-	-	as of Sep 30, 2011
M/T Aias	-	-	as of Sep 30, 2011
M/V Agamemnon	-	as of Dec 22, 2012	-
M/V Archimidis	-	as of Dec 22, 2012	-
M/V Hyundai Prestige renamed to M/V CCNI Angol	-	as of Sep 11, 2013	-

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Vessel Name	Fixed fee management agreement	Floating fee management agreement	Crude management agreement
M/V Hyundai Premium	-	as of March 20, 2013	-
M/V Hyundai Paramount	-	as of March 27, 2013	-
M/V Hyundai Privilege	-	as of Sep 11, 2013	-
M/V Hyundai Platinum	-	as of Sep 11, 2013	-
M/T Aristotelis	-	as of Nov 28, 2013	-

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 greatly increased in terms of both number of vessels and carrying capacity and currently consists of 30 vessels of various sizes with an average age of approximately 5.8 years and average remaining term under our charters of approximately 8.8 years (as of December 31, 2013).

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. 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 pursuant to 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 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, 2013 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 (DNV), Lloyd s Register of Shipping (Lloyd s), Bureau Veritas (BV) or the American Bureau of Shipping (ABS) and were under tir bareboat charters from the time of their delivery.

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VESSELS IN OUR FLEET AS OF DECEMBER 31, 2013

Vessel name	Sister Vessels[1]	Year built	DWT	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											
Atlantas[7]	A	2006	36,760	$500	Mar 2016	8-yr BC	Mar 2014	$13,433		BP	Ice Class 1A IMO II/III Chemical/ Product
Aktoras[7]	A	2006	36,759	$500	Mar 2016	8-yr BC	Jun 2014	$13,433		BP	
Aiolos[7]	A	2007	36,725	$500	Jan 2017	8-yr BC	Feb 2015	$13,433		BP	
Agisilaos	A	2006	36,760	Floating	Dec 2016	1-yr TC	Aug 2014	$14,072	ü	CMTC	
Arionas	A	2006	36,725	Floating	Aug 2016	1-yr TC	Oct 2014	$14,072	ü	CMTC	
Axios	B	2007	47,872	Floating	Jun 2017	1-yr TC	May 2014	$14,566	ü	CMTC	
Avax[14]	B	2007	47,834	Floating	Apr 2017	1-yr TC	Sep 2014	$14,516	ü	BP	
Akeraios	B	2007	47,781	Floating	Aug 2017	1.5-yr TC	Dec 2014	$14,763	ü	CMTC	
Anemos I	B	2007	47,782	Floating	Dec 2017	1.2-yr TC	Feb 2015	$14,664	ü	CMTC	
Apostolos	B	2007	47,782	Floating	Sep 2017	1.2-yr TC	Dec 2014	$14,664	ü	CMTC	
Alexandros II[8]	C	2008	51,258	$250	Dec 2017-Mar 2018	10-yr BC	Nov 2017	$6,250		OSG	IMO II/III Chem./Prod.
Aristotelis II[8]	C	2008	51,226	$250	Mar-Jun 2018	10-yr BC	April 2018	$6,250		OSG	IMO II/III Chem./Prod.
Aris II[8]	C	2008	51,218	$250	May-Aug 2018	10-yr BC	Jun 2018	$6,250		OSG	
Ayrton II[9]	C	2009	51,260	$6,500	Mar 2014	2-yr TC	Mar 2014	$15,000	ü	BP	
Atrotos[9,10]	B	2007	47,786	$500	Mar 2014	5-yr BC	Apr 2014	$16,825		BLM	Ice Class 1A IMO II/III Chem./Prod.
Alkiviadis	A	2006	36,721	$7,000	Jun 2015	1-yr TC	Jun 2014	$14,072	ü	CMTC	
Assos [9,10]	B	2006	47,872	$500	Mar 2014	5-yr BC	Apr 2014	$16,825		BLM	

CRUDE TANKERS											
Amoureux	D	2008	149,993	Crude	Dec 2020	1-yr TC	Dec 2014	$23,700[11]	ü	CMTC	Suezmax
Aias	D	2008	150,393	Crude	Dec 2020	1-yr TC	Nov 2014	$23,700[11]	ü	CMTC	
Amore Mio II	E	2001	159,982	$8,500	Feb 2014	1-yr TC	Nov 2014	$16,788		CMTC	
Miltiadis M II[12]	F	2006	162,397	Crude	Dec 2020	2-yr TC	Sep 2014	$22,895		SUBT	Ice Class 1A Suezmax
DRYBULK VESSEL											
Cape Agamemnon	G	2010	179,221	Floating	Jun 2016	10-yr TC	Jun 2020	$40,090		COSCO	
CONTAINER CARRIER VESSELS											
Archimidis[13]	H	2006	103,773	Floating	Dec 2017	3-yr TC	Oct 2015	$33,150		MAERSK	Post-Panamax
Agamemnon[13]	H	2007	103,773	Floating	Dec 2017	3.2-yr TC	July 2015	$33,150		MAERSK	
Hyundai Prestige (CCNI Angol)	I	2013	63,010	Floating	Aug-Sep 2018	12-yr TC	Dec 2024	$28,616		HMM	
Hyundai Premium	I	2013	63,010	Floating	Mar-April 2018	12-yr TC	Jan 2025	$28,616		HMM	
Hyundai Paramount	I	2013	63,010	Floating	Mar-April 2018	12-yr TC	Feb 2025	$28,616		HMM	
Hyundai Privilege	I	2013	63,010	Floating	Aug-Sep 2018	12-yr TC	Mar 2025	$28,616		HMM	
Hyundai Platinum	I	2013	63,010	Floating	Aug-Sep 2018	12-yr TC	Apr 2025	$28,616		HMM	
Aristotelis	B	2013	51,604	Floating	Nov 2018	1.5-yr TC	Jun 2015	$16,787	ü	CMTC	IMO II/III Chem./Prod.
TOTAL FLEET DWT:			**2,136,307**								

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