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

# FORM 20-F

**(Mark One)**

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

**OR**

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

**For the fiscal year ended December 31, 2017**

**OR**

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

**For the transition period from __________ to __________**

**OR**

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

**Date of event requiring this shell company report: __________**

**Commission file number: 1-33373**

# CAPITAL PRODUCT PARTNERS L.P.
**(Exact name of Registrant as specified in its charter)**

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

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

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

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common units representing limited partnership interests | Nasdaq Global Select Market |

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

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

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

**127,246,692 Common Units**
**2,439,989 General Partner Units**

**12,983,333 Class B Convertible Preferred Units**

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

**YES** ☐ **NO** ☒

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

**YES** ☐ **NO** ☒

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

**YES** ☒ **NO** ☐

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

**YES** ☒ **NO** ☐

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

**Large accelerated filer** ☐ **Accelerated filer** ☒ **Non-accelerated filer** ☐ **Emerging growth company** ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

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

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

**ITEM 17** ☐ **ITEM 18** ☐

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

**YES** ☐ **NO** ☒

**CAPITAL PRODUCT PARTNERS L.P.**

**TABLE OF CONTENTS**


| | | |
|---|---|---|
| | Forward Looking Statements | 3 |
| **PART I** | | |
| Item 1. | Identity of Directors, Senior Management and Advisors | 6 |
| Item 2. | Offer Statistics and Expected Timetable | 6 |
| Item 3. | Key Information | 6 |
| Item 4. | Information on the Partnership | 56 |
| Item 4A. | Unresolved Staff Comments | 84 |
| Item 5. | Operating and Financial Review and Prospects | 84 |
| Item 6. | Directors, Senior Management and Employees | 99 |
| Item 7. | Major Unitholders and Related-Party Transactions | 105 |
| Item 8. | Financial Information | 114 |
| Item 9. | The Offer and Listing | 124 |
| Item 10. | Additional Information | 125 |
| Item 11. | Quantitative and Qualitative Disclosures about Market Risk | 146 |
| Item 12. | Description of Securities Other than Equity Securities | 147 |
| **PART II** | | |
| Item 13. | Defaults, Dividend Arrearages and Delinquencies | 147 |
| Item 14. | Material Modifications to the Rights of Security Holders and Use of Proceeds | 147 |
| Item 15. | Controls and Procedures | 147 |
| Item 16A. | Audit Committee Financial Expert | 150 |
| Item 16B. | Code of Ethics | 150 |
| Item 16C. | Principal Accountant Fees and Services | 150 |
| Item 16D. | Exemptions from the Listing Standards for Audit Committees | 150 |
| Item 16E. | Purchases of Equity Securities by the Issuer and Affiliated Purchasers | 150 |
| Item 16F. | Change in Registrant’s Certifying Accountant | 151 |
| Item 16G. | Corporate Governance | 151 |
| **PART III** | | |
| Item 17. | Financial Statements | 152 |
| Item 18. | Financial Statements | 152 |
| Item 19. | Exhibits | 152 |
| **Signatures** | | 156 |

*This annual report on Form 20-F (this "Annual Report") should be read in conjunction with our audited consolidated financial statements and accompanying notes included herein. In this Annual Report, the "Partnership," "CPLP," "we," "us" or "our" refer to Capital Product Partners L.P. and, unless the context otherwise requires, its consolidated subsidiaries; "Capital Maritime" or "CMTC" refer to Capital Maritime & Trading Corp., our sponsor; "General Partner" refers to Capital GP L.L.C., our general partner; and "Capital Ship Management" or the "Manager" refer to Capital Ship Management Corp., a subsidiary of Capital Maritime and our manager.*

## FORWARD LOOKING STATEMENTS

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

- expectations regarding our ability to make distributions on our common units and our Class B Convertible Preferred Units (the "Class B Units,") which rank senior to our common units and receive distributions prior to any distributions on our common units;
- our ability to increase our cash available for distribution over time;
- global economic outlook and growth;
- shipping conditions and fundamentals, including the balance of supply and demand in the tanker, drybulk and container markets in which we operate, as well as trends and conditions in the newbuilding markets and scrapping of older vessels;
- increases or decreases in domestic or worldwide oil consumption;
- increases or decreases in seaborne transportation of containerized goods;
- future supply of, and demand for, refined products and crude oil;
- future refined product and crude oil prices and production;
- our ability to operate in various new markets, including the tanker, drybulk and container carrier markets;
- tanker, drybulk and container carrier industry trends, including charter rates and factors affecting the chartering of vessels;
- our future financial condition or results of operations and our future revenues and expenses, including revenues from any profit sharing arrangements, and required levels of reserves;
- future levels of operating surplus, reserves and levels of distributions, as well as our future cash distribution policy;
- future charter hire rates and vessel values;
- the carrying values of our vessels and the potential for any asset impairments;
- anticipated future acquisitions of vessels from Capital Maritime and from third parties, including any of the five Samsung eco medium range product tankers in respect of which we have a right of first refusal;

- anticipated future chartering arrangements with Capital Maritime and third parties;
- our ability to secure employment for our vessels that come off their current charters;
- our ability to leverage to our advantage Capital Maritime's relationships and reputation in the shipping industry;
- our ability to compete successfully for future chartering and newbuilding opportunities;
- our current and future business and growth strategies and other plans and objectives for future operations;
- our ability to access debt, credit and equity markets;
- changes in the availability and costs of funding due to conditions in the bank market, capital markets and other factors;
- our ability to service, refinance or repay our debt under the current terms of our credit facilities and settle any hedging arrangements we may have;
- the ability of our charterers to meet their obligations under the terms of our charter agreements, including the timely payment of the hire or freight rates under the agreements;
- the financial condition, viability and sustainability of our charterers, including their ability to obtain liquidity and access the capital markets;
- changes in interest rates and any interest rate hedging practices in which we may engage;
- debt amortization payments and repayment of debt and settling of interest rate swaps we may make, if any;
- planned capital expenditures and availability of capital resources to fund capital expenditures;
- our ability to maintain long-term relationships with major refined product importers and exporters, major crude oil companies and major commodity traders, operators and liner companies;
- the ability of our Manager to qualify for short- and long-term charter business with oil major charterers and oil traders and major commodity traders, drybulk operators and liner companies;
- our ability to maximize the use of our vessels, including the redeployment or disposition of vessels no longer under long-term time charter;
- our continued ability to enter into long-term, fixed-rate time charters with our charterers and to re-charter our vessels as their existing charters expire at attractive rates;
- the changes to the regulatory requirements applicable to the shipping and oil transportation industry, including, without limitation, stricter requirements adopted by international organizations, such as the International Maritime Organization (also referred to as the IMO), a United Nations agency that issues international trade standards for shipping, and the European Union, or by individual countries or charterers and actions taken by regulatory authorities overseeing 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 our General Partner;
- increases in costs and expenses, including but not limited to crew wages, insurance, provisions, spares, port expenses, lubricating oil, bunkers, repairs, maintenance and general and administrative expenses;
- the adequacy of our insurance arrangements and our ability to obtain insurance and required certifications;

- the impact on operating expenses of the floating fee structure under which most of our vessels are managed;
- potential increases in costs and expenses under our management agreements following expiration and/or renewal of such agreements in connection with certain of our vessels;
- the impact of heightened environmental and quality concerns of insurance underwriters and charterers;
- the anticipated taxation of our partnership and distributions to our common and Class B unitholders;
- estimated future maintenance and replacement capital expenditures;
- expected demand in the shipping sectors in which we operate in general and the demand for our crude oil and product tankers, container and drybulk vessels in particular;
- the expected lifespan and condition of our vessels;
- the ability of our General Partner and Manager to employ and retain key employees;
- our General Partner’s and Manager’s track records, and past and future performance, in safety, environmental and regulatory matters;
- potential liability and costs due to environmental, safety and other incidents involving our vessels;
- the effects of increasing emphasis on environmental and safety concerns by charterers, governments and others, as well as changes in maritime regulations and standards;
- expected financial flexibility to pursue acquisitions and other expansion opportunities;
- anticipated funds for liquidity needs and the sufficiency of cash flows;
- the performance and expected cost savings of the vessels we have acquired, or may acquire in the future from CMTC and from third parties and any new technologies incorporated into such vessels, at least some of which may be untested; and
- future sales of our units in the public market.

These and other forward-looking statements are made based upon management’s current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and, therefore, involve a number of risks and uncertainties, including those risks discussed in “Item 3.D: Risk Factors” below. The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Unless required by law, we expressly disclaim any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement. You should carefully review and consider the various disclosures included in this Annual Report and in our other filings made with the U.S. Securities and Exchange Commission (the “SEC”) that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

Table of Contents

# 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, 2017, and as of December 31, 2017 and 2016, from our audited consolidated financial statements (the "Financial Statements,") appearing elsewhere in this Annual Report. The historical financial data presented for the years ended December 31, 2014 and 2013 and as of December 31, 2015, 2014 and 2013 have been derived from audited financial statements not included in this Annual Report and are provided for comparison purposes only. Our historical results are not necessarily indicative of the results that may be expected in the future. Different factors affect our results of operations, including among others, the number of vessels in our fleet, prevailing charter rates, management and administrative services fees, as well as financing arrangements we enter into. Consequently, the below table should be read together with, and is qualified in its entirety by reference to, the Financial Statements and the accompanying notes included elsewhere in this Annual Report. The below table should also be read together with "Item 5A: Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| **Income Statement Data:** | | | | | |
| Revenues | $204,462 | $205,594 | $156,613 | $119,907 | $116,520 |
| Revenues – related party | 44,653 | 36,026 | 63,731 | 72,870 | 54,974 |
| Total revenues | 249,115 | 241,620 | 220,344 | 192,777 | 171,494 |
| Expenses: | | | | | |
| Voyage expenses (1) | 15,165 | 9,920 | 6,479 | 5,907 | 5,776 |
| Voyage expenses—related party (1) | — | 360 | 411 | 338 | 314 |
| Vessel operating expenses (2) | 74,516 | 66,637 | 58,625 | 48,714 | 38,284 |
| Vessel operating expenses—related party (2) | 11,629 | 10,866 | 11,708 | 13,315 | 17,039 |
| General and administrative expenses | 6,234 | 6,253 | 6,608 | 6,316 | 9,477 |
| Loss on sale of vessels to third parties | — | — | — | — | 7,073 |
| Vessel depreciation and amortization | 73,993 | 71,897 | 62,707 | 57,476 | 52,208 |
| Impairment of vessel | 3,282 | — | — | — | — |
| Total operating expenses | 184,819 | 165,933 | 146,538 | 132,066 | 130,171 |
| Operating income | 64,296 | 75,687 | 73,806 | 60,711 | 41,323 |
| Gain from bargain purchase | — | — | — | — | 42,256 |
| Gain on sale of claim | — | — | — | — | 31,356 |
| Interest expense and finance costs | (26,605) | (24,302) | (20,143) | (19,225) | (15,991) |
| Gain on interest rate swap agreement | — | — | — | — | 4 |
| Other income | 792 | 1,104 | 1,747 | 2,526 | 533 |

Table of Contents

| | Year ended December 31, 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Partnership's net income** | $ 38,483 | $ 52,489 | $ 55,410 | $ 44,012 | $ 99,481 |
| Class B unit holders' interest in our net income | 11,101 | 11,101 | 11,334 | 14,042 | 18,805 |
| General partner's interest in our net income | 522 | 818 | 879 | 593 | 1,598 |
| Common unit holders' interest in our net income | 26,860 | 40,570 | 43,197 | 29,377 | 79,078 |
| Net income allocable to limited partner per: | | | | | |
| Common unit basic | 0.22 | 0.34 | 0.38 | 0.31 | 1.04 |
| Common unit diluted | 0.22 | 0.34 | 0.38 | 0.31 | 1.01 |
| Weighted–average units outstanding basic | | | | | |
| Common units | 123,845,345 | 119,803,329 | 115,030,879 | 93,353,168 | 75,645,207 |
| Weighted–average units outstanding diluted | | | | | |
| Common units | 123,845,345 | 119,803,329 | 115,030,879 | 93,353,168 | 97,369,136 |
| **Balance Sheet Data (at end of the year):** | | | | | |
| Fixed assets (3)(4)(7)(8)(10)(11) | $ 1,265,196 | $ 1,367,731 | $ 1,333,657 | $ 1,186,711 | $ 1,176,819 |
| Total assets (3)(4)(7)(8)(10)(11)(12)(13) | 1,466,216 | 1,598,605 | 1,555,875 | 1,489,853 | 1,397,721 |
| Total long-term liabilities (3)(4)(7)(9)(10)(11)(13) | 409,740 | 578,652 | 556,809 | 572,545 | 578,186 |
| Total partners' capital (3)(4)(5)(6)(8)(9)(11)(12) | 933,405 | 927,757 | 937,820 | 872,561 | 781,426 |
| Number of units | 142,670,014 | 137,517,955 | 135,832,778 | 120,427,778 | 109,128,388 |
| Common units | 127,246,692 | 122,094,633 | 120,409,456 | 104,079,960 | 88,440,710 |
| Class B units | 12,983,333 | 12,983,333 | 12,983,333 | 14,223,737 | 18,922,221 |
| General Partner units | 2,439,989 | 2,439,989 | 2,439,989 | 2,124,081 | 1,765,457 |
| Dividends declared per common unit | $ 0.32 | $ 0.46 | $ 0.94 | $ 0.93 | $ 0.93 |
| Dividends declared per class B unit | $ 0.86 | $ 0.86 | $ 0.87 | $ 0.86 | $ 0.86 |
| **Cash Flow Data:** | | | | | |
| Net cash provided by operating activities | 126,974 | 155,086 | 134,209 | 125,277 | 129,576 |
| Net cash used in investing activities | (2,038) | (91,782) | (209,937) | (30,327) | (335,346) |
| Net cash (used in) / provided by financing activities | (168,317) | (46,816) | 1,719 | 5,277 | 226,191 |

(1) Voyage expenses primarily consist of commissions, port expenses, canal dues and bunkers.

(2) Vessel operating expenses consist of management fees payable to our Manager pursuant to the terms of our three separate management agreements and actual operating expenses such as crewing, repairs and maintenance, insurance, stores, spares, lubricants and other operating expenses incurred in respect of our vessels.

(3) In March 2013, we issued a total of 9,100,000 Class B Units to a group of investors, including Capital Maritime, and received net proceeds of $72.6 million, which, together with a $54.0 million drawdown under our former $350.0 million credit facility entered into in 2008 (as amended, the "2008 credit facility") and $3.4 million from available cash, were used to acquire from Capital Maritime the shares of two separate vessel-owning companies, each owning a 5,000 twenty foot equivalent ("TEU") high specification container vessel, built in 2013, at a price of $65.0 million each.

(4) 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, and received net proceeds of $119.8 million after deducting expenses related to the offering. The net proceeds, together with a $75.0 million drawdown under our former $225.0 million term loan facility entered into in 2013 (as amended, the "2013 credit facility") and $0.2 million from available cash, were used to acquire from Capital Maritime three vessel-owning companies, each owning a 5,000 TEU high specification container vessel built in 2013, at a price of $65.0 million each.

(5) In August 2013, our sponsor converted 349,700 common units into general partner units and delivered such units to our General Partner in order for it to maintain its then 2% interest in us. In 2015 and 2014, our sponsor converted 315,908 and 358,624 common units, respectively, into general partner units and delivered such units to our General Partner in order for it to maintain its then 2% interest in us. Currently our General Partner holds a 1.71% general partner interest in us.

(6) During 2013, certain holders of our Class B Units converted an aggregate of 5,733,333 Class B Units into common units in accordance with the terms of the partnership agreement. During 2015 and 2014, various holders of our Class B Units, including Capital Maritime, converted an aggregate of 1,240,404 and 4,698,484 Class B Units into common units, respectively, in accordance with the terms of the partnership agreement.

(7) In November 2013, we sold the M/T Agamemnon II (51,238 dwt IMO II/III chemical product tanker built in 2008, STX Shipbuilding & Offshore, South Korea) at a price of $33.5 million to unaffiliated third parties. In November 2013, we acquired an eco-type MR product tanker, the M/T Aristotelis (51,604 dwt IMO II/III chemical product tanker built in 2013, Hyundai Mipo Dockyard Ltd, South Korea). The acquisition price of $38.0 million was funded from the sale proceeds of the M/T Agamemnon II and available cash. The M/T Aristotelis replaced the M/T Agamemnon II as a security under our former $370.0 million credit facility entered into in 2007 (as amended, the "2007 credit facility").

(8) In September 2014, we completed an equity offering of 17,250,000 common units, which included the full exercise of the underwriters' overallotment option of 2,250,000 common units, receiving net proceeds of $173.5 million after deducting expenses related to the offering. The net proceeds were used to repurchase from Capital Maritime 5,950,610 common units at an aggregate price of $60.0 million and to cancel such common units. Furthermore, we used the amount of $30.2 million of the net proceeds of the offering as an advance payment to Capital Maritime in connection with the acquisition of five new vessels acquired from Capital Maritime, our sponsor, comprising three newbuild Daewoo 9,160 TEU eco-flex containerships and two newbuild Samsung eco-medium range product tankers (the "Dropdown Vessels"), four of which were delivered between March and September 2015. The fifth Dropdown Vessel was delivered in February 2016. The total acquisition cost for these five vessels was $311.5 million. The remaining proceeds of the offering were used for general partnership purposes.

(9) In April 2015, we completed an equity offering of 14,555,000 common units, including 1,100,000 common units sold to Capital Maritime and 1,755,000 common units representing the overallotment option, at a net price of $9.53 per common unit, and received net proceeds before expenses of $133.3 million. The net proceeds were used to prepay the quarterly instalments scheduled for 2016 and the first quarter of 2017 under our former 2007 and 2008 credit facilities and our former $25.0 million credit facility entered into in 2011(the "2011 credit facility"), and to pay related fees and expenses and for general partnership purposes.

(10) On March 31, June 10, June 30 and September 18, 2015, we acquired the shares of the companies owning four of the Dropdown Vessels, namely the M/T Active, the M/V Akadimos (renamed the "CMA CGM Amazon"), the M/T Amadeus and the M/V Adonis (renamed the "CMA CGM Uruguay") for a total consideration of $230.0 million, which was funded by drawdowns under our former 2013 credit facility for a total of $115.0 million and from cash on hand.

(11) On February 26, 2016, we acquired from Capital Maritime the shares of the company owning the M/V Anaxagoras (renamed the "CMA CGM Magdalena"), the last of the five Dropdown Vessels. We funded the acquisition by drawing under our former 2013 credit facility and using available cash. On October 24, 2016, we acquired from Capital Maritime the shares of the company owning the M/T Amor, an eco-type MR product tanker, for a total consideration of $16.9 million consisting of $16.0 million in cash and the issuance of 283,696 new common units to Capital Maritime, reflecting the fair value of the vessel of $31.6 million and the fair value of the time charter attached to the vessel of $1.1 million, less the assumption of a $15.8 million term loan under a credit facility previously arranged by Capital Maritime with ING Bank N.V. (the "2015 credit facility").

(12) In September 2016, the Partnership entered into an equity distribution agreement with UBS Securities LLC ("UBS") under which the Partnership may sell, from time to time through UBS, as its sales agent, new common units having an aggregate offering amount of up to $50.0 million (the "ATM offering"). During the period between the launch of the ATM offering and December 31, 2016, we issued 1.4 million new common units in total translating into net proceeds of $4.5 million after payment of sales agent commission but before offering expenses. During the year ended December 31, 2017, we issued 5.2 million new common units in total translating into net proceeds of $17.8 million after payment of sales agent commission but before offering expenses.

(13) On September 6, 2017, we entered into a loan agreement for a new senior secured term loan facility (the "2017 credit facility") for an aggregate principal amount of up to $460.0 million. On October 2, 2017, we repaid $14.0 million outstanding under the 2011 credit facility through available cash. On October 4, 2017 (the "Drawdown Date"), we drew the full amount of $460.0 million under the 2017 credit facility and, together with available cash of $102.2 million, fully repaid total indebtedness of $562.2 million.

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

**B.** Capitalization and Indebtedness.

Not applicable.

**C.** Reasons for the Offer and Use of Proceeds.

Not applicable.

**D. Risk Factors**

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

**RISKS RELATING TO THE TANKER INDUSTRY**

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

Global economic growth is a significant driver in the demand for oil and, as a result, the demand for shipping. The past several years were marked by major economic slowdowns, which have had a significant impact on the global economy and demand for oil. There is still significant uncertainty over long-term economic growth prospects.

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

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

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

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

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

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

The shipping industry is cyclical. As a result, charter hire rates and vessel values have historically been volatile. We are particularly exposed to fluctuations in the product and crude tanker markets as the majority of our vessels are tankers. Therefore, as our charters expire, we may only be able to re-charter our tankers at reduced or unprofitable rates, or we may not be able to re-charter our tankers at all. We expect 20 of our charters to expire in the coming 12 months compared to 12 charter expirations in 2017. 18 of these charter expirations relate to tanker vessels compared to ten tanker charter expirations in 2017.

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

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

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

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

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

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

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

The market value of tankers is influenced, among other factors, by the prevailing charter market, replacement costs, the residual value of the vessels, expectations with regard to asset prices, availability of tankers for sale, as well as the ability of buyers to access financing and capital. If we sell a vessel at a time when its market value has fallen, the sale price may be less than the vessel's carrying amount, resulting in a loss. In December 2017, we agreed to sell the M/T Aristotelis. In this connection, we recorded an impairment charge of $3.3 million representing the difference between the vessel's carrying amount and its selling price, net of estimated sale expenses. Please also see Note 5 to our financial statements included herein. In addition, we may be required to record an impairment charge as a result of a decrease in the future charter rates or market values of our vessels. A decline in the market value of our vessels could also lead to a default under our credit facilities, affect our ability to refinance our existing credit facilities and limit our ability to obtain additional financing and service or refinance our debt. If any of these circumstances were to happen, our business, financial condition, results of operation, cash flows and ability to make distributions may be materially and adversely affected.

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

The supply of tankers is affected by a number of factors, such as demand for energy resources and primarily oil and petroleum products, level of charter hire rates, asset and newbuilding prices, availability of financing, as well as overall economic growth in parts of the world economy, including Asia, and has been increasing as a result of the delivery of substantial newbuilding orders over the last few years. Newly built tankers were delivered in significant numbers starting at the beginning of 2006 through 2017. In addition, as of December 31, 2017, the newbuilding order book was estimated to equal approximately 11.7% of the existing world tanker fleet and may increase in proportion to the existing fleet. Furthermore, if newly built tankers have more capacity than the tankers being scrapped or lost, tanker capacity overall will expand. If the supply of tankers or their capacity increases over time but demand for tanker vessels does not grow correspondingly, charter rates and vessel values will materially decline. If that happens, as our charters expire, we may only be able to re-charter our vessels at reduced or unprofitable rates, or we may not be able to charter our vessels at all. A reduction in charter rates and the value of our vessels may have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

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

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

## RISKS RELATED TO THE DRYBULK INDUSTRY

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

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

After reaching historical highs in mid-2008, charter hire rates for drybulk carriers, such as the M/V Cape Agamemnon, have declined significantly and reached historically low levels in 2016. Capesize charter rates remained below historical averages in 2017. The M/V Cape Agamemnon is currently deployed on a period time charter until June 2020. In the future, we may be forced to re-charter the M/V Cape Agamemnon pursuant to short-term time charters, and may be exposed to changes in the spot market and short-term charter rates for capesize drybulk carriers, all of which may affect our earnings and the value of the M/V Cape Agamemnon.

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

- supply and demand for drybulk products;
- economic growth in China and other developing economies;
- changes in global production of products transported by drybulk vessels;
- seaborne and other transportation patterns, including the distances over which drybulk cargoes are transported and changes in such patterns and distances;
- the globalization of manufacturing;
- global and regional economic and political conditions;
- developments in international trade;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

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

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

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

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

The market values of drybulk vessels have generally experienced high volatility. The market value of drybulk vessels may continue to fluctuate depending on a number of factors, including:

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

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

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

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

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

COSCO Group has faced financial difficulties. Its listed affiliate China COSCO Holdings announced a profit of Rmb 3.4bn (approximately $0.5bn) for the first six months of 2017, compared with a loss of Rmb 6.7bn in the same period last year. We could lose this charterer or the benefits of the charter if, among other things:

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

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

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

A significant number of the port calls made by Capesize bulk carriers involve the loading or discharging of raw materials in ports in Asia, particularly China, Japan and India. In past years, China and India have had two of the world’s fastest growing economies in terms of gross domestic product and have been the main force driving demand for drybulk vessels. If economic growth declines in China, Japan, India and other countries in Asia, we may face decreases in drybulk trade and demand. For example, the recent slowdown of the Chinese economy has adversely affected demand for capesize bulk carriers. Moreover, slowdowns in the United States or the economies of the European Union, as have occurred recently, may adversely affect economic growth in China, Japan, India and other Asian countries. A negative change in economic conditions in any Asian country, particularly China, Japan or India, could reduce demand for capesize bulk carriers and, as a result, charter rates and affect our ability to re-charter the M/V Cape Agamemnon at a profitable rate or at all and have a material adverse effect on our business, financial position, results of operations, cash flows and ability to make cash distribution and service or refinance our debt.

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

The number of drybulk vessels on order as of December 2017 was estimated by market sources to be approximately 9.3% of the then-existing global drybulk fleet in dwt terms, with deliveries expected mainly during the next 24 months, although available data with regard to cancellations of existing newbuild orders or delays in newbuild deliveries are not always accurate or may not be readily available.

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

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

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

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

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

## RISKS RELATED TO THE CONTAINER CARRIER INDUSTRY

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

Since December 2012, we have acquired ten container vessels from Capital Maritime and have become subject to the risks affecting the container shipping industry.

The ocean-going container shipping industry is both cyclical and volatile in terms of charter rates and profitability and demand for our vessels depends on a range of factors, including demand for the shipment of cargoes in containers. Containership charter rates peaked in 2005 but have declined sharply since then. Container charter rates remained at or close to historical lows in the beginning of 2017 and have since experienced modest improvement but remain overall below historical averages.

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

Containership charter rates depend upon a range of factors, including changes in the supply and demand for ship capacity and changes in the supply and demand for major products transported by containerships. Demand for containerships and profitability of the container business have been affected negatively by a large order book of new containership vessels, including “ultra large container vessels”. Since the second half of 2015, a slowdown in demand in certain key container trade routes, including the Asia to Europe route, at a time of increased vessel supply has resulted in an increase of the idle container fleet. The percentage of the worldwide fleet remaining idle reached 7.1% at the end of 2016. Since then, the percentage of the idle container fleet has gradually reduced to 2.0% as of the end of 2017.

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

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

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

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

- the number of newbuilding orders and deliveries;
- the extent of newbuilding vessel deferrals;
- the scrapping rate of containerships;
- newbuilding prices and containership owner access to capital to finance the construction of newbuildings;

- charter rates and the price of steel and other raw materials;
- changes in environmental and other regulations and standards that may limit the profitability, operations or useful life of containerships;
- the number of containerships that are slow-steaming or extra slow-steaming to conserve fuel;
- the number of containerships that are off-charter;
- port and canal congestion and closures; and
- demand for fleet renewal.

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

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

From 2005 through the first quarter of 2010, the size of the containership order-book was at historically high levels. Although the container order-book declined compared to previous years, the order-book still represented 13.4% of the existing fleet as at the end of 2017. Deliveries of vessels ordered will significantly increase the size of the container fleet over the next two to three years.

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

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

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

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

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

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

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

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

CMA-CGM, the charterer of three of our container vessels, was under financial stress in 2016, in part following its acquisition of Neptune Orient Lines Limited (NOL) and reported a $427.4 million net loss for the twelve-month period ended December 31, 2016.

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

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

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

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

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

- the charterer is unable or unwilling to perform its obligations under the charters, including the payment of the agreed rates in a timely manner;
- the charterer continues to face financial difficulties forcing it to declare bankruptcy, further restructure its operations or default under the charters;

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

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

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

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

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

Our containerships are deployed on routes involving containerized trade in and out of emerging markets, and our charterers' container shipping and business revenue may be derived from the shipment of goods from Asia to various overseas export markets, including the United States and Europe. Increasing trade protectionism may cause an increase in (i) the cost of goods exported from regions globally, particularly the Asia-Pacific region, (ii) the length of time required to transport goods and (iii) the risks associated with exporting goods. Such increases may further reduce the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs which may adversely affect the business of our charterers. Any reduction in or hindrance to the output of Asia-based exporters could have a material adverse effect on the growth rate of Asia's exports and on our charterers' business, which may in turn affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us.

Furthermore, the government of China has implemented economic policies aimed at increasing domestic consumption of Chinese-made goods and containing capital outflows. These policies may have the effect of reducing the supply of goods available for exports and the level of international trading and may, in turn, result in a decrease in demand for container shipping.

For example, starting in August 2014, China imposed a new tax for non-resident international transportation companies engaged in the provision of services in and out of China using their own or chartered or leased vessels, including any stevedore, warehousing and other services connected with the transportation. The new regulation broadens the range of international transportation companies that may become subject to Chinese corporate income tax on profits generated from international transportation services passing through Chinese ports. This tax or other similar regulations by China may result in an increase in the cost of imports to China, as well as a decrease in the quantity of goods to be shipped by our charterers to China. This could have an adverse impact on our charterers' business, operating results and financial condition and could affect their willingness to renew or enter into their time charters with us.

In addition, reforms in China for a gradual shift to a "market economy" including with respect to the prices of certain commodities, are unprecedented or experimental and may be subject to revision, change or abolition and if these reforms are reversed or amended, the level of imports to and exports from China could be adversely affected.

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

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

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

- prevailing economic conditions in the markets in which containerships operate;
- reduced demand for containerships, including as a result of a substantial or extended decline in world trade;
- increases in the supply of containership capacity;
- prevailing charter rates and the cost of retrofitting or modifying existing ships to respond to technological advances in vessel design or equipment;
- changes in applicable environmental or other regulations or standards, or otherwise.
- prevailing newbuilding prices for similar vessels;
- prevailing demolition prices for similar vessels;
- availability of capital for investment in containerships including ship finance and public equity; and
- supply of containerships in the market for sale including mass disposals of containerships controlled by financing institutions

In addition, fire sales of vessels by some of our competitors, other fleet-owners that may be in distress or commercial banks foreclosing on collateral from time to time could, among other consequences, drive down vessel values.

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

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

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

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

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

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

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

## RISKS RELATED TO OUR BUSINESS AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

Under the terms of our partnership agreement, we are prohibited from declaring and paying distributions on our common units until we declare and pay, or set aside for payment, full distributions on our Class B Units. As of December 31, 2017, there were 12,983,333 Class B Units issued and outstanding. The minimum quarterly distribution on our Class B Units is $0.21375 per unit, which is equal to $0.86 per unit per year, until May 22, 2022 and will thereafter increase to a rate that is 1.25 times the then applicable distribution rate on May 22, 2022, and continue to increase quarterly at a rate of 1.25 times the prior quarterly distribution rate, subject to certain adjustments and a limit of $0.33345 per Class B Unit, which is equal to $1.3338 per unit per year. Among other consequences, if we fail to pay the minimum Class B Unit distribution for six or more quarters, the holders of the Class B Units will have the right to appoint a director to our board of directors and, if such arrearages exist after March 1, 2018, to replace the directors appointed by our General Partner, in each case by the affirmative vote of the holders of a majority of the Class B Units.

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

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

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

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

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

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

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

Our board of directors is authorized to issue additional classes or series of preferred units without the approval or consent of the holders of our common units. In addition, holders of the Class B Units have the right to convert all or a portion of their Class B Units at any time into common units. As of December 31, 2017, there were 12,983,333 Class B Units issued and outstanding.

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

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

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

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

- the value of the vessels in our fleet;
- the cost of our labor and materials;

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

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

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

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

Once one of our vessels is drydocked, it is automatically considered to be off-hire for the duration of the special or intermediate survey and associated drydocking, which means that for such period of time that vessel will not be earning any revenues. None of our vessels was drydocked in 2017. Five of our vessels are scheduled to be drydocked in 2018.

During the drydocking of our vessels, we may incur or may be obligated to reimburse our manager for certain costs, including, among other things, the installation of the ballast water treatment system for vessels.Consequently, as scheduled drydockings for our vessels approach, the number of off-hire days of our fleet and operating expenses increase, which may materially affect our cash available for distribution to our unitholders. In addition, we may decide to put any of our vessels into drydock before the scheduled drydocking date in anticipation of regulatory changes, opportunities in the charter market or if we deem that, due to the position of the vessel, it will be less costly to put the vessel into drydock at the time.

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

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

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, which could negatively impact our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

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

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

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

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

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean, the Gulf of Aden off the coast of Somalia and the Red Sea. Although the frequency of sea piracy worldwide has decreased in recent years, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea.

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

***Increases in fuel prices could adversely affect our profits.***

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

In addition, the International Maritime Organization confirmed in October 2016 that a global 0.5% sulphur cap on marine fuels will come into force on January 1, 2020, as stipulated in 2008 amendments to Annex VI to the International Convention for the Prevention of Pollution from ships ("MARPOL"). See "—Risks Inherent in Our Operations—*The maritime transportation industry is subject to substantial environmental and other regulations and international standards, which may significantly limit our operations or increase our expenditures*". A potential shortage of low sulphur marine fuels could drive prices upwards, which could adversely affect our profit margins if our vessels are being chartered on the spot market or are off-hire or the profit margins of our charterers.

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

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

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

Since 2011, Greek authorities have investigated allegations of match-fixing and other improprieties related to professional football in Greece. Mr. Evangelos M. Marinakis, our former chairman and the founder and current chairman of Capital Maritime, together with a number of other individuals, were identified as subjects of these investigations. Mr. Marinakis has been the principal owner of Olympiacos, a Greek professional football team, since January 2011 and has served as President of Olympiacos since December 2010. In June 2015, the judge in charge of the investigations provisionally ordered Mr. Marinakis to report periodically to a police station, deposit €200,000 as security and refrain from football-related activities pending determination of the charges. Mr. Marinakis has advised us that he cooperated with the investigations and denies any wrongdoing.

Mr. Marinakis has advised us that, in November 2017, the judicial council of the Court of Appeals (the "judicial council") indicted him, together with 27 other individuals, for the charge of match-fixing in respect of two soccer matches, as well as, together with seven other individuals, for the attendant charge of joint criminal enterprise, while unanimously dropping all other charges that had previously been investigated. The judicial council unanimously rejected imposing provisional custody on Mr. Marinakis; however, the provisional measures described above continue to apply. The judicial council's decision was appealed by the Supreme Court deputy public prosecutor in December 2017. If the appeal is successful the judicial council will re-examine all charges *de novo*. None of the potential sentences that the charges carry would require Mr. Marinakis to dispose of his ownership interest in Capital Maritime or us.

Capital Maritime has advised us that it is unable to assess what, if any, reputational and other harm Capital Maritime and we may suffer as a result of the proceedings described above. For more information on the risks arising from our relationship with Capital Maritime, see "Item 3.D—Risk Factors—Risk inherent in our operations—*We depend on Capital Maritime and its affiliates to assist us in operating and expanding our business. If Capital Maritime is materially adversely affected by market fluctuations, and risks or suffers material damage to its reputation, its ability to comply with the terms of its charters with us or provide us with the necessary level of services to support and expand our business may be negatively affected.*"

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

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

***We rely on information systems to conduct our business, and failure to protect these systems against security breaches could have a material adverse impact on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.***

The efficient operation of our business is dependent on information technology systems and networks, which are provided by our Manager. Our operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety or operation of our vessels, or lead to unauthorized release of information or alteration of information on our systems. Any such attack or other breach of our information technology systems could have a material adverse impact on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

**RISKS RELATING TO FINANCING ACTIVITIES**

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2017, our total debt was $475.8 million, consisting of (i) $460.0 million outstanding under our 2017 credit facility and (ii) $15.8 million outstanding under the 2015 credit facility. Please see "Item 5.B. Liquidity and Capital Resources—Borrowings—Our Credit Facilities" for further information on our existing facilities.

Our 2017 credit facility is amortizing and is comprised of two tranches. Tranche A, amounting to $259.0 million, is secured by 11 of our vessels and is required to be repaid in 24 equal quarterly instalments of $4.8 million in addition to a balloon instalment of $143.0 million, which is payable together with the final quarterly instalment in the fourth quarter of 2023. Tranche B, amounting to $201.0 million, is secured by 24 of our vessels and is required to be repaid fully in 24 equal quarterly instalments of $8.4 million with the final quarterly instalment in the fourth quarter of 2023. The loans drawn under the 2017 credit facility bear interest at LIBOR plus a margin of 3.25%.

Table of Contents

As of December 31, 2017, the principal repayment schedule under our existing credit facilities was as follows:

| Facility | (Expressed in millions of United States Dollars) 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|
| 2017 Credit Facility(1) | 66.5 | 51.7 | 51.7 | 51.7 | 51.7 | 186.7 | 460.0 |
| 2015 Credit Facility | 0.3 | 1.3 | 1.3 | 1.3 | 11.6 | — | 15.8 |
| Total | 66.8 | 53.0 | 53.0 | 53.0 | 63.3 | 186.7 | 475.8 |

(1) The principal repayment schedule of the 2017 credit facility reflects the estimated partial prepayment of $14.8 million of Tranche A in connection to the sale of the M/T Aristotelis in 2018.

On January 17, 2018, we acquired the eco-type crude tanker "Aristaios" for a total consideration of $52.5 million from Capital Maritime. We funded the acquisition through available cash and the assumption of a $28.3 million term loan under a credit facility (the "Aristaios credit facility") previously arranged by Capital Maritime with Credit Agricole Corporate and Investment Bank and ING Bank NV. The term loan bears interest at LIBOR plus a margin of 2.85% and is payable in twelve consecutive semi-annual instalments of approximately $0.9 million beginning in July 2018, plus a balloon payment payable together with the last semi-annual instalment due in January 2024.

In addition, on January 22, 2018, we agreed to acquire, subject to the successful completion of the sale of the M/T Aristotelis, the eco-type MR product tanker M/T Anikitos for a total consideration of approximately $31.5 million from Capital Maritime. We intend to fund the acquisition of the M/T Anikitos with the net proceeds to be received from the sale of the M/T Aristotelis, available cash and the assumption of a term loan under a credit facility previously arranged by Capital Maritime with ING Bank NV in a principal amount equal to approximately 50% of the vessel's charter free market value at the time of the dropdown. The term loan is non-amortizing for a period of two years from the anniversary of the dropdown with an expected final maturity date in June 2023 and bears interest at LIBOR plus a margin of 2.50%.

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

- amortization expenses under our existing credit facilities may restrict our ability to pay cash distributions to our unitholders, to manage ongoing business activities and to pursue new acquisitions, investments or capital expenditures;
- our indebtedness will have the general effect of reducing our flexibility to react to changing business and economic conditions and, therefore, may pose substantial risks to our business and our unitholders;
- in the event that we are liquidated, any of our senior or subordinated creditors and any senior or subordinated creditors of our subsidiaries will be entitled to payment in full prior to any distributions to our unitholders;
- our ability to secure additional financing, or to refinance our credit facilities, may be substantially restricted by the existing level of our indebtedness and the restrictions contained in our debt instruments;

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

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

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

Operating and financial restrictions and covenants under our credit facilities and 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 things:

- incur or guarantee indebtedness;
- mortgage, charge, pledge or allow our vessels to be encumbered by any maritime or other lien or any other security interest of any kind except in the ordinary course of business;
- change the flag, class, management or ownership of our vessels;
- change the commercial and technical management of our vessels;
- sell or change the beneficial ownership or control of our vessels; and
- subordinate our obligations thereunder to any general and administrative costs relating to our vessels, including fees payable under the management agreements.

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

- to maintain minimum free consolidated liquidity of at least $500,000 per collateralized vessel;
- to maintain a ratio of EBITDA (as defined in each credit facility) to net interest expense of at least 2.00 to 1.00 on a trailing four-quarter basis; and
- not to exceed a specified maximum leverage ratio in the form of a ratio of total net indebtedness to (fair value adjusted) total assets of 0.750 in the case of our 2017 credit facility and a ratio of total net indebtedness to the market value of the vessel of 0.725 (in the case of the 2015 credit facility and the Aristaios facility).

In addition, our credit facilities require that we maintain a minimum security coverage ratio, usually defined as the ratio of the market value of the collateralized vessels or vessel and net realizable value of additional acceptable security to our outstanding loans under the credit facility. The security coverage ratio is 125% under our 2017 credit facility, 125% (as long as the vessel is under charter with Tesoro Far East Maritime Company (“Tesoro”)) and 140% (at all other times) under the Aristaios credit facility and 120% under the 2015 credit facility.

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

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

***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.

Under our credit facilities, we are required to make quarterly amortization payments and an additional balloon payment upon maturity. Please see "Item 5.B. Liquidity and Capital Resources—*Borrowings—Our Credit Facilities*" and "—Risks Relating to Financing Activities—*We have incurred significant indebtedness, which could adversely affect our ability to finance our operations, refinance our existing indebtedness, pursue desirable business opportunities, successfully run our business or make cash distributions*" for further information on our credit facilities.

To the extent that cash flows are insufficient to make required service payments under our credit facilities or asset cover is inadequate due to a deterioration in vessel values, we will need to refinance some or all of our credit facilities, replace them with alternate credit arrangements or provide additional security. We may not be able to refinance or replace our credit facilities or provide additional security at the time they become due.

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

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

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

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

Our payment of interest and principal on our debt may 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 security coverage ratios or upon the occurrence of any other event of default.

Events of default under our credit facilities include:

- failure to pay principal or interest when due;
- breach of certain undertakings, negative covenants and financial covenants contained in the credit facility, any related security document or guarantee or the interest rate swap agreements, including failure to maintain unencumbered title to any of the vessel owning subsidiaries or any of the assets of the vessel-owning subsidiaries and failure to maintain proper insurance;

- any breach of the credit facility, any related security document or guarantee or the interest rate swap agreements (other than breaches described in the preceding two bullet points) if, in the opinion of the lenders, such default is capable of remedy and continues unremedied following prior written notice of the lenders for a period of 14 days;
- 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;
- we become, in the reasonable opinion of the lenders, unable to pay our debts when due;
- any of our or our subsidiaries' assets are subject to any form of execution, attachment, arrest, sequestration or distress in respect of a sum of $5.0 million or more that is not discharged within 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 Select Market or on any other recognized securities exchange;
- any breach under any provisions contained in our interest rate swap agreements, if we decide to enter into such agreements in the future;
- termination of any interest rate swap agreements or an event of default thereunder that is not timely remedied, if we decide to enter into such agreements in the future;
- invalidity of a security document in any material respect or if any security document ceases to provide a perfected first priority security interest;
- failure by key charter parties, such as HMM, CMA CGM, Petróleo Brasileiro S.A. ("Petrobras"), and Capital Maritime or other charterers we may have from time to time, to comply with the terms of their charters to the extent that we are unable to replace the charter in a manner that meets our obligations under the facilities; or
- any other event that occurs or circumstance that arises in light of which the lenders reasonably consider that there is a significant risk that we will be unable to discharge our liabilities under the credit facility, related security and guarantee documents or interest rate swap agreements.

Certain dealings in connection with sanctioned countries could also trigger a mandatory prepayment event. See "—Risk Inherent in Our Operations—*Our vessels may be chartered or sub-chartered to parties, or call on ports, located in countries that are subject to restrictions and sanctions imposed by the United States, the European Union and other jurisdictions*."

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

## RISKS INHERENT IN OUR OPERATIONS

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

We have derived, and expect that we will continue to derive, all of our revenues and cash flows from a limited number of charterers. For the year ended December 31, 2017, our charterers who individually accounted for more than 10% of total revenues were Petrobras, Capital Maritime, HMM and CMA CGM who accounted for 19%, 18%, 18% and 17% of our revenues, respectively. For the year ended December 31, 2016, HMM, Petrobras, CMA CGM and Capital Maritime accounted for 19%, 18%, 17% and 15% of our revenues, respectively. For the year ended December 31, 2015, Capital Maritime and HMM accounted for 29% and 21% of our revenues, respectively.

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

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

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

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

If a charterer 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. Any replacement newbuilding would not generate revenues during its construction, and we may be unable to charter any replacement vessel on terms as favorable to us as those of the terminated charter. Any compensation under our charters for a purchase of the vessels may not adequately compensate us for the loss of the vessel and related time charter. The loss of any of our charterers, time or bareboat charters or vessels, or a decline in payments under our charters, could have a material adverse effect on our business, financial condition, results of operations, cash flows and our ability to make cash distributions and service or refinance our debt.

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

As of December 31, 2017, eight of our 36 vessels were under charter or were expected to commence charters with Capital Maritime. In the future we may enter into additional contracts with Capital Maritime to charter our vessels as they become available for re-chartering. Capital Maritime is subject to the same risks and market fluctuations as all other charterers. In the event that Capital Maritime is affected by a market downturn and limited availability of financing, it may default under its charters with us, which would materially adversely affect our business, financial condition, results of operations, cash flows and our ability to make cash distributions and service or refinance our debt.

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

Our ability to enter into new charters and expand our relationships with charterers 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, for example, as a result of Capital Maritime or its owners, directors or employees failing to comply with applicable law or regulation or as a result of the circumstances described in "—Risks Related to our Business and Operations—*Matters Related to Investigations of Greek Professional Football (Soccer)*," 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 access capital markets; or
- maintain satisfactory relationships with suppliers and other third parties.

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

***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;
- 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 business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt. Please read "Item 4B: Business Overview—Major Oil Company Vetting Process" for more information regarding this process.

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

Our fleet had an average age of approximately 8.4 years as of December 31, 2017. In general, the costs of maintaining a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel efficient than more recently constructed vessels due to improvements in engine technology. In addition, cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Older vessels might also require higher capital expenditure to comply with regulations that came into force after their construction and their values might depreciate faster than more modern vessels. As a result, an ageing fleet might affect our ability to remain in compliance with bank covenants and/or raise financing.

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

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

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

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

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

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

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

As of December 31, 2017, our fleet consisted of 36 vessels, only eight of which had been part of our initial fleet at the time of our initial public offering ("IPO"). We have financed the purchase of the additional vessels with debt, or partly with debt, cash and/or by issuing additional equity securities. We also acquired additional vessels through the acquisition of Crude Carriers in 2011. If we issue additional common units, Class B Units or other equity securities to finance the acquisition of a vessel or business, your ownership interest in us may be diluted. Please read "Item 3.D: Risk Factors—Risks Inherent in an Investment in Us—We may issue additional equity securities without your approval, which would dilute your ownership interests."

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

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

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

We conduct most of our operations outside of the United States. In particular, we derive a portion of our revenues from shipping oil and oil products from politically unstable regions, and our business, results of operations, cash flows, financial condition and ability to make cash distributions and service or refinance our debt may be adversely affected by the effects of political instability, terrorist or other attacks, war or international hostilities. Terrorist attacks, such as the attacks on the United States on September 11, 2001 and recently in Europe, the recent conflicts in Iraq, Afghanistan, Syria and Ukraine, other current and future conflicts, and the continuing response of the Western countries to these attacks, as well as the threat of future terrorist attacks, continue to contribute to world economic instability and uncertainty in global financial markets. 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 charterers to terminate our charter contracts and could have a material adverse impact on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

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 of these events or circumstances may interfere with the operation of our vessels, which could harm our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt. 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 charterers 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, including our relationships with our charterers, results of operations, cash flows and ability to make cash distributions and service or refinance our debt. 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 be chartered or sub-chartered to parties, or call on ports, located in countries that are subject to restrictions and sanctions imposed by the United States, the European Union and other jurisdictions.***

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

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

Activities permissible under the JCPOA have not actually been repealed or permanently terminated by the United States at this time. Rather, the U.S. government has implemented changes to the sanctions regime by: (1) issuing waivers of certain statutory sanctions provisions; (2) committing to refrain from exercising certain discretionary sanctions authorities; (3) removing certain individuals and entities from sanctions lists; and (4) revoking certain Executive Orders and specified sections of Executive Orders. These sanctions will not be permanently “lifted” under the current U.S. law until at least the earlier of October 18, 2023, and a report from the International Atomic Energy Agency stating that all nuclear material in Iran is being used for peaceful activities. Upon the occurrence of either event, the United States will remove additional Iranian parties from the sanctions lists, and will seek legislative action as may be appropriate to terminate the statutory sanctions covered by the JCPOA. Today, while non-U.S. companies may engage in certain business or trade with Iran that was previously sanctionable, the United States has the ability to re-impose sanctions against Iran if Iran does not comply with its obligations under the nuclear agreement or to impose new sanctions to address different conducts or threats that may be presented by Iran.

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

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

In order to help maintain our compliance with applicable sanctions and embargo laws and regulations, we monitor and review the movement of our vessels, as well as the cargo being transported by our vessels, on a continuing basis. In 2017, our vessels under time or voyage charter contracts made 1,888 total calls on worldwide ports. None of the vessels in our fleet made any port calls in Cuba, Syria, Crimea or North Korea.

In 2017, vessels owned by CPLP and chartered under time charter parties to Product & Crude Tanker Chartering Inc. (“PCTC”), a subsidiary of CMTC, our sponsor and the sole member of our general partner, made the following port calls to Iran and Sudan: four port calls to Iran to load crude oil, three port calls to Iran to discharge vegetable oils and two port calls to Sudan to discharge palm and vegetable oils. In addition, in 2017, our vessel, the M/T Aiolos, made a port call to Sudan to discharge fuel oil while employed under a voyage charter to an unaffiliated third party.

These port calls represented approximately 0.5% of the total port calls made by all the vessels owned by CPLP in 2017. They each occurred while the respective vessel was chartered out to an unaffiliated charterer or sub-charterer under the instructions of such charterer or sub-charterer. With respect to the vessels chartered out to PCTC, as the vessel owner, we earned revenues at the agreed daily charter rates from PCTC under the applicable time charters. PCTC in turn earned revenues at the agreed freight or hire rate from the sub-charterers that employed the vessels. CPLP’s aggregate revenue attributable to the number of days that our vessels under time charters remained in ports in Iran or Sudan and the port call made by the M/T Aiolos in Sudan described above was approximately $1.5 million, representing approximately 0.6% of our total revenues during the year ended December 31, 2017. We do not attribute profits to specific voyages.

Further, in 2017, vessels owned or chartered-in by CMTC (including the vessels chartered-in from CPLP by PCTC under time charters as described above) made the following port calls to Iran and Sudan: 12 port calls to Iran to load crude oil, five port calls to Iran to discharge vegetable oils, one port call to Sudan to load molasses and two port calls to Sudan to discharge palm and vegetable oils.

These port calls represented 1.7% of the total port calls made by all the vessels owned or chartered-in by CMTC in 2017. They each occurred while the respective vessel was chartered out to an unaffiliated charterer or sub-charterer under the instructions of such charterer or sub-charterer. The aggregate revenue attributable to the number of days that the vessels under time charters remained in ports in Iran or Sudan and port calls in Iran and Sudan made by vessels under voyage charters to unaffiliated charterers or sub-charterers was approximately $35.2 million, representing approximately 10.0% of CMTC’s total revenues during the year ended December 31, 2017. CMTC does not attribute profits to specific voyages.

As part of the voyage charter arrangements between CMTC and third-party charterers or sub-charterers, CMTC or its manager may pay fees and expenses related to the port calls made in Iran through a private third-party agent in Iran appointed by the third-party charterer or sub-charterer, which in 2017 did not include any payments for refueling or bunkers for the vessels making such port calls.

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

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

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

Notwithstanding the above, it is possible that new, or changes to existing, sanctions-related legislation or agreements may impact our business. In addition, it is possible that the charterers of our vessels may violate applicable sanctions, laws and regulations, using our vessels or otherwise, and the applicable authorities may seek to review our activities as the vessel owner. Although we do not believe that current sanctions and embargoes prevent our vessels from making all calls to ports in the sanctioned countries, potential investors could view such port calls negatively, which could adversely affect our reputation and the market for our common units. Moreover, although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, the scope of certain laws may be unclear, may be subject to changing interpretations or may be strengthened or otherwise amended. Any violation of sanctions or engagement in sanctionable conduct could result in fines, sanctions or other penalties, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in our common units.

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

Finally, under our 2017 credit facility, if revenues we derive from business or transactions in connection with Cuba, Iran, Myanmar (Burma), North Korea, Sudan, Crimea-Sevastopol and/or Syria in any given year exceed 20% of our aggregate revenues (unless such revenues are less than 25% of our aggregate revenues and are forecasted to be less than 20% of our aggregate revenues for the following year) or the aggregate number of port calls to those countries represent more than 5% of our total port calls, our 2017 credit facility may be terminated at the option of the lenders. If that were to happen, we would be required to repay immediately the total debt outstanding under our 2017 credit facility and any other loans which may, as a result, be accelerated.

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

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

- marine disasters;
- bad weather;

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

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

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

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

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

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

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

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 and to service or refinance our debt.

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

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

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could harm our business, results of operations, cash flows, financial condition and ability to make cash distributions. In addition, certain of our vessels are under bareboat charters with subsidiaries of International Seaways, Inc. ("INSW") which was spun off from Overseas Shipholding Group Inc. ("OSG") on November 30, 2016. Under the terms of these charters, the charterer provides for the insurance of the vessel, and, as a result these vessels may not be adequately insured and/or in some cases may be self-insured. Any uninsured or underinsured loss could harm our business, financial condition, results of operations, cash flows, and ability to make cash distributions and service or refinance our debt. In addition, our insurance may be 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 them and unbudgeted cash-calls made upon us by the associations.***

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

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

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

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 clean up 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.

*MARPOL Annex VI*

Under MARPOL Annex VI, all ships trading in designated emission control areas are required to use fuel oil on board with a sulfur content of no more than 0.10%, while the current limit for sulfur content of fuel oil outside emission control areas is 3.50%. In October 2016, the International Maritime Organization confirmed that a global 0.5% sulphur cap on marine fuels will come into force on January 1, 2020, as stipulated in amendments to Annex VI adopted in 2008. Annex VI sets progressively stricter regulations to control sulphur oxides (SOx) and nitrous oxides (NOx) emissions from ships, which present both environmental and health risks. The 0.5% sulphur cap marks a significant reduction from the current global sulphur cap of 3.5%, which has been in force since January 1, 2012.

To satisfy the new requirements of Annex VI, vessel owners who continue to use fuel types which exceed the 0.5% sulphur limit will be required to retrofit an approved exhaust gas cleaning system (also known as a “scrubber”) to remove sulphur from exhaust, which may require substantial capital expenditure and prolonged off-hire of the vessel. Alternatively, vessel owners may use petroleum fuels, such as marine gasoil (“MGO”), which meet the 0.5% sulphur limit. According to Clarksons Shipping Intelligence Network, the premium of MGO over 380 CST 3.5% bunker fuel in Rotterdam has averaged US$244 per ton over the last five years. Depending on the vessel type and size, this could translate into a substantial increase in the cost of bunkers. Bunker cost could further increase if the refining sector is unable to cope with the higher distillate demand, resulting in a tight distillate market and wider spread between high sulfur fuel oil and MGO. Retrofitting vessels for the consumption of alternative fuels, such as LNG, methanol, biofuels or liquefied petroleum gas (“LPG”), would involve a substantial capital expenditure and may be uneconomical or infeasible for most conventional vessel types in light of current technology and design challenges. To the extent that we do not retrofit our vessels with approved exhaust gas cleaning systems and, as a result, our charterers under time and bareboat charters are required to use more expensive fuels meeting the 0.5% sulphur limit or we seek to pass on higher bunker costs to charterers under voyage charters, this may reduce demand for our vessels, impair our ability to re-charter our vessels at competitive rates or to re-charter our vessels at all, and have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt.

*Ballast Water Management*

The IMO ballast water management convention (the “BWM convention”) came into force on September 8, 2017. The BMW convention requires vessels constructed before September 8, 2017 to fit ballast water treatment systems (“BWTS”) before their first International Oil Pollution Prevention Certificate (IOPP Certificate) renewal conducted after September 8, 2019. All vessels need to be certified in accordance with the BWM convention by September 8, 2024. This certification entails ballast water management plans to be approved by the flag state and surveyors in attendance onboard for survey and issuance of ballast water management certificates. We expect to incur additional expenditures for such certification.

In addition to the International Maritime Organization’s requirements, installation of BWTS will be required for vessels entering U.S. jurisdictions as the U.S. Coast Guard (the “USCG”) requires the installation of BWTS at the first scheduled dry-docking conducted after January 1, 2016. As BWTS have only recently been approved by the USCG and were not available in 2017, we have obtained extensions for the majority of our vessels with dry-docking due dates up to and including 2018 to carry out installation of BWTS at the next dry-docking survey after December 31, 2018.

As of December 31, 2017, only 12 of our 36 vessels were equipped with BWTS. While it is difficult to determine the costs of fitting BWTS (including, among other things, design, equipment and installation costs), we currently estimate that total capital expenditure associated with equipping our remaining vessels with BWTS will amount to approximately $20 million between 2019 and 2023.

*International Convention for the Safety of Life at Sea*

New requirements pursuant to the International Convention for the Safety of Life at Sea (“SOLAS”) necessitate installation of electronic chart display and information system (“ECDIS”) equipment for certain types of vessels at the first radio survey carried out after July 1, 2015. For container vessels, this requirement comes into force for their first radio survey after July 1, 2016. While some of our vessels are already fitted with ECDIS equipment requiring only minimal upgrades, a number of our vessels are not fitted with such equipment and we may incur additional expenditure to comply with this regulation. Furthermore, recent rule changes to ECDIS performance standards as from September 1, 2017, may necessitate replacement of ECDIS equipment in case their upgrade is not possible. If that happens, this replacement might require increased capital expenditure for certain of our vessels.

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

We could incur significant costs, including cleanup costs, fines, penalties, third-party claims and natural resource damages, as the result of an oil spill or other liabilities under environmental laws. The United States Oil Pollution Act of 1990 ("OPA 90") affects all vessel owners shipping oil or petroleum products to, from or within United States territorial waters. OPA 90 allows for potentially unlimited cleanup liability without regard to fault by owners, operators and bareboat charterers of vessels for oil pollution in U.S. waters. Similarly, the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, which has been adopted by most countries outside of the United States, imposes liability for oil pollution in international waters. OPA 90 expressly permits individual U.S. states to impose their own stricter liability regimes with regard to hazardous materials and oil pollution incidents occurring within their boundaries. Certain coastal states in the United States, especially on the Pacific coast, have enacted their own stricter pollution prevention, liability and response laws, many providing for strict or unlimited liability.

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

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

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

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

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

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

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

The collective bargaining agreement between our Manager and the Pan-Hellenic Seamen's Federation, effective August 1, 2017, expires on July 31, 2018. This collective bargaining agreement may not prevent labor interruptions and it is subject to renegotiation in the future. Although we believe that our relations with our employees are satisfactory, no assurance can be given that we will be able to successfully extend or renegotiate our collective bargaining agreement when it expires. If we fail to extend or renegotiate our collective bargaining agreement, if disputes with our union arise, or if our unionized workers engage in a strike or other work stoppage or interruption, we could experience a significant disruption of our operations, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay cash distributions and service or refinance our debt.

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

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

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

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

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

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

## RISKS INHERENT IN AN INVESTMENT IN US

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

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

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

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

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

Capital Maritime, the sole member of our General Partner, is one of our largest charterers in revenue terms, with eight of our 36 vessels chartered or expected to commence charters to Capital Maritime as of December 31, 2017. In addition, our Manager is a subsidiary of Capital Maritime. The ability of Capital Maritime to continue providing services for our benefit will depend in part on its own financial strength and reputation in the industry.

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

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

Holders of units have only limited voting rights on matters affecting our business.

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

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

Furthermore, the partnership agreement contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management. Unitholders have no right to elect our General Partner, and our General Partner may not be removed except by a vote of the holders of at least 66 2 / 3 % of the outstanding units, including any units owned by our General Partner and its affiliates, our Class B unitholders voting together as a single class and a majority vote of our board of directors. Currently, 106,670,714 common units representing 83.8% of our common units and 12,983,333 Class B Convertible Preferred Units are owned by non-affiliated public unitholders, representing 83.9% interest in us on an as converted basis.

Our partnership agreement further restricts unitholders' voting rights by providing that if any person or group, other than our General Partner, its affiliates, their transferees and persons who acquired such units with the prior approval of our board of directors, beneficially owns 5% or more of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, except for purposes of nominating a person for election to our board, determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other unitholders of the same class holding less than 4.9% of the voting power of that class. As affiliates of our General Partner, Capital Maritime and Crude Carriers Investments Corp. ("Crude Carriers Investments") are not subject to such limitation and will be attributed their pro rata share of any units reallocated as a result of such limitation. Further, this limitation does not apply to unitholders who acquires more than 5% of any class of units then outstanding with the prior approval of our board of directors, which, for the avoidance of doubt, includes the issuance of our Class B Units and the common units issued upon the conversion of our Class B Units.

As of December 31, 2017, the Marinakis family, including Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.1% interest in us (17.7% on a non-fully converted basis), through, among others, Capital Maritime, which may be deemed to beneficially own a 13.8% interest in us, including 17,291,768 common units and a 1.7% interest in us (1.9% on a non-fully converted basis) through its ownership of our General Partner, and Crude Carriers Investments, which may be deemed to beneficially own a 2.3% interest in us.

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

Our General Partner is in charge of our day-to-day affairs consistent with policies and procedures adopted by and subject to the direction of our board of directors. Our General Partner and its affiliates and our directors have a fiduciary duty to manage us in a manner beneficial to us and our unitholders. Units owned by affiliates of our General Partner have the same rights as our other outstanding units of the same class (other than the 5% limit on voting rights, which does not apply to our General Partner and its affiliates; see "—*Unitholders have limited voting rights and our partnership agreement restricts the voting rights of unitholders owning 5% or more of our units*."). However, the officers of our General Partner have a fiduciary duty to manage our General Partner in a manner beneficial to Capital Maritime. Furthermore, all of the officers of our General Partner and one of our directors are directors or officers of Capital Maritime and its affiliates, and as such they have fiduciary duties to Capital Maritime that may cause them to pursue business strategies that disproportionately benefit Capital Maritime or which otherwise are not in the best interests of us or our unitholders. Conflicts of interest may arise between Capital Maritime and its affiliates, including our General Partner and its officers, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our General Partner and its affiliates may favor their own interests over the interests of our unitholders. Please read "Item 3.D: Risk Factors—*Risks Inherent in an Investment in Us—Our partnership agreement limits our General Partner's and our directors' fiduciary duties to our unitholders and restricts the remedies available to unitholders for actions taken by our General Partner or our directors* ." These conflicts include, among others, the following situations:

- neither our partnership agreement nor any other agreement requires our General Partner or Capital Maritime or its affiliates to pursue a business strategy that favors us or utilizes our assets, and Capital Maritime's officers and directors have a fiduciary duty to make decisions in the best interests of the shareholders of Capital Maritime, which may be contrary to our interests;
- the executive officers of our General Partner and one 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 restricted their fiduciary duties under the laws of the Republic of the Marshall Islands, while also restricting the remedies available to our unitholders, and, as a result of purchasing our units, unitholders are treated as having agreed to the modified standard of fiduciary duties and to certain actions that may be taken by our General Partner and our directors, all as set forth in the partnership agreement;
- our General Partner and our board of directors will be involved in determining the amount and timing of our asset purchases and sales, capital expenditures, borrowings, and issuances of additional partnership securities and reserves, each of which can affect the amount of cash that is available for distribution to our unitholders;

- our General Partner may have substantial influence over our board of directors' decision to cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make incentive distributions;
- our General Partner is entitled to reimbursement of all reasonable costs incurred by it and its affiliates for our benefit;
- our partnership agreement does not restrict us from paying our General Partner or its affiliates for any services rendered to us on terms that are fair and reasonable or entering into additional contractual arrangements with any of these entities on our behalf; and
- our General Partner may exercise its right to call and purchase our outstanding units if it and its affiliates own more than 90% of our common units.

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

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

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

- amendments to the definition of available cash, operating surplus and adjusted operating surplus;
- elimination of the obligation to hold an annual general meeting;
- removal of any appointed director for cause;
- the ability of the board of directors to cause us to sell, exchange or otherwise dispose of all or substantially all of our assets;
- withdrawal of the General Partner;
- removal of the General Partner;
- dissolution of the partnership;
- change to the quorum requirements;
- approval of merger or consolidation; and
- any other amendment to the partnership agreement, except for certain amendments related to the day-to-day management of the Partnership and amendments necessary or appropriate to carrying out our business consistent with historical practice, including any change that our board of directors determines to be necessary or appropriate to qualify or continue our qualification as a limited partnership, or any amendment that our board of directors, and, if required, our General Partner, determines to be necessary or appropriate in connection with the authorization and issuance of any class or series of our securities.

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

As of December 31, 2017, the Marinakis family, including Mr. Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.1% interest in us (17.7% on a non-fully converted basis), through, among others, Capital Maritime, which may be deemed to beneficially own a 13.8% interest in us, consisting of 17,291,768 common units and our General Partner’s 1.7% interest, and Crude Carriers Investments, which may be deemed to beneficially own a 2.3% interest in us.

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

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

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

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

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

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

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

- permits our General Partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our General Partner. Where our partnership agreement permits, our General Partner may consider only the interests and factors that it desires, and in such cases, it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our unitholders. Decisions made by our General Partner in its individual capacity will be made by its sole owner, Capital Maritime. Specifically, pursuant to our partnership agreement, our General Partner will be considered to be acting in its individual capacity if it exercises its right to call and purchase limited partner interests, including common units, preemptive rights or registration rights, consents or withholds consent to any merger or consolidation of the partnership, appoints any directors or votes for the election of any director, votes or refrains from voting on amendments to our partnership agreement that require a vote of the outstanding units, voluntarily withdraws from the partnership, transfers (to the extent permitted under our partnership agreement) or refrains from transferring its units, General Partner interest or IDRs, or votes upon the dissolution of the partnership;
- provides that our General Partner and our directors are entitled to make other decisions in “good faith” if they reasonably believe that the decision is in our best interests;

- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of our board of directors and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be "fair and reasonable" to us and that, in determining whether a transaction or resolution is "fair and reasonable," our board of directors may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and
- provides that neither our General Partner and its officers nor our directors will be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our General Partner or directors or its officers or directors or those other persons engaged in actual fraud or willful misconduct.

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

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

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

- the unitholders will be unable to remove our General Partner without its consent so long as our General Partner and its affiliates own sufficient units to be able to prevent such removal. The vote of the holders of at least 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, 2017, the Marinakis family, including Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.1% interest in us (17.7% on a non-fully converted basis), through, among others, Capital Maritime.
- common unitholders elect five of the eight members of our board of directors. Our General Partner in its sole discretion has the right to appoint the remaining three directors.
- election of the five directors elected by common unitholders is staggered, meaning that the members of only one of three classes of our elected directors are selected each year. In addition, the directors appointed by our General Partner will serve for terms determined by our General Partner.
- our partnership agreement contains provisions limiting the ability of unitholders to call meetings of unitholders, to nominate directors and to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.
- unitholders' voting rights are further restricted by the partnership agreement provision providing that if any person or group, other than our General Partner, its affiliates, their transferees and persons who acquired such units with the prior approval of our board of directors, owns beneficially 5% or more of any class of units then outstanding,
- any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, except for purposes of nominating a person for election to our board, determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the unitholders of the same class holding less than 4.9% of the voting power of that class.
- we have substantial latitude in issuing equity securities without unitholder approval.

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

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

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

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

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

In addition, pursuant to the terms of our partnership agreement, holders of our Class B Units may convert all or a portion of their Class B Units into common units at any time, and from time to time, at a ratio of one-for-one, such conversion ratio to be adjusted in the event that, among other anti-dilution protection provisions, we declare, order, pay or make a distribution (including any distribution of units or other securities or property or rights or warrants to subscribe for our securities at a price per unit less than the fair market value of such securities, by way of distribution or spin-off) on our common units, other than regular and customary quarterly distributions of available cash. As of December 31, 2017, there were 12,983,333 Class B Units outstanding.

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

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

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

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

- We have issued Class B Units, which are convertible into common units. As of December 31, 2017, there were 12,983,333 Class B Units outstanding.
- We conducted multiple issuances of common units, including in the unit-for-share acquisition of Crude Carriers in 2011, in public offerings on an SEC-registered basis or to our General Partner or Capital Maritime in private placements.
- In August 2014, following approval obtained from our limited partners at our 2014 annual meeting, we amended and restated our Omnibus Incentive Compensation Plan, adopted in April 2008 (the “Plan”) to increase the maximum number of restricted units authorized for issuance thereunder from 800,000 to 1,650,000. 850,000 restricted units were issued under the Plan in December 2015 of which 545,002 restricted units remained unvested as of December 31, 2017.

- In September 2016, we entered into an equity distribution agreement under which we may sell, from time to time, new common units having an aggregate offering amount of up to $50.0 million. As of December 31, 2017, we had issued 6.6 million new common units under the ATM offering translating into net proceeds of $22.3 million (before offering expenses). We may make additional such issuances in the future.

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

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

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

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

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

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

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

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

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

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

***Unitholders may have liability to repay distributions.***

Under some circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under the Marshall Islands Limited Partnership Act (the "MILPA"), we may not make a distribution if the distribution would cause our liabilities (other than liabilities to partners on account of their partnership interest and liabilities for which the recourse of creditors is limited to specified property of ours) to exceed the fair value of our assets, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in our assets only to the extent that the fair value of that property exceeds that liability. The MILPA provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated the MILPA will be liable to the limited partnership for the distribution amount. Assignees who become substituted limited partners are liable for the obligations of the assignor to make contributions to the partnership that are known to the assignee at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement.

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

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

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

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

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

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

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

**TAX RISKS**

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

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

A foreign entity taxed as a corporation for U.S. federal income tax purposes will be treated as a "passive foreign investment company" (a "PFIC") for U.S. federal income tax purposes if (x) at least 75% of its gross income for any taxable year consists of certain types of "passive income," or (y) at least 50% of the average value of the entity's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." U.S. persons who own shares of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

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

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

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

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

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

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

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

## Item 4. Information on the Partnership.

### A. History and Development of the Partnership

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

We completed our IPO in April 2007. Upon our IPO, our fleet consisted of eight vessels, as compared to the 37 vessels currently in our fleet, including the M/T Aristaios acquired in January 2018.

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

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

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

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

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

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

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

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

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

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

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

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

In August 2014, our unitholders approved an amendment to the partnership agreement to revise the target distribution to holders of our IDRs as consideration for the acquisitions of the Dropdown Vessels at prices below current market value. This was subsequently adopted as the fourth amendment to our partnership agreement, dated August 25, 2014 (the "Fourth Amendment"). Prior to the Fourth Amendment, our General Partner was entitled to receive, subject to the rights of holders of the Class B Units and assuming our General Partner maintained a 2% general partner interest in us and had not transferred the IDRs:

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

Pursuant to the Fourth Amendment, each of the minimum Quarterly Distribution, the First Target Distribution, the Second Target Distribution and the Third Target Distribution was reduced to $0.2325, $0.2425, $0.2675 and $0.2925, respectively, while our General Partner's right to receive 50% of quarterly cash distributions in excess of the Third Target Distribution was reduced to a right to receive 35% of such cash distributions. Thereafter, Capital Maritime, after discussion with, and with the unanimous support of, the conflicts committee of our board of directors, unilaterally notified us that it decided to waive its rights to receive quarterly incentive distributions between $0.2425 and $0.25. This waiver effectively has increased the First Target Distribution from $0.2425 to $0.25.

Further, in August 2014, our Omnibus Incentive Compensation Plan (the "Plan") was amended and restated to increase the maximum number of restricted units authorized for issuance thereunder from 800,000 to 1,650,000, of which 795,200 have been previously issued and have vested.

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

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

*Recent Developments*

*Agreement to Acquire the M/T Anikitos*

On January 22, 2018, we agreed to acquire, subject to the successful completion of the sale of the M/T Aristotelis, the eco-type MR product tanker M/T Anikitos (50,082 dwt IMO II/III chemical product tanker built in 2016, Samsung Heavy Industries (Ningbo) Co., Ltd.) for a total consideration of approximately $31.5 million from Capital Maritime. The M/T Anikitos is ultimately employed by Petrobras through a back-to-back charter with Curzon Maritime Limited, at a gross daily rate of $15,300 with earliest charter expiry in June 2020. The charterer has the option to extend the time charter for eighteen months (+/-30 days) at the same gross daily rate.

We intend to fund the acquisition of the M/T Anikitos with the net proceeds to be received from the sale of the M/T Aristotelis, available cash and the assumption of a term loan under a credit facility previously arranged by Capital Maritime with ING Bank NV in a principal amount equal to approximately 50% of the vessel's charter-free market value at the time of the dropdown. The term loan is non-amortizing for a period of two years from the anniversary of the dropdown with an expected final maturity date in June 2023 and bears interest at LIBOR plus a margin of 2.50%. The term loan is subject to ship finance covenants similar to the covenants applicable under our existing facilities. We expect to take delivery of the M/T Anikitos in March 2018, following the delivery of the M/T Aristotelis to its new owner.

The agreement to acquire the M/T Anikitos was entered into on an arm's length basis and was reviewed and unanimously approved by the conflicts committee of our Board of Directors and our entire Board of Directors.

*Acquisition of the M/T Aristaios*

On January 17, 2018, we acquired from Capital Maritime the shares of the company owning the M/T Aristaios, an eco-type crude tanker (113,689 dwt, Ice Class 1C, built in 2017, Daehan Shipbuilding Co. Ltd., South Korea), for a total consideration of $52.5 million. The M/T Aristaios is currently employed under a time charter to Tesoro at a gross daily rate of $26,400. The Tesoro charter commenced in January 2017 with duration of five years +/-45 days. We financed the acquisition with $24.2 million in cash and the assumption of a $28.3 million term loan under a credit facility previously arranged by Capital Maritime with Credit Agricole Corporate and Investment Bank and ING Bank NV. The term loan bears interest at LIBOR plus a margin of 2.85% and is payable in 12 consecutive semi-annual instalments of approximately $0.9 million beginning in July 2018, plus a balloon payment payable together with the last semi-annual instalment due in January 2024. The term loan is subject to ship finance covenants similar to the covenants applicable under our existing facilities.

*2017 Developments*

*Agreement to Sell M/T Aristotelis*

On December 22, 2017, we entered into a memorandum of agreement for the sale of the M/T Aristotelis (51,604 dwt IMO II/III chemical product tanker built in 2013, Hyundai Mipo Dockyard Ltd., South Korea) to an unaffiliated third party for the amount of $29.4 million. Upon entering into the sale, we classified the M/T Aristotelis as "held for sale" and recorded an impairment charge of $3.3 million. Delivery of the M/T Aristotelis to its buyer is expected in early March 2018.

*Refinancing of External Debt*

On May 22, 2017, we entered into a firm offer letter contemplating our 2017 credit facility for an aggregate principal amount of up to $460.0 million with a syndicate of lenders led by HSH and ING Bank N.V., as mandated lead arrangers and bookrunners, and BNP Paribas and National Bank of Greece S.A., as arrangers. On September 6, 2017, we entered into the loan agreement documenting the 2017 credit facility. On October 2, 2017, we repaid $14.0 million outstanding under the 2011 credit facility through available cash. On October 4, 2017 (the "Drawdown Date"), we drew the full amount of $460.0 million under the 2017 credit facility and, together with available cash of $102.2 million, fully repaid total indebtedness of $562.2 million consisting of (i) $186.0 million outstanding under the 2007 credit facility; (ii) $181.6 million outstanding under the 2008 credit facility and (iii) $194.6 million outstanding under the 2013 credit facility. Please see *"Item 5.B. Liquidity and Capital Resources—Borrowings—Our Credit Facilities"* for further information on our 2017 credit facility.

*At-the-market Offering*

During the year ended December 31, 2017, we issued 5.2 million new common units in total translating into net proceeds of $17.8 million after payment of sales agent commission but before offering expenses.

*2016 Developments*

*Acquisition of the M/T Amor*

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

*At-the-market Offering*

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

*HMM restructuring agreement & disposal of HMM Shares*

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

*Delivery of the M/V CMA CGM Magdalena*

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

*2015 Developments*

*Issuance and Sale of Common Units*

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

*Amendments to Certain of Our Credit Facilities*

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

*Delivery of Dropdown Vessels*

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

*Management Transition*

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

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

## B. Business Overview

We are an international owner of tanker, container and drybulk vessels. As of December 31, 2017 our fleet consisted of 36 high specification vessels (2.6 million dwt) with an average age of approximately 8.4 years comprising four Suezmax crude oil tankers, 21 MR tankers, all of which are classed as IMO II/III vessels, ten neo-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, 2017, 33 vessels were chartered under time and bareboat charters with a revenue weighted average remaining term of approximately 5.3 years to charterers such as CMA CGM, Petrobras, PIL, subsidiaries of INSW, HMM, CSSA S.A. (Total S.A.), Empresa Publica Flota Petrolera Ecuatoriana EP Flopec ("Flopec"), COSCO, Repsol Trading S.A. ("Repsol"), Shell Tankers Singapore Private Limited ("Shell") and Capital Maritime. As of December 31, 2017, 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 four of our time charters, also provide for profit sharing arrangements in excess of the base rate. Please see "Item 4B: Business Overview—Our Charters—Profit Sharing Arrangements" for a detailed description of how profit sharing is calculated. As of December 31, 2017, the Marinakis family, including Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.1% interest in us (17.7% on a non-fully converted basis), through, among others, Capital Maritime.

### Business Strategies

Our primary business objective is to increase cash available for distributions while maintaining a strong financial position and an appropriate level of liquidity for the proper conduct of our business, by executing the following business strategies:

- ***Maintain medium- to long-term fixed charters***. We seek to enter into medium- to long-term, fixed-rate charters for a majority of our fleet in an effort to, together with 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, 2017, 33 vessels were chartered under time and bareboat charters with a revenue weighted average remaining term of approximately 5.3 years. As our vessels come up for re-chartering, we will seek to redeploy them under period contracts that reflect our expectations of prevailing market conditions. We will continue to evaluate growth opportunities across all shipping sectors. We believe that the diversified profile of our fleet, its average age of approximately 8.4 years as of December 31, 2017, compared to the industry average of 10.8 years (adjusted for the composition of our fleet) and the high specifications of our vessels, as well as our Manager's ability to meet the rigorous vetting requirements of some of the world's most selective major international oil companies and major charterers in the tanker, drybulk and container sectors will position us favorably to continue to secure medium- to long-term charters for our vessels.

- ***Expand our relationships with both current and new charterers and capitalize on our relationship with Capital Maritime.*** We aim to expand our relationships with current and new charterers and to take advantage of our charterers' diverse shipping requirements. We also believe that we can leverage our relationship with Capital Maritime and its ability to meet the rigorous vetting and selection processes of leading oil companies, as well as other charterers in the tanker, drybulk and container sectors, in order to attract new charterers for our fleet and increase the product, customer, geography and maturity diversity of our portfolio. We also believe that Capital Maritime will remain a strong chartering option.

- ***Expand our fleet through opportunistic and accretive acquisitions.*** As of December 31, 2017, our fleet consisted of 36 vessels, with an aggregate of 2.6 million deadweight tonnage, as compared to eight vessels with 0.3 million deadweight tonnage at the time of our IPO in 2007. Subject to our ability to obtain required financing and access financial markets, we intend to continue to evaluate potential acquisitions of both newbuilds and second-hand vessels in order to make opportunistic acquisitions for our fleet while maintaining a strong balance sheet. We also intend to take advantage of opportunities afforded to us by our relationship with our sponsor, Capital Maritime. As of December 31, 2017, Capital Maritime controlled a total of 23 vessels in the water, including five additional product tanker vessels for which we have a right of first refusal pursuant to the Master Vessel Acquisition Agreement. For future acquisitions, we may consider moderate increases in our overall leverage, provided that we are able to maintain low breakeven rates and deliver steady distributions to our unitholders. In addition, we may pursue opportunities for acquisitions of, or combinations with, other shipping businesses.

- ***Maintain a strong balance sheet.*** While we seek to finance our vessels and future vessel acquisitions through a mix of debt, equity financing and current cash balances, we intend to maintain a moderate level of leverage over time. We have in the recent past taken measures to retain internally generated cash to repay debt and together with a new amortizing $460.0 million credit facility, refinanced most of our external debt in October 2017. Moreover, by maintaining moderate levels of leverage, we aim to retain greater flexibility than more leveraged competitors, maintain lower breakeven rates and deliver sustainable distributions to our unitholders. In addition, charterers have increasingly favored financially solid vessel owners, and we believe that maintaining a strong balance sheet will help us access more favorable chartering opportunities, as well as give us a competitive advantage in pursuing vessel acquisitions.

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

### Competitive Strengths

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

- ***Well-established relationships with our charterers and with Capital Maritime.*** We have established longstanding relationships with a number of major international oil companies and major charterers in the tanker, drybulk and container sectors, having chartered our vessels over the last five years to well-known charterers such as AP Moller-Maersk AS, BP Shipping Limited, CMA CGM, COSCO, HMM, Petrobras, Repsol, Shell and Total S.A. On this basis, we believe that we are well situated to further develop our medium- to long-term charter relationships with leading charterers in the shipping industry. Our business also benefits from our unique relationship with Capital Maritime, our sponsor, which has a well-established reputation and safety and environmental track record within the shipping industry, a sizeable, diversified fleet amounting to 3.1 million dwt and strong relationships with many of the world's leading oil companies, commodity traders, container operators and shipping companies. We also benefit from Capital Maritime's expertise in technical fleet management and its track record of meeting the rigorous vetting requirements of some of the world's most selective major international oil companies and other charterers in the drybulk and container sectors.

- ***Diversified revenue stream.*** Since our IPO in 2007, our fleet has grown from eight to 37 vessels following the acquisition of M/T Aristaios in January 2018, comprising twenty one IMO II/III MR product tankers, ten neo-panamax container carrier vessels, four Suezmax crude oil tankers, one Aframax crude oil tanker and one Capesize drybulk carrier. We believe that our exposure to the product, crude, container and bulk shipping sectors provides us with a diversified revenue stream, with a view to enhancing the stability of our revenue and cash flows.

- ***Revenue and cash flow visibility and stability.*** As a number of our vessels are chartered under medium- and long-term contracts, we benefit from revenue and cash flow visibility. Also, many of our charters expire on a staggered basis, which contributes to the stability of our cash flow generation. As our vessels come up for re-chartering, we seek to redeploy them under contracts that reflect our expectations of prevailing market conditions. As of December 31, 2017, our average remaining charter duration was 5.3 years and our charter coverage was 61% and 28% for 2018 and 2019, respectively.

- ***High specification fleet.*** Our vessels were primarily constructed by reputable Japanese and South Korean shipyards to high specifications and have an average age of 8.4 years as of December 31, 2017. The twenty one medium range tankers that form part of our fleet are all classed as IMO II/III vessels, which, in addition to the Ice Class 1A classification notation of many of our vessels and the wide range in size and geographic flexibility of our fleet is attractive to our charterers, providing them with a high degree of flexibility in the types of cargoes and variety in the trade routes they may choose as they employ our fleet. We believe that these characteristics of our product tankers position us to take advantage of the positive long-term demand fundamentals in the product tanker business. In addition, eight of our existing container vessels are 'eco, wide beam' type and have an increased cargo intake and reduced bunker consumption as compared to older vessel designs, and are able to transit the new Panama Canal locks. We believe that these characteristics make our containerships more attractive to charterers.

- ***Strong balance sheet, cost efficient operations and acquisition funding.*** We believe that we have maintained a strong balance sheet and that, subject to market conditions, our financial strength positions us favorably to continue to make opportunistic acquisitions and grow our business with charterers as they seek financially sound counterparties for long-term contracts. We also believe that we have a long history of cost efficient ship management with consistent cost performance below industry benchmarks due to our outsourcing of our vessel management and operations to our Manager.

Table of Contents

### Our Customers

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

- ***CMA CGM***, a French container transportation and shipping company.
- ***Petrobras***, a publicly held Brazilian multinational energy corporation and a significant oil producer. Petrobras also owns oil refineries, oil tankers, and is a major distributor of oil products.
- ***Hyundai Merchant Marine Co.*** Ltd, an integrated logistics company, operating around 130 vessels. HMM has worldwide global service networks and diverse logistics facilities.
- ***International Seaways, Inc.,*** a provider of ocean transportation services for crude oil and refined petroleum products (formerly known as OSG International, Inc.). INSW was a wholly owned subsidiary of OSG prior to its spin-off in November 2016.
- ***CSSA S.A. (Total S.A.)***, the shipping affiliate of Total S.A., the fourth largest publicly traded integrated international oil and gas company in the world.
- ***COSCO Bulk Carrier Co. Ltd.***, a subsidiary of China COSCO Shipping Corporation Limited (COSCO Group), which is one of the largest drybulk and container owners and operators globally.
- ***Repsol Trading S.A.,*** a subsidiary of Repsol S.A., an oil and gas conglomerate.
- ***Pacific International Lines (PTE) Ltd.,*** a containership operator offering container liner services and multi-purpose services.
- ***Empresa Publica Flota Petrolera Ecuatoriana EP Flopec,*** a company transporting oil and other natural strategic resources for the State of Ecuador.
- ***Tesoro Far East Maritime Company,*** a subsidiary of Andeavor an independent refiner and marketer of petroleum products headquartered in San Antonio, Texas.
- ***Shell Tankers Singapore Private Limited,*** a subsidiary of Royal Dutch Shell PLC.
- ***Capital Maritime & Trading Corp., an established,*** diversified shipping company with activities in the sea transportation of wet (crude oil, oil products, chemicals), container and dry cargoes worldwide with a long history of operating and investing in the shipping markets and the Partnership's sponsor.

The loss of any significant customer or a substantial decline in the amount of services requested by a significant customer could harm our business, results of operations, cash flows, financial condition and ability to make cash distributions and service or refinance our debt.

### Our Management Agreements

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

- Fixed fee management agreement: At the time of our IPO, we entered into an agreement with our Manager under which our Manager has agreed to provide us with certain commercial and technical management services for a fixed daily fee per managed vessel. The fixed daily fee covers the commercial and technical management services, the respective vessel's operating costs, such as crewing, repairs and maintenance, insurance, stores, spares and lubricants, and the cost of the first special survey or next scheduled drydocking of each managed vessel. In addition to the fixed daily fees payable under the management agreement, Capital Ship Management is entitled to supplementary compensation for extraordinary fees and costs (as described in the agreement) of any additional direct and indirect expenses it reasonably incurs in providing these services, which may vary from time to time. We also pay a fixed daily fee per bareboat chartered vessel in our fleet, mainly to cover compliance and commercial costs, which includes those costs incurred by our Manager to remain in compliance with the oil majors' requirements, including vetting requirements.

- Floating fee management agreement: In June 2011, we entered into an agreement with our Manager under which we are charged actual expenses incurred by our Manager. Under the terms of this agreement, we compensate our Manager for expenses and liabilities incurred on our behalf while providing the agreed services to us, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating costs. Costs and expenses associated with a managed vessel's next scheduled drydocking are borne by us and not by our Manager. We also pay our Manager a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index.

- Crude Carriers management agreement: In September 2011, we completed our merger with Crude Carriers. Currently, three of the five crude tanker vessels we acquired as part of the merger continue to be managed under a management agreement entered into in March 2010, as amended, with Capital Ship Management whose initial term expires on December 31, 2020. Under the terms of this agreement we compensate our Manager for all of its expenses and liabilities incurred on our behalf while providing the agreed services to us, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating and administrative costs. Until December 31, 2016 we also paid our Manager the following fees: (a) a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index; (b) a sale and purchase fee equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of a vessel acquired by Crude Carriers and (c) a commercial services fee equal to 1.25% of all gross charter revenues generated by each vessel for commercial services rendered. Our Manager has agreed to waive the sale and purchase fee as well as the commercial services fee from January 1, 2017 onwards. Our Manager has the right to terminate the Crude Carriers management agreement and, under certain circumstances, could receive substantial sums in connection with such termination; however, even if our board of directors or our unitholders are dissatisfied with the Manager, there are limited circumstances under which we can terminate this management agreement. This termination fee was initially set at $9.0 million in March 2010 and increases on each one-year anniversary during which the management agreement remains in effect (on a compounding basis) in accordance with the total percentage increase, if any, in the United States Consumer Price Index over the immediately preceding 12 months. In March 2017, this termination fee was adjusted to $10.1 million.

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

**Our Fleet**

At the time of our IPO on April 3, 2007, our fleet consisted of eight vessels. Since that date, the size of our fleet has expanded in terms of both number of vessels and carrying capacity. As of December 31, 2017, our fleet consisted of 36 vessels, of various sizes with an average age of approximately 8.4 years and average remaining term under our charters of approximately 5.3 years.

We intend to continue to take advantage of our unique relationship with Capital Maritime and, subject to prevailing shipping, charter and financial market conditions and the approval of our board of directors, make strategic acquisitions in the medium to long term in a prudent manner that is accretive to our unitholders and to long-term distribution growth. Please read "Item 4.A.: History and Development of the Partnership—2015 Developments—*Delivery of Dropdown Vessels*" for a more detailed description of the right of first refusal

[Table of Contents](#)

Capital Maritime granted to us with respect to the acquisition of additional product tanker vessels. In addition, we may pursue opportunities for acquisitions of, or combinations with, other shipping businesses. Pursuant to the amended and restated omnibus agreement we have entered into with Capital Maritime in connection with our merger with Crude Carriers, Capital Maritime has granted us a right of first offer for any product tanker in its fleet with carrying capacity of over 30,000 dwt under time or bareboat charter with a remaining duration of at least twelve months. Capital Maritime is, however, under no obligation to fix any of these vessels under charters of longer than twelve months. Please read “Item 7B: Related-Party Transactions” for a detailed description of our amended and restated omnibus agreement with Capital Maritime.

The table below provides summary information as of December 31, 2017 about the vessels in our fleet, as well as their delivery date or expected delivery date to us and their employment, including earliest possible redelivery dates of the vessels and relevant charter rates. The table also includes the daily management fee and approximate expected termination date of the respective management agreement with Capital Ship Management with respect to each vessel. Sister vessels, which are vessels of similar specifications and size typically built at the same shipyard, are denoted by the same letter in the table. We believe that sister vessels provide a number of efficiency advantages in the management of our fleet.

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

## VESSELS IN OUR FLEET AS OF DECEMBER 31, 2017

| Vessel name | Sister Vessels (1) | Year built | DWT - TEU(15) | OPEX (per day)(2) | Management Agreement Expiration | Charter Duration/ Type (3) | Expiry of Charter (4) | Daily Charter Rate (Net) | Profit Share (5) | Charterer (6) | Description |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **PRODUCT TANKERS** | | | | | | | | | | | |
| Atlantas II(18) | A | 2006 | 36,760 | Floating | Sep 2021 | VC | — | — | | — | Ice Class 1A IMO II/III Chem./Prod. |
| Aktoras (7) | A | 2006 | 36,759 | Floating | Mar 2022 | 0.8-yr TC | Jul 2018 | $ 10,863 | ✓ | CMTC | Ice Class 1A IMO II/III Chem./Prod |
| Aiolos(7) | A | 2007 | 36,725 | Floating | Mar 2022 | 0.8-yr TC | Jul 2018 | $ 10,863 | ✓ | CMTC | Ice Class 1A IMO II/III Chem./Prod |
| Agisilaos(11) | A | 2006 | 36,760 | Floating | Dec 2021 | 3-yr TC | Nov 2018 | $ 18,288 | | FLOPEC | Ice Class 1A IMO II/III Chem./Prod. |
| Arionas(11)(12) | A | 2006 | 36,725 | Floating | Aug 2021 | 1-yr TC | Feb 2018 | $ 10,863 | | CMTC | Ice Class 1A IMO II/III Chem./Prod. |
| Axios | B | 2007 | 47,872 | Floating | Jun 2022 | 3-yr TC | May 2018 | $ 15,015 | | PETROBRAS | Ice Class 1A IMO II/III Chem./Prod. |
| Avax | B | 2007 | 47,834 | Floating | Apr 2022 | 3-yr TC | May 2018 | $ 15,015 | | PETROBRAS | Ice Class 1A IMO II/III Chem./Prod. |
| Akeraios | B | 2007 | 47,781 | Floating | Aug 2022 | 3-yr TC | Mar 2019 | $ 17,306 | | PETROBRAS | Ice Class 1A IMO II/III Chem./Prod. |
| Anemos I | B | 2007 | 47,782 | Floating | Dec 2022 | 3-yr TC | Dec 2018 | $ 17,306 | | PETROBRAS | Ice Class 1A IMO II/III Chem./Prod. |
| Apostolos | B | 2007 | 47,782 | Floating | Sep 2022 | 3-yr TC | Dec 2018 | $ 17,306 | | PETROBRAS | Ice Class 1A IMO II/III Chem./Prod. |
| Alexandros II(8) | C | 2008 | 51,258 | Floating | Dec 2022 | VC | — | — | | — | IMO II/III Chem./Prod. |
| Aristotelis II(8) | C | 2008 | 51,226 | Fixed - $ 250 | June 2018 | 10-yr BC | Apr 2018 | $ 6,600 | | INSW | IMO II/III Chem./Prod. |
| Aris II(8) | C | 2008 | 51,218 | Fixed - $ 250 | Aug 2018 | 10-yr BC | Jun 2018 | $ 6,600 | | INSW | IMO II/III Chem./Prod. |
| Ayrton II | C | 2009 | 51,260 | Floating | Apr 2019 | 2-yr TC | Feb 2018 | $ 17,775 | | CMTC | IMO II/III Chem./Prod. |
| Atrotos | B | 2007 | 47,786 | Floating | Apr 2019 | 3-yr TC | Nov 2018 | $ 17,306 | | PETROBRAS | Ice Class 1A IMO II/III Chem./Prod. |
| Alkiviadis | A | 2006 | 36,721 | Floating | Oct 2020 | 1-yr TC | Jul 2018 | $ 12,591 | | CSSA | Ice Class 1A IMO II/III Chem./Prod. |
| Assos | B | 2006 | 47,872 | Floating | Apr 2019 | 3-yr TC | Mar 2018 | $ 15,015 | | PETROBRAS | Ice Class 1A IMO II/III Chem./Prod. |
| Aristotelis(13) | B | 2013 | 51,604 | Floating | Nov 2018 | 1-yr TC | Feb 2018 | $ 13,578 | | CMTC | Eco IMO II/III Chem./Prod. |
| Active(17) | J | 2015 | 50,136 | Floating | Mar 2020 | — | — | — | | — | Eco IMO II/III Chem.Prod. |
| Amadeus(16) | J | 2015 | 50,108 | Floating | Jun 2020 | 1-yr TC | Oct 2018 | $ 14,210 | | REPSOL | Eco IMO II/III Chem.Prod. |
| Amor(10) | J | 2015 | 49,999 | Floating | Oct 2021 | 0.2-yr TC | Jan 2018 | $ 13,825 | ✓ | CMTC | Eco IMO II/III Chem.Prod. |
| **CRUDE TANKERS** | | | | | | | | | | | |
| Miltiadis M II | F | 2006 | 162,397 | Crude | Dec 2020 | 0.8-yr TC | Aug 2018 | $ 18,000 | ✓ | CMTC | Ice Class 1A Crude Oil Suezmax |
| Amoureux | D | 2008 | 149,993 | Crude | Dec 2020 | 1-yr TC | Mar 2018 | $ 22,000 | | CMTC | Crude Oil Suezmax |
| Aias | D | 2008 | 150,393 | Crude | Dec 2020 | 3-yr TC | Jan 2018 | $ 25,506 | | REPSOL | Crude Oil Suezmax |
| Amore Mio II | E | 2001 | 159,982 | Floating | May 2019 | VC | — | — | | — | Crude Oil Suezmax |

| Vessel name | Sister Vessels (1) | Year built | DWT – TEU(15) | OPEX (per day)(2) | Management Agreement Expiration | Charter Duration/ Type (3) | Expiry of Charter (4) | Daily Charter Rate (Net) | Profit Share (5) | Charterer (6) | Description |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **DRYBULK VESSEL** | | | | | | | | | | | |
| Cape Agamemnon(19) | G | 2010 | 179,221 | Floating | Jun 2021 | 10-yr TC | Jun 2020 | $ 40,090 | | COSCO | Cape Size Dry Cargo |
| **CONTAINER CARRIER VESSELS** | | | | | | | | | | | |
| Archimidis(14) | H | 2006 | 108,892 – 8,266 TEU | Floating | Dec 2022 | 1-yr TC | Mar 2018 | $ 8,147 | | PIL | Container Carrier |
| Agamemnon(14) | H | 2007 | 108,892 – 8,266 TEU | Floating | Dec 2022 | 1-yr TC | Apr 2018 | $ 8,147 | | PIL | Container Carrier |
| Hyundai Prestige(9) | I | 2013 | 63,010 – 5,023 TEU | Floating | Sep 2018 | 12-yr TC | Dec 2024 | $ 23,010 | | HMM | Eco Wide Beam Container Carrier |
| Hyundai Premium(9) | I | 2013 | 63,010 – 5,023 TEU | Floating | Apr 2018 | 12-yr TC | Jan 2025 | $ 23,010 | | HMM | Eco Wide Beam Container Carrier |
| Hyundai Paramount(9) | I | 2013 | 63,010 – 5,023 TEU | Floating | Apr 2018 | 12-yr TC | Feb 2025 | $ 23,010 | | HMM | Eco Wide Beam Container Carrier |
| Hyundai Privilege(9) | I | 2013 | 63,010 – 5,023 TEU | Floating | Sep 2018 | 12-yr TC | Mar 2025 | $ 23,010 | | HMM | Eco Wide Beam Container Carrier |
| Hyundai Platinum(9) | I | 2013 | 63,010 – 5,023 TEU | Floating | Sep 2018 | 12-yr TC | Apr 2025 | $ 23,010 | | HMM | Eco Wide Beam Container Carrier |
| CMA CGM Amazon | K | 2015 | 115,534 – 9,288 TEU | Floating | Jun 2020 | 5-yr TC | May 2020 | $ 38,759 | | CMA CGM | Eco-Flex, Wide Beam Container |
| CMA CGM Uruguay | K | 2015 | 115,639 – 9,288 TEU | Floating | Sep 2020 | 5-yr TC | Aug 2020 | $ 38,759 | | CMA CGM | Eco-Flex, Wide Beam Container |
| CMA CGM Magdalena | K | 2016 | 115,639 – 9,288 TEU | Floating | Feb 2021 | 5-yr TC | Jan 2021 | $ 38,759 | | CMA CGM | Eco-Flex, Wide Beam Container |
| **TOTAL FLEET DWT:** | | | **2,643,600 – 69,511 TEU** | | | | | | | | |

(1) Sister vessels and shipyards of origin are denoted in the tables by the following letters: (A) and (B) : these vessels were built by Hyundai MIPO Dockyard Co., Ltd., South Korea; (C): these vessels were built by STX Shipbuilding Co., Ltd., South Korea; (D): these vessels were built by Universal Shipbuilding Corp., Ariake, Japan; (E) and (F) : these vessels were built by Daewoo Shipbuilding and Marine Engineering Co., Ltd., South Korea; (G): this vessel was built by Sungdong Shipbuilding & Marine Engineering Co., Ltd., South Korea; (H): these vessels were built by Hyundai Heavy Industries Co. Ltd, South Korea; (I): these vessels were built by Samsung Heavy Industries (Ningbo) Co. Ltd.; (J): these vessels were built by Daewoo-Mangalia Heavy Industries S.A.

(2) Floating: These vessels are managed under the floating fee management agreement entered into with our Manager. Crude: These vessels are managed under the Crude management agreement entered into between Crude and our Manager. Fixed: These vessels are managed under the fixed fee management agreement entered into with our Manager. For additional details regarding our management agreements please see “Item 4B: Business Overview—Our Management Agreements” above.

(3) TC: Time Charter; BC: Bareboat Charter; VC: Voyage Charter.

(4) Earliest possible redelivery date.

(5) Product Tankers: 50/50 profit share on actual earnings settled every six months.

(6) BP: BP Shipping Ltd.; INSW: certain subsidiaries of International Seaways Inc.; CMTC: Capital Maritime & Trading Corp. (our Sponsor); COSCO: COSCO Bulk Carrier Co. Ltd., an affiliate of the COSCO Group; HMM: Hyundai Merchant Marine Co. Ltd.; CSSA: CSSA S.A. (Total S.A.); CMA CGM: CMA CGM; PETROBRAS: Petroleo Brasileiro S.A.; REPSOL: Repsol Trading S.A.; PIL: Pacific International Lines (PTE) Ltd Singapore; FLOPEC: Empresa Publica Flota Petrolera Ecuatoriana – EP Flopec.

(7) In March 2017, the M/T Aiolos (ex M/T British Emissary) and the M/T Aktoras (ex M/T British Envoy) were delivered to us from BP after completion of their respective bareboat charters. In August 2017, the companies owning the M/T Aiolos and the M/T Aktoras entered into time charters with CMTC for a period of ten to twelve months at a net daily rate of $10,863 plus 50/50 profit share each. Both charters commenced in September 2017. The M/T Aktoras was re-delivered to us on January 4, 2018 from its current charter with CMTC, in order to commence a charter with Shell for a period of twelve months +/- 30 days at a net daily rate of $12,994. The charterer has the option to extend the time charter for an additional twelve months +/-30 days at a net daily rate of $13,956. The new charter commenced on January 14, 2018.

(8) On November 14, 2012, Overseas Shipholding Group Inc (“OSG”) filed for relief under Chapter 11 of the U.S. Bankruptcy Code. In connection with the restructuring, we agreed to enter into new charter contracts on substantially the same terms as the prior charters but at a daily bareboat rate of $6,250.

OSG subsequently spun off INSW. We consented to the assumption of the charters by INSW for an increase in the net daily hire rate of the M/T Aristotelis II, the M/T Alexandros II and the M/T Aris II from $6,250 to $6,600 commencing on November 30, 2016 until the end of their respective bareboat charter agreements, which will expire in 2018 for the M/T Aristotelis II and the M/T Aris II and expired in December 2017 for the M/T Alexandros II. As of December 31, 2017, the M/T Alexandros II is trading under voyage charter.

(9) Each of the companies owning the M/V Hyundai Prestige, the M/V Hyundai Paramount, the M/V Hyundai Premium, the M/V Hyundai Privilege and the M/V Hyundai Platinum entered into a charter restructuring agreement with HMM on July 15, 2016. This agreement provides for the reduction of the charter rate payable under the respective charter parties by 20% to a net daily rate of $23,010 (from a net daily rate of $28,616) for a three and a half year period starting on July 18, 2016 and ending on December 31, 2019. The charter restructuring agreement further provides that at the end of the charter reduction period, the charter rate under the respective charter parties will be restored to the original net daily rate of $28,763 until the expiry of each charter.

(10) Since the expiration of the two-year time charter with Cargill International S.A. in September 2017, the M/T Amor has been employed by CMTC for an additional two months +/– 15 days at a net daily rate of $13,825. The vessel was delivered to us on January 3, 2018. As of December 31, 2017, the vessel is trading under short term time charter.

(11) On July 2, 2016, the M/T Agisilaos replaced the M/T Arionas under the charter party to Flopec at a net rate of $18,288 per day, as the M/T Arionas underwent its scheduled special survey.

(12) In December 2016, the M/T Arionas was chartered to CMTC for one year +/- 30 days at a net daily rate of $10,863. The charterer has the option to extend the time charter for an additional one year +/-30 days at a net daily rate of $13,578. The charter commenced in January 2017.

(13) In December 2016, the M/T Aristotelis was chartered to CMTC for one year +/- 30 days at a net daily rate of $13,578. The charterer has the option to extend the time charter for an additional one year +/-30 days at a net daily rate of $14,813. The charter commenced in January 2017. We agreed to sell the M/T Aristotelis in December 2017. We expect the sale to complete in March 2018.

(14) The M/V Archimidis and the M/V Agamemnon are employed on time charters with PIL for one year +/- 30 days at a net rate of $8,147 per day.

(15) DWT: Dead Weight Ton, TEU: Twenty-foot Equivalent Unit.

(16) In August 2017, the M/T Amadeus was delivered to us from CMTC after completion of its two-year time charter. In August 2017, the company owning the M/T Amadeus entered into a one-year time charter+/– 30 days with Repsol at a net daily rate of $14,210. The charter commenced in November 2017. On December 29, 2017, Repsol exercised its option to extend the time charter for one additional year +/– 30 days at a net daily rate of $14,455.

(17) In May 2017, the M/T Active was delivered to us from Cargill International S.A. after completion of its two-year time charter. Following the date of its redelivery, the vessel has been trading under short-term time charters.

(18) In January 2018, the M/T Atlantas II was chartered to CMTC for a period of five to eight months at a net rate of $10,863 per day. The charter commenced in January 2018.

(19) We currently maintain insurance to protect us against the loss of income that would result from COSCO's failure or refusal to pay hire due under the time charter agreement. Under our revenue protection insurance, our insurer has agreed to pay us a maximum amount of $25,000 per day for each day of loss, defined as the difference between the hire contractually payable under the charter party agreement with COSCO and the replacement hire earned or that could be earned by us during the policy period expiring on July 30, 2020. Replacement hire is defined as the greater of the actual hire earned during the policy period and the average hire rate that the M/V Cape Agamemnon is capable of earning as determined by three independent shipbrokers.

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

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

Table of Contents

The table set forth below indicates (i) the carrying value of each of our vessels as of December 31, 2017 and 2016; (ii) which of our vessels we believe has a charter free market value below its carrying value; and (iii) the aggregate difference between carrying value and market value represented by such vessels. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to reduce our net income if we sold all of such vessels in the current environment, on industry standard terms, in cash transactions, and to a willing buyer where we are not under any compulsion to sell, and where the buyer is not under any compulsion to buy. For purposes of this calculation, we have assumed that the vessels would be sold at a price that reflects our estimate of their current basic market values.

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

| Vessels | Date acquired by us | Carrying value as of December 31, 2017 (in millions of United States dollars)(1) | | Carrying value as of December 31, 2016 (in millions of United States dollars) | |
|---|---|---|---|---|---|
| M/T Atlantas II | 04/04/2007 | $ | 18.1* | $ | 19.3* |
| M/T Assos | 04/04/2007 & 08/16/2010 | $ | 22.9* | $ | 24.4* |
| M/T Aktoras | 04/04/2007 | $ | 18.4* | $ | 19.7* |
| M/T Agisilaos | 04/04/2007 | $ | 19.0* | $ | 20.2* |
| M/T Arionas | 04/04/2007 | $ | 19.2* | $ | 20.5* |
| M/T Avax | 04/04/2007 | $ | 21.5* | $ | 22.9* |
| M/T Aiolos | 04/04/2007 | $ | 19.2* | $ | 20.5* |
| M/T Axios | 04/04/2007 | $ | 21.8* | $ | 23.2* |
| M/T Atrotos | 05/08/2007 & 03/01/2010 | $ | 22.3* | $ | 23.7* |
| M/T Akeraios | 07/13/2007 | $ | 22.3* | $ | 23.8* |
| M/T Apostolos | 09/20/2007 | $ | 24.9* | $ | 26.5* |
| M/T Anemos I | 09/28/2007 | $ | 24.9* | $ | 26.5* |
| M/T Alexandros II | 01/29/2008 | $ | 29.0* | $ | 30.9* |
| M/T Amore Mio II | 03/27/2008 | $ | 42.8* | $ | 47.2* |
| M/T Aristotelis II | 06/17/2008 | $ | 29.6* | $ | 31.4* |
| M/T Aris II | 08/20/2008 | $ | 29.9* | $ | 31.7* |
| M/T Ayrton II | 04/13/2009 | $ | 31.2* | $ | 33.0* |
| M/T Alkiviadis | 06/30/2010 | $ | 20.3* | $ | 21.7* |
| M/V Cape Agamemnon | 06/09/2011 | $ | 38.8* | $ | 40.7* |
| M/T Miltiadis M II | 09/30/2011 | $ | 38.0* | $ | 40.5* |
| M/T Amoureux | 09/30/2011 | $ | 39.7* | $ | 42.0* |
| M/T Aias | 09/30/2011 | $ | 39.6* | $ | 42.0* |
| M/V Archimidis | 12/22/2012 | $ | 49.9* | $ | 53.1* |
| M/V Agamemnon | 12/22/2012 | $ | 52.9* | $ | 55.5* |
| M/V Hyundai Prestige | 09/11/2013 | $ | 45.1* | $ | 47.1* |
| M/V Hyundai Premium | 03/20/2013 | $ | 44.3* | $ | 46.3* |
| M/V Hyundai Paramount | 03/27/2013 | $ | 44.4* | $ | 46.4* |
| M/V Hyundai Privilege | 09/11/2013 | $ | 45.2* | $ | 47.2* |
| M/V Hyundai Platinum | 09/11/2013 | $ | 45.2* | $ | 47.2* |
| M/T Aristotelis | 11/28/2013 | $ | — | $ | 33.6* |
| M/T Active | 03/31/2015 | $ | 32.5* | $ | 33.9* |
| M/V CMA CGM Amazon | 06/10/2015 | $ | 82.9* | $ | 86.4* |
| M/T Amadeus | 06/30/2015 | $ | 32.9* | $ | 34.3* |

| | | | |
|---|---|---|---|
| M/V CMA CGM Uruguay | 09/18/2015 | $83.9* | $87.3* |
| M/V CMA CGM Magdalena | 02/26/2016 | $ 82.4* | 85.7* |
| M/T Amor | 10/24/2016 | $ 30.2* | 31.4* |
| **Total** | | **$1,265.2** | **$1,367.7** |

* Indicates vessels for which we believe that, as of December 31, 2017 and 2016, the basic charter-free market value is lower than the carrying value. We believe that the aggregate carrying value of these vessels, assessed separately, exceeded their aggregate basic charter-free market value by approximately $262.4 million and $388.8 million as of December 31, 2017 and 2016, respectively. The decrease of $126.4 million in 2017 as compared to 2016 is primarily due to the increase in value for our container vessels and bulk carrier vessel, as a consequence of an improvement in charter markets. As discussed in "Critical Accounting Policies—Vessel Lives and Impairment," we believe that the carrying values of our vessels as of December 31, 2017 and 2016 were recoverable as the undiscounted projected net operating cash flows of these vessels exceeded their carrying value by a significant amount.

(1) Does not include the carrying value of the M/T Aristotelis, which we agreed to sell in December 2017 and was classified as "asset held for sale."

## Our Charters

As of December 31, 2017, 33 vessels in our fleet were under time or bareboat charters with an average remaining term under our charters of approximately 5.3 years. Under certain circumstances, we may operate our vessels in the spot market or certain of our vessels may remain idle until they are fixed under appropriate medium- to long-term charters. As our vessels come up for re-chartering, depending on the prevailing market rates, we may not be able to re-charter them at levels similar to their current charters, or at all, which may affect our business, financial condition, results of operations, cash flows, and ability to make distributions and service or refinance our debt. Please read "Item 4B: Business Overview—Our Fleet." including the chart and accompanying notes, for more information on our time and bareboat charters, including counterparties, expected expiration dates of the charters and daily charter rates.

### *Time Charters*

A time charter is a contract for the use of a vessel for a fixed period of time at a specified daily rate. Under a time charter, the vessel's owner provides crewing and other services related to the vessel's operation, the cost of which is included in the daily rate and the charterer is responsible for substantially all vessel voyage costs except for commissions which are assumed by the owner. The basic hire rate payable under the charters is a previously agreed daily rate, as specified in the charter, payable at the beginning of the month in U.S. Dollars. As of December 31, 2017, we had 33 vessels under time charter agreements, of which four contain profit-sharing provisions that allow us to realize, at a predetermined percentage, additional revenues when spot rates or actual charter rates are higher than the base rates incorporated in our charters or, in some instances, through greater utilization of our vessels by our charterers.

### *Profit Sharing Arrangements*

As of December 31, 2017, we had profit sharing arrangements in place for the M/T Aktoras, the M/T Aiolos, the M/T Amor and the M/T Miltiadis M II, which were under time charter with Capital Maritime. These arrangements are based on the calculation of the vessel's actual earnings and are settled every six months. In the event that the actual time charter equivalent ("TCE") over that period is higher than the agreed daily charter rate of the vessel, we receive the basic net hire rate plus 50% of the excess over the gross daily charter rate. This means that actual voyage revenues earned and received, actual expenses incurred and actual time taken to perform the voyages during that period are used for purposes of the calculation.

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

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

***Bareboat Charters***

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

As of December 31, 2017, we had two vessels under bareboat charter with subsidiaries of INSW. A third vessel, the M/T Alexandros II, was previously under bareboat charter with a subsidiary of INSW but was redelivered to us in December 2017.

***Spot Charters***

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

***Voyage / Trip Charter***

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

**Seasonality**

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

**Management of Ship Operations, Administration and Safety**

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

We have entered into three separate technical and commercial management agreements with Capital Ship Management for the management of our fleet: the fixed fee management agreement, the floating fee management agreement and, with respect to the vessels acquired as part of the merger with Crude Carriers, the Crude Carriers management agreement. Each vessel in our fleet is managed under the terms of one of these three agreements. The aggregate management fees paid to Capital Ship Management for the years ended December 31, 2017, 2016 and 2015 were $11.6 million, $10.9 million and $11.7 million, respectively.

For a more detailed description of the three management agreements and administrative services agreements we have entered into with Capital Ship Management, please read “Item 4B: Business Overview—Our Management Agreements” and “Item 7B: Related Party Transactions—Administrative and Executive Services Agreements with the Manager.”

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

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

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

On April 2016, The GREEN4SEA Excellence Award was awarded to Capital Ship Management for demonstrating environmental excellence and performance above average. Our manager was distinguished for its strategy with a focus on environmental performance. During 2015 safety and environmental performance reached the highest level as all Key Performance Indicators were well superior to the industry standard. In July 2016, the “Green Environmental Achievement Award” was presented, for a consecutive year, to Capital Ship Management by the Port of Long Beach in Southern California, U.S.A. This award is being granted to operators that called the Port of Long Beach in 2015 and demonstrated that 90% or more of all their vessel trips complied with the Green Flag – Voluntary Vessel Speed Reduction Program.

In March 2017, Capital Ship Management completed the first accredited assessment of its MRV monitoring plan for the vessel M/T “Alkiviadis.” The assessment was performed by the world’s leading provider of professional assurance services, LRQA, which is a member of the Lloyd’s Register group (LR). Also in March 2017, Capital Ship Management was awarded the “Best Vessel Operator – Europe” Sea Transport Award 2017 by UK publication “Transport News” and AI Global Media Ltd. In April 2017, Capital Ship Management received a Certificate of Appreciation by the Australian Government and the Australian Maritime Safety Authority (AMSA) for the participation in a Maritime Winching exercise on M/V ‘Attikos‘, a 178,929 dwt Capesize bulk carrier.

**Major Oil Company Vetting Process**

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

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

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

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

We believe Capital Maritime and Capital Ship Management are among a small number of ship management companies to have undergone and successfully completed audits by seven major international oil companies in the last few years (i.e., BP, Chevron Corporation, Philips 66 Inc., ExxonMobil Corporation, Royal Dutch Shell plc, Statoil ASA, Tesoro, Repsol and Total S.A.).

**Crewing and Staff**

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

**Classification, Inspection and Maintenance**

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

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

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

- Annual surveys, which are conducted for the hull and the machinery at intervals of 12 months (or up to 15 months) from the date of commencement of the class period indicated on the certificate.

- Intermediate surveys, which are extended annual surveys and are typically conducted each two and a half years (or up to three years) after completion of each class renewal survey. In the case of newbuildings and or vessels of up to 15 years of age, the requirements of the intermediate survey can be met through an underwater inspection in lieu of drydocking the vessel. Intermediate surveys may be carried out on the occasion of the second or third annual survey.
- Class renewal surveys (also known as special surveys) are carried out at the intervals indicated by the classification for the hull, which are usually at five-year intervals. During the special survey, the vessel is thoroughly examined, including Non-Destructive Inspections to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society will order steel renewals. The classification society may grant a three-month extension for completion of the special survey under certain conditions. Substantial amounts of funds may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every five years, a ship-owner or manager has the option, depending on the type of ship, of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class.

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

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

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

Most vessels are also drydocked every two and a half years for inspection of the underwater parts and any deficiencies identified during the inspections need to be rectified either during the inspection or at a later stage if that is found to be appropriate based on its class. The classification surveyor in this case will issue a "recommendation" which must be rectified by the ship-owner within prescribed time limits. Class and SOLAS rules allow one of the bottom surveys (the intermediate one) in a five-year period to be carried out afloat instead of by dry docking; however this is only applicable for certain ship types and for modern vessels of up to 15 years of age.

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

**Risk Management and Insurance**

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

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

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

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

Not all risks are insured and not all risks are insurable. The principal insurable risks which nevertheless remain uninsured across the fleet are "loss of hire" and "strikes". Except as described above with respect to the M/V Cape Agamemnon, we do not insure these risks because the costs are regarded as disproportionate to the benefit.

The following table sets forth certain information regarding our insurance coverage as of December 31, 2017:

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

* Our bareboat charterer is responsible for the insurance on the vessels. The values attributed to those vessels are in line with the values agreed in the relevant charters.

## The International Shipping Industry

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

Shipping demand, measured in tonne-miles, is a product of (a) the amount of cargo transported in ocean-going vessels, multiplied by (b) the distance over which this cargo is transported. The distance is the more variable element of the tonne-mile demand equation and is determined by seaborne trading patterns, which are principally influenced by the locations of production and consumption. Seaborne trading patterns are also periodically influenced by geo-political events that divert vessels from normal trading patterns, as well as by inter-regional trading activity created by commodity supply and demand imbalances.

Demand for tankers and tonnage of oil shipped is primarily a function of global oil consumption, which is driven by economic activity, as well as the long-term impact of oil prices on the location and related volume of oil production. Global oil demand returned to limited growth in 2010 and has since been expanding at a modest pace, driven by a steady rise in Asia. According to the International Energy Agency, global oil demand for 2017 is estimated to be 97.8 mb/day compared to 96.3 mb/day for 2016.

Tonnage of oil shipped is also influenced by transportation alternatives (such as pipelines) and the output of refineries. Over the past few years, refinery output in the United States has increased significantly as a result of ample and growing domestic crude supply and an abundance of cheap natural gas. In 2017, refinery runs in the United States reached new record levels, resulting in an increase in petroleum product exports. The key markets for products from the United States were Latin America, including Mexico, Brazil, Chile and Colombia among others, as well as Europe. Over the past few years, Asia and the Middle East have also experienced a significant increase in their refinery capacity. It is estimated that refinery capacity in the Middle East and Asia combined increased by 4.1 mb/day over the last five years. In 2018, a notable number of additional refineries are expected to start operations in Asia.

Growth in global container trade has been driven by growth in world merchandise trade, and the growing share in the containerized part thereof, along with the expansion in "containerization" of new commodities and the trend towards globalization. In general, although the global container trade has grown at a multiple of GDP, that multiple appears to be gradually reducing as some of the trends driving it begin to mature. It is estimated that demand for containerships grew at rate of 5% in 2017 compared to 4.1% in 2016.

**Competition**

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

Competition for charters in the tanker, drybulk and container markets can be intense. The ability to obtain favorable charters depends, in addition to price, on a variety of other factors, including the location, size, age, condition and acceptability of the vessel and its operator to the charterer. Although we believe that at the present time no single company has a dominant position in the markets in which we compete, that could change and we may face substantial competition for medium- to long-term charters from a number of experienced companies who may have greater resources or experience than we do when we try to re-charter our vessels, especially as a number of our vessels will come off charter during 2018. However, Capital Maritime is among a small number of ship management companies in the tanker sector that has undergone and successfully completed office assessments by seven major international oil companies in the last few years, including audits with BP, Chevron Corporation, Philips 66 Inc., ExxonMobil Corporation, Royal Dutch Shell plc, Statoil ASA, Tesoro, Repsol and Total S.A. We believe our ability to comply better with the rigorous standards of major oil companies relative to less qualified or experienced operators allows us to effectively compete for new charters.

## Regulation

*General*

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

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

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

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

*United States Requirements*

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

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

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

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

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

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

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

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

Administrative obligations, such as monitoring, recordkeeping and reporting requirements also apply. Implementation of the water treatment standards adopted by the USCG/EPA is required earlier than the implementation of equivalent standards agreed by the International Maritime Organization. For trading in the U.S. waters, vessels are to be fitted with ballast water treatment systems approved by the USCG at the first bottom survey after January 1, 2016. A number of BWTS technologies have Alternate Management System (“AMS”) extension approvals and a number of other systems have recently received a USCG type BWTS approval. We have obtained extensions for the majority of our vessels with due date of docking up to and including 2018 to carry out installation of BWTS at the next docking survey after December 31, 2018. Although future extensions may still be granted, obtaining an extension due to lack of type approved systems will now be more difficult because owners must prove that none of the recently approved systems are suitable for their vessels. Compliance with these requirements may impose substantial costs for retrofitting our vessels with BWTS or otherwise restrict our vessels from performing certain operations in U.S. waters that involve discharging of ballast water.

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

*International Requirements*

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

Amendments to Annex VI to the MARPOL address particulate matter, nitrogen oxide and sulfur oxide emissions. The revised Annex VI reduces air pollution from vessels by, among other things (i) implementing a progressive reduction of sulfur oxide emissions from ships, and (ii) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The International Maritime Organization confirmed in October 2016 that a global 0.5% sulphur cap on marine fuels will come into force on January 1, 2020, as agreed in amendments adopted in 2008 for Annex VI to the MARPOL. Annex VI sets progressively stricter regulations to control sulphur oxides (SOx) and nitrous oxides (NOx) emissions from ships, which present both environmental and health risks. The 0.5% sulphur cap marks a significant reduction from the current global sulphur cap of 3.5%, which came into effect on January 1, 2012. When the 2020 sulphur cap was decided upon in 2008, it was also agreed that a review should be undertaken by 2018 to assess whether there was sufficient compliant fuel available to meet the 2020 effective date, failing which, the effective date could be deferred to 2025. That review was completed in July 2016 by a consortium of consultants led by CE Delft, and submitted to the International Maritime Organization's Marine Environment Protection Committee (MEPC) during their 70th session. The review concluded that sufficient compliant fuel would be available to meet the new requirement. However, it remains uncertain if there will be sufficient refining capacity in 2020 to produce compliant marine fuels and installing alternative sulphur emission control equipment on vessels entails significant cost and may be technically infeasible or uneconomic for some vessels. Questions also remain as to how the sulphur cap will be enforced, as it is up to individual parties to MARPOL to enforce fines and sanctions.

Shipowners can meet the new requirements by continuing to use fuel types which exceed the 0.5% sulphur limit and retrofitting an approved Exhaust Gas Cleaning System (also known as scrubbers) to remove sulphur from exhaust, which might require a substantial capital expenditure and prolonged offhire of the vessel during installation; or use petroleum fuels such as marine gasoil (MGO), which meet the 0.5% sulphur limit. According to Clarksons Shipping Intelligence Network, the premium of MGO over 380 CST 3.5% bunker fuel in Rotterdam has averaged $244/mt over the last five years. Depending on the vessel type and size, this could mean a substantial increase in the cost of bunkers for the vessel. This cost could increase further if the refining sector is unable to cope with the higher distillate demand, resulting in a tight distillate market and wider spread between HSFOs and MGOs; or by retrofitting the vessel to handle alternative fuels, such as LNG, methanol, biofuels, LPG etc. Retrofitting vessels for the consumption of these type of alternative fuels would involve a substantial capital expenditure and might be uneconomical for most conventional vessel types given current technology and design challenges.

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

New SOLAS requirements necessitate installation of ECDIS equipment for certain types of vessels at the first radio survey carried out after July 1, 2015. For container vessels, this requirement comes into force for their first radio survey after July 1, 2016. While some of our vessels are already fitted with ECDIS equipment requiring only minimal upgrades, a number of our vessels are not fitted with such equipment and additional expenditure might be incurred to comply with this regulation. Furthermore, recent rule changes to ECDIS performance standards as from September 1, 2017, may necessitate replacement of ECDIS equipment in case their upgrade is not possible. If that happens, this replacement might require increased capital expenditure for certain of our vessels.

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

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

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

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

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

The SMPEPs required for our vessels are in place.

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

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

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

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

*Climate Change and Greenhouse Gas Regulation*

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

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

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

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Section 13(r) requires an issuer to disclose whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings. Disclosure is required even where the activities, transactions or dealings are conducted in compliance with applicable law. Provided in this section is information concerning the activities of CPLP and its affiliates that occurred in 2017 and which CPLP believes may be required to be disclosed pursuant to Section 13(r) of the Exchange Act.

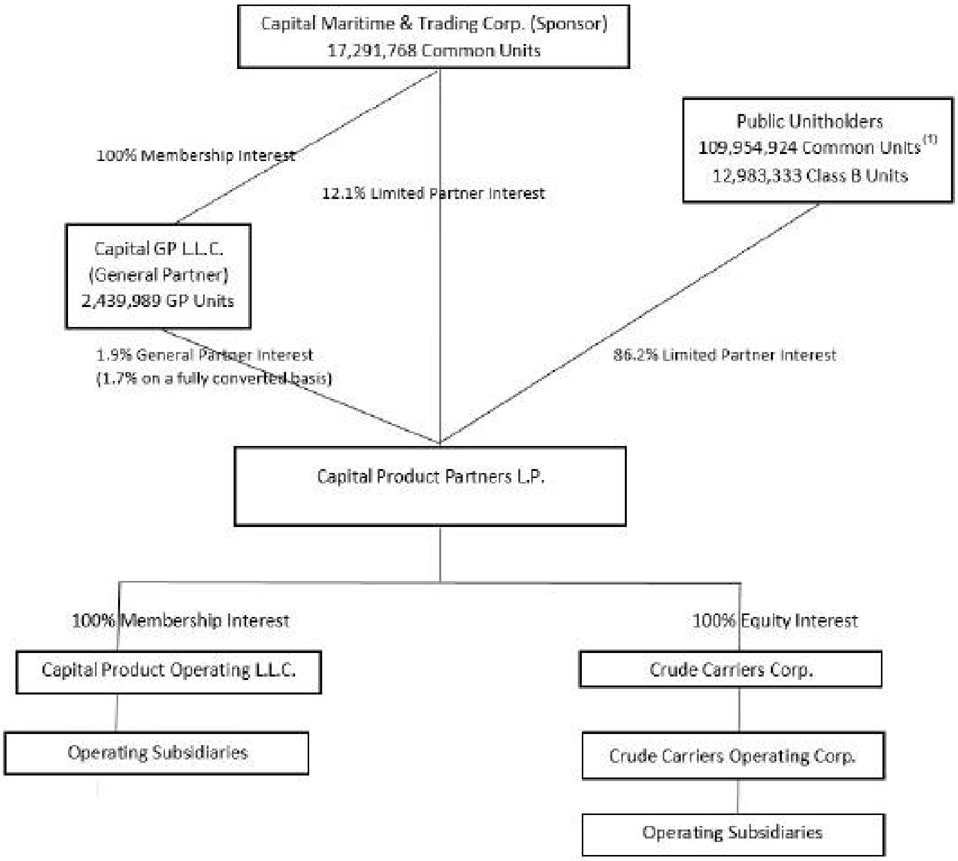
In 2017, vessels owned by CPLP and chartered under time charter parties to PCTC, a subsidiary of CMTC, our sponsor and the sole member of our General Partner, made four port calls to Iran to load crude oil and three port calls to Iran to discharge vegetable oils. These port calls represented approximately 0.4% of the total port calls made by all the vessels owned by CPLP in 2017. They each occurred while the respective vessel was sublet under voyage or time charter by PCTC to an unaffiliated sub-charterer under the instructions of such sub-charterer. As the vessel owner, we earned revenues at the agreed daily charter rates from PCTC under the applicable time charter. PCTC in turn earned revenues at the agreed freight or hire rate from the sub-charterers that employed the vessels. CPLP's aggregate revenue attributable to the number of days that our vessels under time charters remained in ports in Iran was approximately $0.5 million, representing approximately 0.2% of our total revenues for the year ended December 31, 2017. We do not attribute profits to specific voyages.

Further, in 2017, vessels owned or chartered-in by CMTC (including the vessels chartered-in from CPLP by PCTC under time charters as described above) made 12 port calls to Iran to load crude oil and five port calls to Iran to discharge vegetable oils. These port calls represented 1.4% of the total port calls made by all the vessels owned or chartered-in by CMTC in 2017. They each occurred while the respective vessel was chartered out to an unaffiliated charterer or sub-charterer under the instructions of such charterer or sub-charterer. The aggregate revenue attributable to the number of days that the vessels under time charters remained in ports in Iran and to port calls made in Iran by vessels under voyage charters to unaffiliated charterers and sub-charterers was approximately $32.0 million, representing approximately 9.0% of CMTC's total revenues during the year ended December 31, 2017. CMTC does not attribute profits to specific voyages.

As part of the voyage charter arrangements between CMTC and third-party charterers or sub-charterers, CMTC or its manager may pay fees and expenses related to the port calls made in Iran through a private third-party agent in Iran appointed by the third-party charterer or sub-charterer, which in 2017 did not include any payments for refueling or bunkers for the vessels making such port calls.

CPLP and CMTC believe that all activities, transactions and dealings involving Iran were consistent with sanctions. CPLP and CMTC intend to continue to charter their respective vessels to charterers and sub-charterers, including, as the case may be, Iran-related parties, who may make, or may sublet the vessels to sub-charterers who may make, port calls to Iran, so long as the activities continue to be permissible and not sanctionable under applicable U.S. and EU and other applicable laws.

### C. Organizational Structure




(1) Crude Carriers Investments Corp. owns 3,284,210 common units as of the date of this Annual Report.

Please also see Note 1 (Basis of Presentation and General Information) to our Financial Statements included herein and Exhibit 8.1 to this Annual Report for a list of our significant subsidiaries as of December 31, 2017.

### D. Property, Plants and Equipment

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

### Item 4A. Unresolved Staff Comments.

None.

### Item 5. Operating and Financial Review and Prospects.

*You should read the following discussion of our financial condition and results of operations in conjunction with our audited consolidated Financial Statements for the years ended December 31, 2017, 2016, and 2015 and related notes included elsewhere in this Annual Report. Among other things, the Financial Statements include more detailed information regarding the basis of presentation for the following information. The Financial Statements have been prepared in accordance with U.S. GAAP and are presented in thousands of U.S. Dollars.*

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

**Overview**

We are an international owner of tanker, container and drybulk vessels. We were organized in January 2007 by Capital Maritime, an international shipping company with a long history of operating and investing in the shipping market. Our fleet as of December 31, 2017 consisted of 36 high specification vessels with an average age of approximately 8.4 years. Our fleet is comprised of four Suezmax crude oil tankers (0.6 million dwt), 21 medium range product tankers (0.9 million dwt), ten neo-panamax container carrier vessels (0.9 million dwt) and one Capesize bulk carrier (0.2 million dwt). Our vessels are capable of carrying a wide range of cargoes, including crude oil, refined oil products, such as gasoline, diesel, fuel oil and jet fuel, edible oils and certain chemicals, such as ethanol, as well as dry cargo and containerized goods.

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

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

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

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

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

As of December 31, 2017, the Marinakis family, including Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.1% interest in us (17.7% on a non-fully converted basis), through, among others, Capital Maritime and Crude Carriers Investments.

*Our Charters*

We generate revenues by charging our charterers for the use of our vessels. Historically, we have provided services to our charterers under time or bareboat charter agreements. As of December 31, 2017, 33 of our vessels were either trading in the period market or were expected to commence period employment.

Our vessels are currently under contracts with INSW, HMM, CSSA S.A. (Total S.A.), COSCO, Repsol, Flopec, PIL, Petrobras, Shell, CMA CGM and Capital Maritime. In 2017, we re-chartered a total of thirteen vessels.

For the year ended December 31, 2017, Petrobras, Capital Maritime, HMM and CMA CGM accounted for 19%, 18%, 18% and 17% of our revenues, respectively. For the year ended December 31, 2016, HMM, Petrobras, CMA CGM and Capital Maritime accounted for 19%, 18%, 17% and 15% of our revenues, respectively. For the year ended December 31, 2015, Capital Maritime and HMM accounted for 29% and 21% of our revenues, respectively.

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

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

*HMM Restructuring*

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

*Accounting for Acquisitions*

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

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

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

*Industry Developments and Outlook*

In 2017, the tanker charter market, where the majority of our fleet operates and where we expect the vast majority of our renewals will occur in the next couple of years, was overall weaker due to, among other factors, high oil inventories and increased supply of vessels. As a result, we secured employment for a number of our vessels at reduced rates on average in 2017. Oil demand growth is estimated by the International Energy Agency ("IEA") at 1.6% for 2017 and 1.3% for 2018. However global oil inventories remained at above five-year average levels at the end of 2017 and as a result might adversely affect demand for tankers into 2018. In addition, according to Clarksons Shipping Intelligence Network, the total tanker orderbook stood at 11.7% of the current worldwide fleet with 56% of this expected to be delivered within 2018.

In 2017, in the container market, certain key routes have seen a resurgence in demand as compared to 2016, which has led to a decrease in the idle fleet of approximately 2% by year end and an overall increase in container charter rates and asset values. However, charter rates still remain below historical averages. While all but two of our container vessels come up for re-chartering after 2020, we depend on the ability of vessel charterers, which have come under significant financial stress, to honor their commitments. For further information, see "Item 3.D Risks Factors—Risks Related to the Container Carrier Industry—*If our container carrier vessel charterers do not fulfill their obligations to us, or if they are unable to honor their obligations, our business, financial condition, results of operations, cash flows and ability to make cash distributions and service or refinance our debt can be adversely affected*."

After reaching historical highs in mid-2008, charter hire rates for capesize drybulk carriers, such as the M/V Cape Agamemnon, have declined to historically low levels. In 2017, the drybulk market experienced some recovery in charter rates and asset values compared to 2016. The M/V Cape Agamemnon is currently deployed on a period time charter which is expected to expire on June 2020 (at the earliest). In the future, we may be forced to re-charter the M/V Cape Agamemnon pursuant to short-term time charters, and may be exposed to changes in the spot market and short-term charter rates for capesize drybulk carriers, all of which may affect our earnings and the value of the M/V Cape Agamemnon. For further information, see "Item 3.D Risks Factors—Risks Related to the Drybulk Industry—*We are exposed to various risks in the international drybulk shipping industry, which is cyclical and volatile*."

**Factors Affecting Our Future Results of Operations**

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

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

We are exposed to the tanker market to a significant extent as (a) the majority of our vessels are either crude or product tankers and (b) most of the charters that have expired over the previous 12 months or we expect will expire in the coming 12 months are product or crude tanker charters. We expect 20 of our charters to expire in the coming 12 months compared to 12 charter expirations in 2017. 18 of these charter expirations relate to tanker vessels compared to ten tanker charter expirations in 2017.

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

- levels of oil product demand and inventories;

- supply and demand for crude oil, oil products raw materials, dry cargo and containerized goods;
- charter hire levels (under time and bareboat charters) and our ability to re-charter our vessels at competitive rates as their current charters expire;
- developments in vessel values, which might affect our ability to comply with certain covenants under our credit facilities and/or refinance our debt;
- our ability to comply with the covenants in our credit facilities, including covenants relating to the maintenance of vessel value ratios;
- our level of debt and the related interest expense and amortization of principal;
- our access to debt and equity, and the cost of such capital, required to acquire additional vessels and/or to implement our business strategy;
- supply and orderbook of vessels, including tankers, container vessels and drybulk vessels;
- the ability to increase the size of our fleet and make additional acquisitions that are accretive to our unitholders;
- the ability of Capital Maritime’s commercial and chartering operations to successfully employ our vessels at economically attractive rates, particularly as our charters expire and our fleet expands;
- the continuing demand for goods from China, India, Brazil and Russia and other emerging markets;
- our ability to comply with new maritime regulations and the more restrictive regulations for the transport of certain products and cargoes and the increased costs associated therewith;
- the increased costs associated with the renewal of our technical management agreement and the full transition to a floating fee based on actual expenses for certain of our vessels;
- the effective and efficient technical management of our vessels;
- the costs associated with upcoming drydocking of our vessels;
- Capital Maritime’s ability to obtain and maintain major international oil company approvals and to satisfy their technical, health, safety and compliance standards;
- the strength of and growth in the number of our customer relationships, especially with major international oil companies and major commodity traders;
- the prevailing spot market rates and the number of our vessels which we may operate in the spot market;
- our ability to acquire and sell vessels at prices we deem satisfactory; and
- the level of any distribution on our common units.

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

**Factors to Consider When Evaluating Our Results**

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

- *Size of our Fleet.* During 2017, the weighted average number of our vessels increased by 0.97 vessels compared to the year 2016, as we took delivery of the M/V Anaxagoras (renamed to "CMA CGM Magdalena") and the M/T Amor on February 26, 2016 and October 24, 2016, respectively. As our fleet grows or as we dispose of our vessels, our results of operations reflect the contribution to revenue of, and the expenses associated with, a varying number of vessels over time, which may affect the comparability of our results year-on-year. Please see "—Overview—Accounting for Acquisitions" for information on the accounting treatment of vessel acquisitions for the period under review and Note 1 (Basis of Presentation and General Information) to the Financial Statements included herein.
- *Management Structure and Operating Expenses*. We have entered into three separate technical and commercial management agreements with Capital Ship Management for the management of our fleet: the fixed fee management agreement, the floating fee management agreement and, with respect to the vessels acquired as part of the merger with Crude Carriers, the Crude Carriers management agreement. Each agreement has a different operating expenses structure. In 2017, three vessels, which were previously managed under the fixed fee management agreement and were employed under bareboat charter agreements transitioned to a floating fee arrangement and incurred operating expenses. We expect that the remaining two vessels in our fleet that are still managed under the fixed fee management agreement and are currently employed under bareboat charter agreements, will over time transition to floating fee arrangements and that newly acquired vessels will also be managed under floating fee management arrangements. For information on our management agreements and the fees we pay to our Manager, please read "Item 4B: Business Overview—Our Management Agreements."

**Results of Operations**

***Year Ended December 31, 2017 Compared to Year Ended December 31, 2016***

Our results of operations for the years ended December 31, 2017 and 2016 differ primarily due to:

- the increase in the weighted average number of our vessels as we took delivery of the M/V Anaxagoras (renamed to "CMA CGM Magdalena") and the M/T Amor on February 26, 2016 and October 24, 2016, respectively;
- lower charter rates as a result of weaker market conditions for product and crude tankers on the back of increased tonnage availability, high oil and oil product inventories and OPEC/Non-OPEC oil production cuts, a trend that we expect to continue at least for the short term and that we anticipate may further affect our earnings as a significant number of our charters will expire in 2018;
- the increase in the number of vessels in our fleet incurring operating expenses following the redelivery by their charterer of the M/T Atlantas II in September 2016 and the M/T Aiolos and the M/T Aktoras in March 2017, which were previously employed on bareboat charters; and
- higher interest costs incurred as a result of an increase in the LIBOR weighted average interest rate during the year ended December 31, 2017 compared to the year ended December 31, 2016.

**Total Revenues**

Total revenues, consisting of time, voyage and bareboat charter revenues, amounted to $249.1 million for the year ended December 31, 2017 compared to $241.6 million for the year ended December 31, 2016.

The increase of $7.5 million was primarily attributable to the increase in vessel operating days as the weighted average size of our fleet expanded by 0.97 vessels in 2017 and the decrease in the number of off-hire days incurred by our vessels during the year 2017, partly offset by lower charter rates earned by certain of our vessels compared to the average charter rates earned during the year 2016 as result of, among other factors, weaker market conditions for product and crude tankers. For the year ended December 31, 2017, related party revenues increased to $44.7 million, compared to $36.0 million for the year ended December 31, 2016 as the average number of vessels chartered by Capital Maritime increased by 2.7 vessels. Time, voyage and bareboat charter revenues are mainly comprised of the charter hires received from unaffiliated third-party charterers and Capital Maritime, and are generally affected by the number of vessel operating days, the average number of vessels in our fleet and the charter rates.

For the year ended December 31, 2017, Petrobras, Capital Maritime, HMM and CMA CGM accounted for 19%, 18%, 18% and 17% of our total revenues, respectively. For information on the risks arising from a concentration of counterparties, see “Item 3. Key Information—D. Risk Factors—Risks Inherent in Our Operations—*We currently derive all of our revenues from a limited number of charterers and the loss of any charterer or charter or vessel could result in a significant loss of revenues and cash flows.*”

Please read “Item 4B: Business Overview—Our Fleet” and “—Our Charters” for information about the charters on our vessels, including daily charter rates.

**Voyage Expenses**

Total voyage expenses amounted to $15.2 million for the year ended December 31, 2017, compared to $10.3 million for the year ended December 31, 2016. The increase of $4.9 million was primarily attributable to the increase in the number of voyage charters under which certain of our vessels were employed during the year 2017, compared to the year 2016. Voyage expenses primarily consist of bunkers, port expenses, canal dues and commissions. Commissions are paid to shipbrokers for negotiating and arranging charter party agreements on our behalf. Voyage expenses incurred during time and bareboat charters are paid for by the charterer, except for commissions, which are paid for by us. Voyage expenses incurred during voyage charters are paid for by us. Please also refer to Note 10 (Voyage Expenses and Vessel Operating Expenses) to the financial statements included herein for information on the composition of our voyage expenses.

**Vessel Operating Expenses**

For the year ended December 31, 2017, our total vessel operating expenses amounted to $86.1 million compared to $77.5 million for the year ended December 31, 2016. The $8.6 million increase in total vessel operating expenses primarily reflects the expansion in the weighted average size of our fleet and the increase in the number of vessels in our fleet incurring operating expenses, following the redelivery of the M/T Atlantas II, the M/T Aktoras and the M/T Aiolos, which were previously employed under bareboat charters.

Total vessel operating expenses for the year ended December 31, 2017 include expenses of $11.6 million incurred under the management agreements we have with our Manager, compared to $10.9 million during the year ended December 31, 2016.

See Note 10 (Voyage Expenses and Vessel Operating Expenses) to the financial statements included herein for information on the composition of our vessel operating expenses.

**General and Administrative Expenses**

General and administrative expenses amounted to $6.2 million for the year ended December 31, 2017, compared to $6.3 million for the year ended December 31, 2016. General and administrative expenses include board of directors’ fees and expenses, audit and certain legal fees, and other fees related to the expenses of the publicly traded partnership.

**Vessel Depreciation and Amortization**

Depreciation and amortization amounted to $74.0 million for the year ended December 31, 2017, compared to $71.9 million for the year ended December 31, 2016. The increase was due to the increase in the average number of vessels in our fleet.

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

**Impairment of vessel**

Impairment of vessel amounted to $3.3 million for the year ended December 31, 2017 and represents the difference between the carrying and the fair market value of the M/T Aristotelis, which we agreed to sell on December 22, 2017. The vessel was classified as held for sale and written down to its fair value less estimated sale costs. The fair value of the M/T Aristotelis was based on its transaction price, as the sale price was agreed with an unaffiliated third party.

Please see Note 5 (Fixed assets and assets held for sale) and Note 8 (Financial Instruments) to our Financial Statements included herein for more information on impairment charges.

**Total Other Expense, Net**

Total other expense, net for the year ended December 31, 2017 amounted to $25.8 million, compared to $23.2 million for the year ended December 31, 2016. The increase of $2.6 million reflects higher interest costs incurred mainly as a result of the increase in the LIBOR weighted average interest rate for the year ended December 31, 2017 compared to the year ended December 31, 2016.

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

The weighted average interest rate on the loans outstanding under our credit facilities for the year ended December 31, 2017 was 4.29%, compared to 3.73% for the year 2016. Please also refer to Note 7 (Long Term Debt) to the Financial Statements included herein.

**Net Income**

Net income for the year ended December 31, 2017 amounted to $38.5 million compared to $52.5 million for the year ended December 31, 2016.

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

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

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

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

**Total Revenues**

Total revenues, consisting of time, voyage and bareboat charter revenues, amounted to $241.6 million for the year ended December 31, 2016 compared to $220.3 million for the year ended December 31, 2015. The increase of $21.3 million was primarily attributable to the increase in vessel operating days as the weighted average size of our fleet expanded by 2.9 vessels, partly offset by lower charter rates earned by certain of our vessels compared to the average charter rates earned during the year 2015. For the year ended December 31, 2016, related party revenues decreased to $36.0 million, compared to $63.7 million for the year ended December 31, 2015 as the average number of vessels chartered by Capital Maritime decreased by 5.3 vessels. Time, voyage and bareboat charter revenues are mainly comprised of the charter hires received from unaffiliated third-party charterers and Capital Maritime, and are generally affected by the number of operating days, the weighted average number of vessels in our fleet and the charter rates.

**Voyage Expenses**

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

**Vessel Operating Expenses**

For the year ended December 31, 2016 our total vessel operating expenses amounted to $77.5 million compared to $70.3 million during the year ended December 31, 2015. The $7.2 million increase in total vessel operating expenses was primarily attributable to the increase in the weighted average size of our fleet by 2.9 vessels during the year 2016 compared to the year 2015. Total vessel operating expenses for the year ended December 31, 2016 included expenses of $10.9 million, incurred under the management agreements we have with our Manager, compared to $11.7 million during the year ended December 31, 2015.

**General and Administrative Expenses**

General and administrative expenses amounted to $6.3 million for the year ended December 31, 2016, compared to $6.6 million for the year ended December 31, 2015. General and administrative expenses include board of directors' fees and expenses, audit and certain legal fees, and other fees related to the expenses of the publicly traded partnership.

**Vessel Depreciation and Amortization**

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

**Total Other Expense, Net**

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

The weighted average interest rate on the loans outstanding under our credit facilities for the year ended December 31, 2016 was 3.73%, compared to 3.18% for the year 2015. Please also refer to Note 7 (Long Term Debt) to the Financial Statements included herein.

**Net Income**

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

**B. Liquidity and Capital Resources**

As of December 31, 2017, total cash and cash equivalents were $63.3 million, and restricted cash (under our credit facilities) amounted to $18.0 million. As of December 31, 2017, there were no undrawn amounts under the terms of our credit facilities.

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

Table of Contents

Depending on the prevailing market rates when our charters expire, we may not be able to re-charter our vessels at levels similar to their current charters, which may affect our future cash flows from operations. Cash flows from operations may be further affected by other factors described elsewhere in this Annual Report. See "Item 3. Key Information—D. Risk Factors." We expect 20 of our charters to expire in the coming 12 months compared to 12 charter expirations in 2017. 18 of these charter expirations relate to tanker vessels compared to ten tanker charter expirations in 2017.

Because we distribute all of our available cash (a contractually defined term, generally referring to cash on hand at the end of each quarter after provision for reserves), we generally rely upon external financing sources, including bank borrowings and securities offerings, to fund replacement, expansion and investment capital expenditures, and to refinance or repay outstanding indebtedness under our credit facilities. Since 2011, our board of directors has elected not to provision cash reserves for estimated replacement capital expenditures. Therefore, our ability to maintain and grow our asset base, including through further dropdown opportunities from Capital Maritime or acquisitions from third parties, and to pay or increase our distributions as well as to maintain a strong balance sheet depends on, among other things, our ability to obtain required financing, access financial markets and refinance part or all of our existing indebtedness on commercially acceptable terms.

On May 22, 2017, we entered into a firm offer letter contemplating the 2017 credit facility for an aggregate principal amount of up to $460.0 million with a syndicate of lenders led by HSH and ING, as mandated lead arrangers and bookrunners, and BNP Paribas and National Bank of Greece S.A., as arrangers. On September 6, 2017, we entered into the loan agreement documenting the 2017 credit facility. On October 2, 2017, we repaid $14.0 million outstanding under our 2011 credit facility through available cash. On October 4, 2017 (or the Drawdown Date), we drew the full amount of $460.0 million under the 2017 credit facility and, together with available cash of $102.2 million, fully repaid total indebtedness of $562.2 million consisting of (i) $186.0 million under our 2007 credit facility, (ii) $181.6 million under our 2008 credit facility and (iii) $194.6 million under our 2013 credit facility.

The 2017 credit facility is comprised of two tranches. Tranche A, amounting to $259.0 million, is secured by 11 of our vessels and is required to be repaid in 24 equal quarterly instalments of $4.8 million in addition to a balloon instalment of $143.0 million, which is payable together with the final quarterly instalment in the fourth quarter of 2023. Tranche B, amounting to $201.0 million, is secured by 24 of our vessels and is required to be repaid fully in 24 equal quarterly instalments of $8.4 million with the final quarterly instalment in the fourth quarter of 2023. The first quarterly instalments under both tranches A and B were paid on January 4, 2018. The loans drawn under the 2017 credit facility bear interest at LIBOR plus a margin of 3.25%. The covenants under the credit facility are substantially similar to the covenants of our refinanced credit facilities and do not contain any restrictions on distributions to our unit holders in the absence of an event of default.

The table below presents our principal repayment schedule under our 2017 credit facility and the credit facility originally arranged by Capital Maritime in 2015 and assumed by us in 2016 (the "2015 credit facility") as of December 31, 2017:

| **Facility** | **(In millions of U.S. Dollars)** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **Total** |
| 2017 credit facility (1) | 66.5 | 51.7 | 51.7 | 51.7 | 51.7 | 186.7 | **460.0** |
| 2015 credit facility | 0.3 | 1.3 | 1.3 | 1.3 | 11.6 | — | **15.8** |
| **Total** | **66.8** | **53.0** | **53.0** | **53.0** | **63.3** | **186.7** | **475.8** |

(1) The principal repayment schedule of the 2017 credit facility reflects the estimated partial prepayment of $14.8 million of Tranche A in connection with the sale of the M/T Aristotelis in 2018.

In April 2016, in the face of severely depressed trading prices for master limited partnerships, including us, a significant deterioration in our cost of capital and potential loss of revenue, our board of directors took the decision to protect our liquidity position by creating a capital reserve and setting distributions at a level that our board believes to be sustainable and consistent with the proper conduct of our business. We used cash accumulated as a result of quarterly allocations to our capital reserve to partially prepay our indebtedness as part of our refinancing in October 2017. We expect to continue to reserve cash in amounts necessary to service our debt in the future, including to make quarterly amortization payments. Please see "Item 8A: How We Make Cash Distributions" for further information on our cash distribution policy.

In September 2016, we entered into an equity distribution agreement with UBS. See above "Item 4A: History and Development of the Partnership—2016 Developments—At-the-market Offering." For the period between the launch of the ATM offering and December 31, 2017, we issued 6.6 million new common units translating into net proceeds of $22.3 million (before offering expenses).

Subject to our ability to obtain required financing and access financial markets, we expect to continue to evaluate opportunities to acquire vessels and businesses. Subject to the acquisition of the M/T Anikitos, which we expect to complete in March 2018, we currently have no capital commitments to purchase or build additional vessels. Five of our vessels are scheduled to undergo their special survey during 2018.

Total partners' capital as of December 31, 2017 amounted to $933.4 million compared to $927.8 million as of December 31, 2016, corresponding to an increase of $5.6 million. The increase primarily reflects net income of $38.5 million, net proceeds (after UBS's commissions and offering expenses) of $17.6 million from the issuance of common units under our ATM offering and equity compensation expense of $1.2 million partially offset by $51.6 million of distributions declared and paid during the year ended December 31, 2017.

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

*Cash Flows*

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Net Cash Provided by Operating Activities | $ 127.0 | $155.1 | $ 134.2 |
| Net Cash Used in Investing Activities | $ (2.0) | $ (91.8) | $(209.9) |
| Net Cash (Used in)/Provided by Financing Activities | $(168.3) | $ (46.8) | $ 1.7 |

**Net Cash Provided by Operating Activities**

Net cash provided by operating activities was $127.0 million for the year ended December 31, 2017, compared to $155.1 million for the year ended December 31, 2016. The decrease of $28.1 million was mainly attributable to (a) the decrease of $7.9 million in cash from operations, which was attributable to, among other factors, lower charter rates affecting our revenues and an increase in our total expenses, including vessel voyage, operating and total other expenses, net, and (b) the negative effect of the changes in our operating assets and liabilities amounting to $22.8 million, which were partially offset by a decrease of $2.5 million in dry-docking costs. Changes in our operating assets and liabilities were driven mainly by a reduction in deferred revenue in the year ended December 31, 2017, compared to the year ended December 31, 2016, which was primarily due to the receipt of the proceeds from the sale of HMM common shares in 2016, which is amortizing on a straight line basis within revenue, partially offset by (a) a reduction in the amounts we reimbursed to our Manager for expenses paid on our behalf, (b) an increase in accrued liabilities, as accrued interest for the first period of interest under our 2017 credit facility became payable in January 2018, and (c) an increase in trade accounts payable.

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

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

**Net Cash Used in Investing Activities**

Net cash used in investing activities refers primarily to cash used for vessel acquisitions and improvements.

Net cash used in investing activities for the year ended December 31, 2017 decreased to $2.0 million compared to $91.8 million during the year ended December 31, 2016, principally because we acquired no vessels in 2017, compared with the acquisition of the shares of two vessel-owning companies during the year 2016. Following the acquisitions that occurred during the year 2016, restricted cash increased by $1.0 million. Cash consideration paid for vessel improvements during the year ended December 31, 2017 amounted to $2.0 million compared to $1.2 million during the year ended December 31, 2016.

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

**Net Cash (Used in)/Provided by Financing Activities**

Net cash used in financing activities for the year ended December 31, 2017, was $168.3 million compared to $46.8 million for the year ended December 31, 2016. The increase of $121.5 million in net cash used in financing activities during 2017 was mainly attributable to the amounts prepaid in connection with the refinancing of our debt in October 2017 of $116.2 million and the decrease in proceeds from the issuance of long-term debt principally because we acquired no additional vessels in 2017, compared to $35.0 million of proceeds from the issuance of long term debt to partially finance the acquisition of CMA CGM Magdalena in 2016, partially offset by a decrease of $16.6 million in distributions paid to our unit holders and the increase of $13.8 million in net proceeds from the issuance of common units under our ATM offering during the year 2017 compared to the year 2016. See "Overview—Quarterly Cash Distributions on our Common Units."

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

**Borrowings**

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

As of December 31, 2017, our total borrowings were $475.8 million, consisting of (i) $460.0 million principal amount outstanding under our 2017 credit facility and (ii) $15.8 million principal amount outstanding under the 2015 credit facility.

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

On January 17, 2018, we acquired from Capital Maritime the shares of the company owning the M/T Aristaios, for a total consideration of $52.5 million. We partially financed the acquisition with the assumption of a $28.3 million term loan under a credit facility previously arranged by Capital Maritime.

***Our Credit Facilities***

*The Aristaios credit facility*

The term loan drawn under the Aristaios credit facility bears interest at LIBOR plus a margin of 2.85% and is payable in twelve consecutive semi-annual instalments of approximately $0.9 million beginning in July 2018, plus a balloon payment payable together with the last semi-annual instalment due in January 2024.

*The 2017 credit facility*

On September 6, 2017, we entered into a loan agreement of up to $460.0 million which we drew on October 4, 2017. The 2017 credit facility is comprised of two tranches. Tranche A, amounting to $259.0 million, is secured by 11 of our vessels and is required to be repaid in 24 equal quarterly instalments of $4.8 million in addition to a balloon instalment of $143.0 million, which is payable together with the final quarterly instalment in the fourth quarter of 2023. Tranche B, amounting to $201.0 million, is secured by 24 of our vessels and is required to be repaid fully in 24 equal quarterly instalments of $8.4 million with the final quarterly instalment in the fourth quarter of 2023. The first quarterly instalments under both tranches A and B were paid on January 4, 2018. The loans drawn under the 2017 credit facility bear interest at LIBOR plus a margin of 3.25%.

*The 2015 credit facility*

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

All our credit facilities contain customary ship finance covenants, including restrictions as to changes in management and ownership of the mortgaged vessels, the incurrence of additional indebtedness and the mortgaging of vessels. Our credit facilities also contain financial covenants (i) to maintain minimum free consolidated liquidity of at least $0.5 million per collateralized vessel, (ii) to maintain a ratio of EBITDA (as defined in each credit facility) to net interest expense of at least 2.00 to 1.00 on a trailing four-quarter basis and (iii) not to exceed a specified maximum leverage ratio, in the form of a ratio of total net indebtedness to (fair value adjusted) total assets of 0.750 in the case of our 2017 credit facility and a ratio of total net indebtedness to the market value of the vessel of 0.725 (in the case of the 2015 credit facility and the Aristaios facility).

In addition, our credit facilities require that we maintain a minimum security coverage ratio, usually defined as the ratio of the market value of the collateralized vessels or vessel and net realizable value of additional acceptable security to our outstanding loans under the credit facility. The security coverage ratio is 125% under our 2017 credit facility, 125% (as long as the vessel is under charter with Tesoro) and 140% (at all other times) under the Aristaios credit facility and 120% under the 2015 credit facility.

Under our credit facilities, the vessel owning companies may pay dividends or make distributions provided that no event of default has occurred and the payment of such dividend or distribution does not result in an event of default, including a breach of any of the financial covenants. Our credit facilities require the earnings, insurances and requisition compensation of the respective vessel or vessels to be assigned as collateral. Each also requires additional security, including pledge and charge on current account, corporate guarantee from each of the vessel owning companies and mortgage interest insurance.

Our obligations under our credit facilities are secured by first-priority mortgages covering our vessels and are guaranteed by each vessel owning company. Our credit facilities contain a “Market Disruption Clause,” which the lenders may unilaterally trigger, requiring us to compensate the lenders for any increases to their funding costs caused by disruptions to the market. For the years ended December 31, 2017, 2016, and 2015, we did not incur additional interest expense due to the "Market Disruption Clause."

As of December 31, 2017, we were in compliance with all financial debt covenants. Our ability to comply with the covenants and restrictions contained in our credit facilities and any other debt instruments we may enter into in the future may be affected by events beyond our control, including prevailing economic, financial and industry conditions, including interest rate developments, changes in the funding costs of our banks and changes in vessel earnings and vessel asset valuations. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we are in breach of any of the restrictions, covenants, ratios or tests in our credit facilities, we are unlikely to be able to make any distributions to our unitholders, a significant portion of our obligations may become immediately due and payable and our lenders' commitment to make further loans to us, if any, may terminate. We may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, obligations under our credit facilities are secured by our vessels, and if we are unable to repay debt under the credit facilities, the lenders could seek to foreclose on those assets.

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

### C. Research and Development

Not applicable.

### D. Trend Information

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

### E. Off-Balance Sheet Arrangements

As of December 31, 2017, we have not entered into any off-balance sheet arrangements.

### F. Contractual Obligations and Contingencies

The following table summarizes our long-term contractual obligations as of December 31, 2017 (in thousands of U.S. Dollars).

| | Payment due by period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Long-term Debt Obligations | $475.8 | $ 66.8 | $106.0 | $116.3 | $ 186.7 |
| Interest Obligations (1) | 94.9 | 22.1 | 38.4 | 27.3 | 7.1 |
| Management fee (2) | 35.1 | 11.2 | 16.3 | 7.6 | — |
| **Total:** | **$605.8** | **$ 100.1** | **$160.7** | **$151.2** | **$ 193.8** |

(1) For our 2017 and 2015 credit facilities, interest has been estimated based on the LIBOR Bloomberg forward rates and the margins as of December 31, 2017 of 3.25% and 2.5%, respectively.

(2) The fees payable to Capital Ship Management represent fees for the provision of commercial and technical services such as crewing, repairs and maintenance, insurance, stores, spares and lubricants under our management agreements. Management fees under the floating fee and Crude Carriers management agreements have been increased annually based on the United States Consumer Price Index for October 2017. The amount of $7.6 million for payments due between three and five years has been calculated on the basis of the agreed expiration dates of our management agreements.

## Critical Accounting Policies

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

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

### *Vessel Lives and Impairment*

The carrying value of each of our vessels represents its original cost (contract price plus initial expenditures) at the time of delivery or purchase less accumulated depreciation or impairment charges. The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. However, in recent years, market conditions have changed significantly as a result of the credit crisis and the resulting slowdown in world trade. Charter rates for vessels have decreased and vessel values have been affected. We consider these market developments as indicators of potential impairment of the carrying amount of our assets. We performed undiscounted cash flow tests as of December 31, 2017 and 2016, as an impairment analysis, in which we made estimates and assumptions relating to determining the projected undiscounted net operating cash flows by considering the following:

- the charter revenues from existing time charters for the fixed fleet days (our remaining charter agreement rates);
- vessel operating expenses;
- drydocking expenditures;
- an estimated gross daily time charter equivalent for the unfixed days (based on the ten-year average historical one-year Time Charter Equivalent) over the remaining economic life of each vessel, excluding days of scheduled off-hires;
- residual value of vessels;
- commercial and technical management fees;
- a utilization rate of 98.8% based on the fleet's historical performance; and
- the remaining estimated life of our vessels.

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

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

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

The impairment test that we conduct is most sensitive to variances in future time charter rates. Based on the sensitivity analysis performed for December 31, 2017 and 2016, we would begin recording impairment on the first vessel that will incur impairment by vessel type for time charter declines from their ten-year historical averages as follows:

| | Percentage Decline from which Impairment would be Recorded | |
|---|---|---|
| | Year ended December 31, 2017 | Year ended December 31, 2016 |
| Vessel | | |
| Product tankers | 15.5% | 24.6% |
| Suezmax vessels | 13.1% | 18.5% |
| Cape vessel | 49.0% | 59.6% |
| Container vessels 5,000 TEU | 36.1% | 36.7% |
| Container vessels 8,000 TEU | 31.4% | 40.2% |
| Container vessels 9,000 TEU | 41.0% | 40.1% |

As of March 5, 2018 and December 31, 2017, our current rates for time charters on average were above / (below) their ten-year historical averages as follows:

| | Time Charter Rates as Compared with Ten-year Historical Average (as percentage above/(below)) | |
|---|---|---|
| | As of March 5, 2018 | As of December 31, 2017 |
| Vessel | | |
| Product tankers | 2.2% | 4.2% |
| Suezmax vessels | (24.1)% | (15.9)% |
| Cape vessel | 52.4% | 52.4% |
| Container vessels 5,000 TEU | 35.3% | 35.3% |
| Container vessels 8,000 TEU | (69.9)% | (69.9)% |
| Container vessels 9,000 TEU | 43.1% | 43.1% |

Based on the above assumptions we determined that the undiscounted cash flows support the vessels' carrying amounts as of December 31, 2017 and 2016.

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

***Recent accounting pronouncements***

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

## Item 6. Directors, Senior Management and Employees.

### Management of Capital Product Partners L.P.

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

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

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

At our annual general meeting of unitholders held on September 8, 2017, Rory Hussey was elected to act as a Class I Director until the Partnership's 2020 annual meeting of Limited Partners.

Vangelis Bairactaris resigned from his position as Class III Director and secretary with effect on February 28, 2018. The directors elected by our common unitholders, being Messrs. Forman, Hussey, Rasterhoff and Christacopoulos, resolved unanimously to elect Eleni Tsoukala to fill the vacancy, with effect on February 28, 2018, in accordance with the procedure established by the Partnership Agreement. Ms. Tsoukala will hold office as Class III Director until the Partnership's 2019 annual meeting of the Limited Partners. Biographical information concerning Ms. Tsoukala is included below.

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

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

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

## A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and our General Partner's executive officers as of March 5, 2018.

| Name | Age | Position |
|---|---|---|
| Keith Forman(4) | 60 | Director and Chairman of the Board(5) |
| Gerasimos (Jerry) Kalogiratos(1) | 40 | Director and Chief Executive Officer of our General Partner |
| Gerasimos Ventouris | 67 | Chief Operating Officer of our General Partner |
| Nikolaos Kalapotharakos | 43 | Chief Financial Officer of our General Partner |
| Gurpal Grewal(1) | 71 | Director |
| Rory Hussey(2) | 66 | Director(5) |
| Abel Rasterhoff(3) | 77 | Director(5) |
| Eleni Tsoukala(4) | 40 | Director |
| Dimitris P. Christacopoulos(3) | 47 | Director(5) |

(1) Appointed by our General Partner.
(2) Class I director (term expires in 2020).
(3) Class II director (term expires in 2018).
(4) Class III director (term expires in 2019).
(5) Member of our audit committee and our conflicts committee.

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

**Keith Forman, Director and Chairman of the Board.**

Mr. Forman is the chairman of our board of directors and a member of our conflicts committee and audit committee. Mr. Forman joined our board on April 3, 2007. Mr. Forman has held a number of executive, director and advisory positions at investment companies and master limited partnerships throughout his career. Since May 2012, Mr. Forman has been acting as a senior advisor to Industry Funds Management, an Australian fund manager investing in infrastructure projects worldwide. Between December 2014 and December 2017, Mr. Forman served as president and chief executive officer of the now discontinued Rentech, Inc. Mr. Forman also served as a director of the general partner of CVR Partners between April 2016 and April 2017. Between November 2007 and March 2010, Mr. Forman was a partner and chief financial officer of Crestwood Midstream Partners, a private equity-backed investment partnership active in the midstream energy market. Prior to his tenure at Crestwood, Mr. Forman was senior vice president, finance for El Paso Corporation, vice president of El Paso Field Services, and from 1992 to 2003, chief financial officer of GulfTerra Energy Partners L.P., a publicly traded master limited partnership. Mr. Forman holds a B.A. degree in economics and political science from Vanderbilt University.

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

Mr. Kalogiratos was appointed as the Chief Executive and Chief Financial Officer of our General Partner on June 12, 2015 and remained as Chief Financial Officer until February 28, 2018, when he was succeeded by Mr. Nikolaos Kalapotharakos. He joined our board of directors in December 2014. Mr. Kalogiratos joined Capital Maritime & Trading Corp. in 2005 and was part of the team that completed the IPO of Capital Product Partners L.P. in 2007. He has also served as Chief Financial Officer and director of NYSE-listed Crude Carriers Corp. before its merger with us in September 2011. He has over 11 years of experience in the shipping and finance industries, specializing in vessel acquisition and projects and shipping finance. Before he joined Capital Maritime, he worked in equity sales in Greece. He completed his MA in European Economics and Politics at the Humboldt University in Berlin and holds a B.A. degree in Politics, Philosophy and Economics from the University of Oxford in the United Kingdom and an Executive Finance degree from the London Business School.

**Nikolaos Kalapotharakos, Chief Financial Officer.**

Mr. Kalapotharakos was appointed as Chief Financial Officer of our General Partner on February 28, 2018. Mr. Kalapotharakos joined Capital Maritime & Trading Corp. in January 2016 as deputy Chief Financial Officer. He started his professional career in 2001 at PricewaterhouseCoopers (PwC) where he served as an external auditor specializing in shipping companies until 2007 before joining Globus Maritime Limited, a Nasdaq listed owner of drybulk vessels, where he served as its financial controller until the end of 2015. Mr. Kalapotharakos holds a BSc in Economics and Social studies in Economics from the University of Wales, Aberystwyth U.K. and an MSc in Financial and Business Economics from the University of Essex U.K.

**Gurpal Grewal, Director.**

Mr. Gurpal Grewal joined our board of directors on November 16, 2017, replacing Mr. Nikolaos Syntychakis who resigned as an Appointed Director of the Partnership. Mr. Gurpal Grewal currently serves as technical director of Capital Ship Management Corp., the Partnership’s manager. Mr. Grewal is a chartered engineer and has over 35 years of experience in new building design, construction, and supervision of bulk carriers, tankers, LPG and LNG vessels. He previously served as technical director for both Quintana Shipping Co. and Marmaras Navigation Ltd. Between 2004 and 2008, Mr. Grewal was a member of the board of directors and conflicts committee of Quintana Maritime Co. Between June 1998 and September 2005, Mr. Grewal served as technical director and principal surveyor for Lloyd’s Register of Shipping and Industrial Services S.A. (“Lloyd’s Register”) in Greece. Mr. Grewal was also previously employed by Lloyd’s Register in London as a senior ship and engineer surveyor in the Fleet Services Department. In addition, from 1996 to 1998, Mr. Grewal served as assistant chief resident superintendent with John J. McMullen & Associates, New York, where he supervised the new building of product tankers in Spain. Prior to 1996, Mr. Grewal served for ten years as senior engineer at Lloyd’s Register supervising the construction of new building vessels in a variety of shipyards.

**Rory Hussey, Director.**

Mr. Rory Hussey joined our board of directors on September 8, 2017 and serves on our conflicts committee and our audit committee. Mr. Hussey most recently served as a Managing Director of ING Bank N.V., in charge of ING’s ship finance business in Southern Europe and the Middle East. Mr. Hussey retired from his position in July 2017. Mr. Hussey started his career with Citibank’s shipping team in 1974. He held a variety of positions within Ship Finance at Citibank and worked for 20 years in Hong Kong, New York, Taipei, and Athens. After returning to London, he headed Citi’s transportation finance syndications team. He joined ING Bank N.V. in 2001 in charge of shipping syndications before becoming head of Sales for the London Syndications team. Mr. Hussey subsequently returned to ship finance and became Managing Director of ING Bank in 2009. Mr. Hussey holds a M.Sc. (Econ) from the London School of Economics and Political Science.

**Abel Rasterhoff, Director.**

Mr. Rasterhoff joined our board of directors on April 3, 2007. He serves on our conflicts committee and has been designated as the audit committee’s financial expert. Mr. Rasterhoff joined Shell International Petroleum Maatschappij in 1967, and worked for various entities of the Shell group of companies until his retirement from Shell in 1997. From 1981 to 1984, Mr. Rasterhoff was Managing Director of Shell Tankers B.V., Vice Chairman and Chairman-elect of the Dutch Council of Shipping and a Member of the Dutch Government Advisory Committee on the North Sea. From 1991 to 1997, Mr. Rasterhoff was Director and Vice President Finance and Planning for Shell International Trading and Shipping Company Limited. During this period he also served as a Board Member of the Securities and Futures Authority (SFA) in London. From February 1998 to 2004, Mr. Rasterhoff served as a member of the executive board and as Chief Financial Officer of TUI Nederland, the largest Dutch tour operator. From February 2001 to September 2001, Mr. Rasterhoff served as a member of the executive board and as Chief Financial Officer of Connexxion, the government owned public transport company. Mr. Rasterhoff was also on the Supervisory Board of SGR and served as an advisor to the trustees of the TUI Nederland Pension Fund. Mr. Rasterhoff served on the Capital Maritime Board as the chairman of the audit committee from May 2005 until his resignation in February 2007. Mr. Rasterhoff also served as a director and audit committee member of Aegean Marine Petroleum Network Inc., a company listed on the NYSE from December 2006 to May 2012. Mr. Rasterhoff holds a graduate business degree in economics from Groningen State University.

**Eleni Tsoukala, Director and Secretary.**

Ms. Tsoukala was appointed to our board of directors on February 28, 2018. Ms. Tsoukala is the managing partner and founder of Tsoukala & Partners Law Firm, a leading Greek business law firm. Her legal practice includes corporate advice in cross-border and domestic transactions. Between 2004 and 2007, Ms. Tsoukala served as legal advisor to the Greek Deputy Minister of Finance. Between 2001 and 2003, Ms. Tsoukala practiced at an international law firm in London. Ms. Tsoukala holds an LL.M. degree in International Business Law from University College London and an LL.B. degree from the University of Oxford and is a qualified attorney-at-law admitted to the bar in England and Greece.

**Dimitris P. Christacopoulos, Director.**

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

**Gerasimos Ventouris, Chief Operating Officer.**

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

## B. Compensation

**Reimbursement of Expenses of Our General Partner**

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

### Executive Compensation

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

### Compensation of Directors

Our directors receive compensation for their services as directors, as well as for serving in the role of committee chair, and have also received restricted units. Please read "Item 6E: Share Ownership—Omnibus Incentive Compensation Plan" for additional information. For the year ended December 31, 2017, our directors, including our chairman, received an aggregate amount of $0.5 million. In lieu of any other compensation, our chairman receives an annual fee for acting as a director and as the chairman of our board of directors. In addition, each director is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees and is fully indemnified by us for actions associated with being a director to the extent permitted under Marshall Islands law.

### Services Agreement

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

## C. Board Practices

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

During the year ended December 31, 2017, our board of directors held eight meetings. Even if Board members are not able to attend a board meeting, all board members are provided information related to each of the agenda items before each meeting, and can therefore, provide counsel outside regularly scheduled meetings. All directors were present at all meetings of the board of directors and all meetings of committees of the board of directors on which such director served.

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

*Audit Committee.* The audit committee of our board of directors is composed of three or more independent directors, each of whom must meet the independence standards of the Nasdaq Global Select Market, the SEC and any other applicable laws and regulations governing independence from time to time. The audit committee is currently comprised of directors Abel Rasterhoff (chair), Rory Hussey, Keith Forman and Dimitris Christacopoulos. All members of the committee are financially literate and our board of directors has determined that Mr. Rasterhoff qualifies as an "audit committee financial expert" for purposes of the U.S. Sarbanes-Oxley Act of 2002. The audit committee, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities and procedures and the adequacy of our internal accounting controls. The audit committee met four times during the year ended December 31, 2017, on January 18, April 20, July 20 and October 19.

*Conflicts Committee.* The conflicts committee of our board of directors is composed of the same directors constituting the audit committee, being Keith Forman (chair), Abel Rasterhoff, Rory Hussey and Dimitris Christacopoulos. The members of our conflicts committee may not be officers or employees of our General Partner or directors, officers or employees of its affiliates, and must meet the independence standards established by the Nasdaq Global Select Market to serve on an audit committee of a board of directors and certain other requirements. The conflicts committee reviews specific matters that the board believes may involve conflicts of interest and determines if the resolution of the conflict of interest is fair and reasonable to us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our directors, our General Partner or its affiliates of any duties any of them may owe us or our unitholders. The conflicts committee met three times during the year ended December 31, 2017, on March 16, August 24 and October 23.

### D. Employees

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

### E. Share Ownership

As of December 31, 2017:

- 850,000 restricted common units had been issued under our Plan (described below) out of which 304,998 had vested as of December 31, 2017;
- Our director Keith Forman has owned a small number of common units since the date of our IPO. In addition, restricted common units were also issued in August 2010 and December 2015 to all members then-serving on our board of directors under the terms of our Plan (described below), which such members may be deemed to beneficially own, or to have beneficially owned. A portion of shares issued to our director Dimitris Christacopoulos, when he was a member of the board of directors of Crude Carriers, converted to common units in us in the same manner as all shares converted under the terms of our merger agreement. No member of our board of directors owns common or restricted units in a number representing more than 1.0% of our outstanding common units; and
- The Marinakis family, including Evangelos M. Marinakis, our former chairman, through its beneficial ownership of Capital Maritime and Crude Carriers Investments, may be deemed to beneficially own, or to have beneficially owned, all of our common units held by Capital Maritime and Crude Carriers Investments.

### Omnibus Incentive Compensation Plan

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

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

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

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

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

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

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

## Item 7. Major Unitholders and Related-Party Transactions.

As of December 31, 2017, our partners' capital consisted of 127,246,692 common units, of which 106,670,714 were owned by non-affiliated public unitholders, 12,983,333 Class B Units, no subordinated units and 2,439,989 general partner units. The Marinakis family, including Evangelos M. Marinakis, our former chairman, may be deemed to beneficially own on a fully converted basis a 16.1% interest in us (17.7% on a non-fully converted basis), through, among others, Capital Maritime, which may be deemed to beneficially own a 13.8% interest in us, including 17,291,768 common units and a 1.7% interest in us (1.9% on a non-fully converted basis) through its ownership of our General Partner, and Crude Carriers Investments, which may be deemed to beneficially own a 2.3% interest in us.

### A. Major Unitholders

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

| Name of Beneficial Owner | Number of Common Units Owned | Percentage of Total Common Units |
|---|---|---|
| Capital Maritime (1)(2) | 17,291,768 | 13.6% |
| Crude Carriers Investments (2) | 3,284,210 | 2.6% |
| All executive officers and directors as a group (8 persons) (3) | * | * |

(1) Excludes the 1.9% general partner interest (1.7% on a fully converted basis) held by our General Partner, a wholly owned subsidiary of Capital Maritime.

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

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

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

## B. Related-Party Transactions

Capital Maritime’s ability, as sole member of our General Partner, to control the appointment of three of the members of our board of directors and to approve certain significant actions we may take, as well as its ownership of 13.6% of our common units, which it can vote in their totality on all matters that arise under the partnership agreement (except for the election of directors elected by holders of our common units), means that Capital Maritime, together with its affiliates, will have the ability to exercise significant influence regarding our management and may be able to propose amendments to the partnership agreement that are in its best interest.

***Omnibus Agreement with Capital Maritime***

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

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

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

***Administrative and Executive services agreements with the Manager***

On April 4, 2007, we entered into an administrative services agreement with our Manager, pursuant to which our Manager has agreed to provide certain administrative management services to the Partnership, such as accounting, auditing, legal, insurance, clerical, and other administrative services. On the same date, we entered into an IT services agreement with our Manager pursuant to which our Manager provides IT management services to CPLP. We also reimburse our Manager and our General Partner for reasonable costs and expenses incurred in connection with the provision of these services pursuant to both agreements after the Manager submits to us an invoice for such costs and expenses, together with any supporting detail that may be reasonably required.

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

***Transactions entered into during the year ended December 31, 2017***

1. *Amendments to Management Agreements.* On March 25, 2017 and December 1, 2017, we amended and restated the fixed fee management agreement with Capital Ship Management in its entirely to reflect, among other things, the vessels covered by such management agreement. On March 11, 2017, May 1, 2017, July 1, 2017 and December 1, 2017 we amended the floating rate management agreement with Capital Ship Management to reflect, among other things, the vessels covered by such management agreement. Please read “Item 4B: Business Overview—Our Management Agreements” for a detailed description of the terms of each management agreement.

2. *Charter Party Agreements with Capital Maritime.* During 2017, each of the M/T Aktoras, M/T Aiolos, M/T Miltiadis M II and M/T Amoureux entered into new or extended existing charter party agreements with Capital Maritime. These new charters/extensions were unanimously approved by the conflicts committee of independent directors of our board of directors. Please see “Item 4B: Business Overview—Our Fleet” and “—Our Charters” for a detailed description of these charters, including earliest possible redelivery dates of the vessels and relevant charter rates.

***Transactions entered into during the year ended December 31, 2016***

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

2. *Share Purchase Agreement for the acquisition of the vessel owning company of the M/T Amor, the assumption of the 2015 credit facility and the time charter agreement with Cargill.* On October 24, 2016, we entered into a share purchase agreement for the acquisition of the shares of the company owning the M/T Amor, an eco-type MR product tanker (49,999 dwt IMO II/III chemical product tanker built in 2015, Samsung Heavy Industries (Ningbo) Co., Ltd.) for a total consideration of $16.9 million comprising, $16.0 million in cash and the issuance of 283,696 new common units to Capital Maritime. The M/T Amor is employed under a time charter by Cargill at a gross daily rate of $17,500. On acquisition we assumed a term loan of a $15.8 million under a new credit facility with ING Bank N.V. arranged by Capital Maritime. The term loan is non-amortizing for a period of two years from the anniversary of the dropdown of the M/T Amor with an expected final maturity date in November 2022. The interest margin on the term loan is 2.50%. The term loan is subject to ship finance covenants similar to the covenants applicable under our existing facilities. For further information on our existing facilities, please see “Item 5.B.: Liquidity and Capital Resources—Borrowings—Our Credit Facilities.” The acquisition of the M/T Amor was reviewed and unanimously approved by the conflicts committee of our board of directors and our entire board of directors. Please also see “Item 5B: Liquidity and Capital Resources—Net Cash Used in Investing Activities” and Note 5 (Fixed Assets) to our Financial Statements included herein for more information regarding this acquisition, including a detailed explanation of how it was accounted for.

3. *Share Purchase Agreement for the acquisition of the vessel owning company of the CMA CGM Magdalena*. Pursuant to the Master Vessel Acquisition Agreement dated July 24, 2014, we entered into a share purchase agreement on February 26, 2016 with Capital Maritime for the acquisition of the shares of the company owning the M/V CMA CGM Magdalena, the last of five Dropdown Vessels that we agreed to acquire from Capital Maritime. The $81.5 million purchase price for the M/V CMA CGM Magdalena was funded through a drawdown under our former 2013 credit facility and from available cash. The M/V CMA CGM Magdalena was then chartered to CMA-CGM S.A. for five years at a gross daily charter rate of $39,250.

4. *Charter Party Agreements with Capital Maritime.* During 2016, each of the M/T Amore Mio II, M/T Miltiadis M II, M/T Aristotelis, M/T Atlantas II and M/T Arionas entered into new or extended existing charter party agreements with Capital Maritime. These new charters/extensions were unanimously approved by the conflicts committee of independent directors of our board of directors. Please see "Item 4B: Business Overview—Our Fleet" and "—Our Charters" for a detailed description of these charters, including earliest possible redelivery dates of the vessels and relevant charter rates.

***Transactions entered into during the year ended December 31, 2015***

1. *Amendments to Management Agreements* . On July 1, 2015 and October 1, 2015, we amended and restated the fixed fee management agreement with Capital Ship Management in its entirely to reflect, among other things, the vessels covered by such management agreement. On March 31, 2015, June 10, 2015, June 30, 2015, September 18, 2015, and October 1, 2015, we amended the floating rate management agreement with Capital Ship Management to reflect, among other things, the vessels covered by such management agreement. Please read "Item 4B: Business Overview—Our Management Agreements" for a detailed description of the terms of each management agreement.

2. *Equity Offering.* On April 21, 2015, we completed the issuance and sale of 14,555,000 common units representing limited partnership interests at a public offering price of $9.53 per unit, which included 1,755,000 common units sold as a result of the partial exercise of the overallotment option granted to the underwriters of the public offering and 1,100,000 common units sold to our sponsor. Proceeds after the deduction of the underwriters' commissions and net proceeds after the deduction of the transaction expenses amounted to $133.3 and $132.6 million, respectively. Our sponsor Capital Maritime subsequently converted an aggregate of 315,908 common units into general partner units and delivered such units to our General Partner in order for it to maintain its 2% interest in us.

3. *Share Purchase Agreements for the acquisition of the vessel owning companies of each of the M/T Active, M/V CMA CGM Amazon, M/T Amadeus and M/V CMA CGM Uruguay* . On March 31, June 10, June 30, and September 18, 2015, in accordance with the Master Vessel Acquisition Agreement, we entered into four share purchase agreements with Capital Maritime pursuant to which we acquired all of Capital Maritime's interests in the vessel owning companies of the M/T Active, M/V CMA CGM Amazon, M/T Amadeus and M/V CMA CGM Uruguay, respectively. The acquisition was funded by four separate drawdowns under our 2013 credit facility in the aggregate amount of $115.0 million, while the remaining balance of $115.0 million was funded through available cash. The M/T Active and the M/T Amadeus were built in 2015 at Samsung Heavy Industries (Ningbo) Co. Ltd. and are currently employed by Cargill and Capital Maritime under a two-year time charter (+/-30 days) at a gross daily rate of $17,700 and a two-year time charter (+/-30 days) at a gross daily rate of $17,000 plus 50/50 profit share on actual earnings, respectively. The M/V CMA CGM Amazon and M/V CMA CGM Uruguay were built in 2015 at Daewoo-Mangalia Heavy Industries S.A. and both are currently employed by CMA CGM under five-year time charters (+90 days / -30 days) at a gross daily rate of $39,250. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors. Please see "Item 5B: Liquidity and Capital Resources—Net Cash Used in Investing Activities" and Note 5 (Fixed Assets) to our Financial Statements included herein for more information regarding this acquisition, including a detailed explanation of how it was accounted for.

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

## CONFLICTS OF INTEREST AND FIDUCIARY DUTIES

### Conflicts of Interest

Conflicts of interest exist and may arise in the future as a result of the relationships between our General Partner and its affiliates, including Capital Maritime, on the one hand, and us and our unaffiliated limited partners, on the other hand. The officers of our General Partner may have certain fiduciary duties to manage our General Partner in a manner beneficial to its owners. At the same time, our General Partner has a fiduciary duty to manage us in a manner beneficial to us and our unitholders. Similarly, our board of directors has fiduciary duties to manage us in a manner beneficial to us, our General Partner and our limited partners. Furthermore, one of our directors is also a director and officer of Capital Maritime and as such he has fiduciary duties to Capital Maritime that may cause him to pursue business strategies that disproportionately benefit Capital Maritime or which otherwise are not in the best interests of us or our unitholders.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our General Partner may exercise its right to call and purchase limited partner interests, including common units, as provided in the partnership agreement and may assign this right to one of its affiliates (including us). Our General Partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise this right. As a result, a common unitholder may have common units purchased from the unitholder at an undesirable time or price. Please read "Item 10B: The Partnership Agreement—Limited Call Right."

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

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

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

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

**Fiduciary Duties**

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

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

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

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

| | |
|---|---|
| Marshall Islands law fiduciary duty standards | Fiduciary duties are generally considered to include an obligation to act in good faith and with due care and loyalty. The duty of care, in the absence of a provision in a partnership agreement providing otherwise, would generally require a General Partner and the directors of a Marshall Islands limited partnership to refrain from engaging in grossly negligent or reckless conduct, intentional misconduct or a knowing violation of law. The duty of loyalty, in the absence of a provision in a partnership agreement providing otherwise, would generally require that a partner refrain from dealing with the limited partnership in the conduct or winding up of the limited partnership business or affairs as or on behalf of a party having an interest adverse to the limited partnership, refrain from competing with the limited partnership in the conduct of the limited partnership's business or affairs before the dissolution of the limited partnership, and to account to the limited partnership and hold as trustee for it any property, profit or benefit derived by the partner in the conduct or winding up of the limited partnership's business or affairs or derived from a use by the partner of partnership property, including the appropriation of a limited partnership opportunity. In addition, although not a fiduciary duty, a partner shall discharge the duties to the limited partnership and exercise any rights consistently with the obligation of good faith and fair dealing. |
| Partnership agreement modified standards | Our partnership agreement contains provisions that waive or consent to conduct by our General Partner and its affiliates and our directors that might otherwise raise issues as to compliance with fiduciary duties under the laws of the Marshall Islands. For example, Section 7.16 of our partnership agreement provides that when our General Partner is acting in its capacity as our General Partner, as opposed to in its individual capacity, it must act in "good faith" and will not be subject to any other standard under the laws of the Marshall Islands. In addition, when our General Partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act without any fiduciary obligation to us or the unitholders whatsoever. These standards reduce the obligations to which our General Partner and our board of directors would otherwise be held. Our partnership agreement generally provides that affiliated transactions and resolutions of conflicts of interest not involving a vote of unitholders and that are not approved by the conflicts committee of our board of directors must be:<br><br>• on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or<br><br>• "fair and reasonable" to us, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to us).<br><br>If our board of directors does not seek approval from the conflicts committee, and our board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the bullet points above, then it will be presumed that, in making its decision, our board of directors acted in good faith. These standards reduce the obligations to which our board of directors would otherwise be held. |

| | |
|---|---|
| | In addition to the other more specific provisions limiting the obligations of our General Partner and our directors, our partnership agreement further provides that our General Partner and its officers and our directors, will not be liable for monetary damages to us for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that our General Partner or its officers or our directors acted in bad faith or engaged in actual fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was unlawful. |
| Rights and remedies of unitholders | The provisions of the MILPA resemble the provisions of the limited partnership act of Delaware. For example, like Delaware, the MILPA favors the principles of freedom of contract and enforceability of partnership agreements and allows the partnership agreement to contain terms governing the rights of the unitholders. The rights of our unitholders, including voting and approval rights and the ability of the partnership to issue additional units, are governed by the terms of our partnership agreement. Please read “The Partnership Agreement.”<br><br>As to remedies of unitholders, the MILPA permits a limited partner or an assignee of a partnership interest to bring action in the High Court in the right of the limited partnership to recover a judgment in the limited partnership’s favor if general partners with authority to do so have refused to bring the action or if effort to cause those general partners to bring the action is not likely to succeed. |

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

Under the partnership agreement, we must indemnify our General Partner and its officers and our directors to the fullest extent permitted by law, against liabilities, costs and expenses incurred by our General Partner or these other persons. We must provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons engaged in actual fraud or willful misconduct. We also must provide this indemnification for criminal proceedings when our General Partner or these other persons acted with no reasonable cause to believe that their conduct was unlawful. Thus, our General Partner and its officers and our directors could be indemnified for their negligent acts if they met the requirements set forth above. To the extent that these provisions purport to include indemnification for liabilities arising under the Securities Act, in the opinion of the Securities and Exchange Commission such indemnification is contrary to public policy and therefore unenforceable. Please read “Item 10B: The Partnership Agreement—Indemnification.”

### C. Interests of Experts and Counsel

Not applicable.

## Item 8. Financial Information.

### A. Consolidated Statements and Other Financial Information.

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

### Legal Proceedings

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

In December 2017, one of our subsidiaries reached a settlement with the U.S. Department of Justice ("DOJ") regarding the M/T Amoureux for oil record book violation. Under the terms of the agreement, the subsidiary pled guilty to oil record book violation with respect to the M/T Amoureux. The subsidiary paid $700,000 in fine and was placed on probation for three years. If, during the term of probation, the subsidiary fails to adhere to the terms of the plea agreement, the DOJ may withdraw from the plea agreement and would be free to prosecute the subsidiary on all charges arising out of its investigation, including any charges dismissed pursuant to the terms of the plea agreement, as well as potentially other charges. Our subsidiary is also required to implement a comprehensive environmental compliance plan in connection with the settlement.

## HOW WE MAKE CASH DISTRIBUTIONS

### Distributions of Available Cash

#### *General*

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

#### *Definition of Available Cash*

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

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

#### *Minimum Quarterly Distribution*

Our partnership agreement provides that the minimum quarterly distribution on our common units is $0.2325 per unit, which is equal to $0.93 per unit per year. You should note that there is no guarantee that we will pay the minimum quarterly distribution on the common units in any quarter. Failure to distribute the minimum quarterly distribution on the common units results in our inability to establish certain cash reserves (see "—Definition of Available Cash" above). See information on current distribution levels elsewhere in this annual report.

The minimum quarterly distribution on our Class B Units is $0.21375 per unit, which is equal to $0.855 per unit per year. Distributions on our Class B Units are cumulative in that they shall accumulate whether or not any restrictions (such as arising out of our indebtedness) prohibit the authorization, declaration and payment of such distributions, whether or not there is sufficient available cash for the payment of such distributions and whether or not such distributions are authorized by our board of directors.

If the Class B Units do not receive the full amount of the distribution for such period in cash, no distributions can be made on our common units. If we do not have the available cash to pay the minimum quarterly distribution on our Class B Units in any quarter, then the amount due per Class B Unit will accrue at 11.5% per annum for such quarter and, if such distribution has been authorized by our board of directors for such quarter, shall be paid, to the extent of such shortfall, by issuing a number of common units calculated based on the lesser of the 30-day volume weighted average price (or VWAP) of our common unit and the 90-day VWAP of our common units.

In the event we experience a change of control, the minimum quarterly distribution rate on our Class B Units will equal 1.25 times the then applicable distribution rate. Upon the occurrence of a cross default or certain defaults on the payment of cash distributions on Class B Units, the distribution rate will equal 1.25 times the then applicable distribution rate, and on each subsequent payment date, the then applicable distribution rate will further increase to a rate that is 1.25 times the then applicable distribution rate as of the close of business on the day immediately preceding such distribution payment date, until the cross default or payment default is cured. The applicable quarterly distribution rate for the Class B Units as a result of such increases however shall not exceed $0.33345 per Class B Unit.

In any quarter where the distributions on common units is greater than the common unit minimum quarterly distribution rate, whether as a result of an increase in the customary quarterly distribution or a special distribution on the common units, the corresponding distribution on the Class B Units shall be increased pro rata (on an as converted basis) for the quarter by the amount that the actual distribution on the common units exceeds the common unit minimum quarterly distribution rate.

***Distribution Policy***

Our cash distribution policy generally reflects a basic judgment that our unitholders are better served by us distributing our available cash (after deducting expenses, including cash reserves) rather than retaining it. Because we believe that, subject to our ability to obtain required financing and access financial markets, we will generally finance any expansion capital expenditures from external financing sources, we believe that our investors are best served by us distributing all of our available cash. The board of directors seeks to maintain a balance between the level of reserves it takes to protect our financial position and liquidity against the desirability of maintaining distributions on the limited partnership interests. We intend to review our distributions from time to time in the light of a range of factors, including, among other things, our access to the capital markets, the repayment or refinancing of our external debt, the level of our capital expenditures and our ability to pursue accretive transactions.

Even if our cash distribution policy is not modified or revoked, the decision to make any distribution and the amount thereof are determined by our board of directors, taking into consideration the terms of our partnership agreement. Our distribution policy is subject to certain restrictions, including the following:

- Our common unitholders have no contractual or other legal right to receive distributions other than the right under our partnership agreement to receive available cash on a quarterly basis. Our board of directors has broad discretion to establish reserves and other limitations in determining the amount of available cash.
- While our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including provisions requiring us to make cash distributions contained therein, may be amended. The partnership agreement can be amended in certain circumstances with the approval of a majority of the outstanding common units (including in certain circumstances described in our partnership agreement with the holders of Class B Units voting on an as-converted basis).
- Even if our cash distribution policy is not modified or revoked, the amount of distributions we pay under our cash distribution policy and the decision to make any distribution is determined by our board of directors, taking into consideration the terms of our partnership agreement and the establishment of any reserves for the prudent conduct of our business.

- Under Section 51 of the Marshall Islands Limited Partnership Act, we may not make a distribution if, after giving effect to the distribution, our liabilities (other than liabilities to partners on account of their partnership interest and liabilities for which the recourse of creditors is limited to specified property of ours) would exceed the fair value of our assets, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in our assets only to the extent that the fair value of that property exceeds that liability.
- Our common units are subject to the prior distribution rights of any holders of our preferred units then outstanding. Under the terms of our partnership agreement, we are prohibited from declaring and paying distributions on our common units until we declare and pay (or set aside for payment) full distributions on the Class B Units. Furthermore, an upward adjustment to the distribution rate for the Class B Units occurs in the event the distribution rate on our common units is increased or upon the occurrence of a cross default or certain defaults on the payment of cash distributions on our Class B Units.
- We may lack sufficient cash to pay distributions on our common units due to, among other things, decreases in net revenues or increases in operating expenses, principal and interest payments on outstanding debt, tax expenses, working capital requirements, maintenance and replacement capital expenditures, anticipated cash needs or the payment of distributions on the Class B Units, which our partnership agreement requires us to pay prior to distributions on our common units.
- Our distribution policy will be affected by restrictions on distributions under our credit facilities which contain material financial tests and covenants that must be satisfied. Should we be unable to satisfy these terms, covenants and restrictions included in our credit facilities or if we are otherwise in default under the credit agreements, our ability to make cash distributions to our unitholders, notwithstanding our stated cash distribution policy, would be materially adversely affected.
- If we make distributions out of capital surplus, as opposed to operating surplus, such distributions will constitute a return of capital and will result in a reduction in the quarterly distribution and the target distribution levels. We do not anticipate that we will make any distributions from capital surplus.
- If the ability of our subsidiaries to make any distribution to us is restricted by, among other things, the provisions of existing and future indebtedness, applicable partnership and limited liability company laws or any other laws and regulations, our ability to make distributions to our unitholders may be restricted.

We have generally declared distributions on our common units in January, April, July and October of each year and paid those distributions in the subsequent month according to our distribution policy, which has changed from time to time:

- In January 2010, we introduced an annual distribution guidance of $0.90 per unit per annum, which was revised in July 2010 upwards to $0.93 per unit per annum, or $0.2325 per quarter.
- On April 30, 2015, we announced that it was our objective to increase our common and Class B distributions between 2% and 3% per annum for the foreseeable future. As a result, we increased our quarterly distribution for the first quarter of 2015 by $0.002 to $0.2345, for the second quarter of 2015 to $0.2365 and for the third quarter of 2015 to $0.2385. Our board of directors maintained the distribution level for the fourth quarter at $0.2385, due to the severe pricing dislocation for MLPs observed at the end of 2015 and at the beginning of 2016.
- In April 2016, in the face of severely depressed trading prices for master limited partnerships, including us, a significant deterioration in our cost of capital and potential loss of revenue, the board of directors made the decision to protect our liquidity position by creating a capital reserve, provisioning further reserves and setting distributions at a level that the board believes to be sustainable and consistent with the proper conduct of our business. The capital reserve, set by the board of directors at approximately $14.6 million per quarter, was intended to address amortization requirements under our credit facilities through the end of 2018. Accordingly, our board of directors issued a new quarterly distribution guidance of $0.075 per common unit. We made distributions on our common units in accordance with this new guidance in May 2016, August 2016 and November 2016.

- In October 2016, considering the positive impact of the expansion of our asset base following the acquisition of the M/T Amor, our board of directors decided to approve an increase of $0.005 in our quarterly distribution for the fourth quarter 2016 onwards to $0.08 per common unit. Our board of directors maintained this level of distribution through the fourth quarter of 2017.
- We used cash accumulated as a result of quarterly allocations to our capital reserve to partially prepay our indebtedness as part of our refinancing in October 2017. We expect to continue to reserve cash in amounts necessary to service our debt in the future, including to make quarterly amortization payments.

## Operating Surplus and Capital Surplus

### *General*

All cash distributed to unitholders will be characterized as either "operating surplus" or "capital surplus." We treat distributions of available cash from operating surplus differently than distributions of available cash from capital surplus.

### *Definition of Operating Surplus*

For any period, other than the quarter during which an event giving rise to our liquidation occurs (unless our unitholders have a right to elect to continue our business and so elect), operating surplus generally means:

- an amount equal to two times the amount needed for any one quarter for us to pay a distribution on all of our units, the general partner units and the incentive distribution rights at the same per-unit amount as was distributed in the immediately preceding quarter; plus
- all of our cash receipts, excluding cash from (1) borrowings, other than working capital borrowings, (2) sales of equity and debt securities, (3) sales or other dispositions of assets outside the ordinary course of business, (4) capital contributions; plus
- working capital borrowings made after the end of a quarter but before the date of determination of operating surplus for the quarter; plus
- interest paid on debt incurred and cash distributions paid on equity securities issued, in each case, to finance all or any portion of the construction, replacement or improvement of a capital asset such as vessels during the period from such financing until the earlier to occur of the date the capital asset is put into service and the date that it is abandoned or disposed of; plus
- interest paid on debt incurred and cash distributions paid on equity securities issued, in each case, to pay the construction period interest on debt incurred, or to pay construction period distributions on equity issued, to finance the construction projects described in the immediately preceding bullet; less
- all of our operating expenditures after the repayment of working capital borrowings, but not (1) the repayment of other borrowings, (2) actual maintenance and replacement capital expenditures or expansion capital expenditures or investment capital expenditures, (3) transaction expenses (including taxes) related to interim capital transactions or (4) distributions; less
- estimated maintenance and replacement capital expenditures and the amount of cash reserves established by our board of directors to provide funds for future operating expenditures; less
- all working capital borrowings not repaid within twelve months after having been incurred.

If a working capital borrowing, which increases operating surplus, is not repaid during the 12-month period following the borrowing, it will be deemed repaid at the end of such period, thus decreasing operating surplus at such time. When such working capital borrowing is in fact repaid, it will not be treated as a reduction in operating surplus because operating surplus will have been previously reduced by the deemed repayment.

As described above, operating surplus includes an amount up to two times the amount needed for any one quarter for us to pay a distribution on all of our units (including the general partner units) and the incentive distribution rights at the same per unit amount as was distributed in the immediately preceding quarter. This amount does not reflect actual cash on hand available to pay distributions to unitholders. Rather, it is a provision that will enable us, if we choose, to distribute as operating surplus up to this amount of cash we receive in the future from non-operating sources, such as asset sales, issuances of securities and long-term borrowings, that would otherwise be distributed as capital surplus. In addition, the effect of including, as described above, certain cash distributions on equity securities or interest payments on debt in operating surplus would be to increase operating surplus by the amount of any such cash distributions or interest payments. As a result, we may also distribute as operating surplus up to the amount of any such cash distributions or interest payments of cash we receive from non-operating sources.

***Capital Expenditures***

For purposes of determining operating surplus, maintenance and replacement capital expenditures are those capital expenditures required to maintain over the long term the operating capacity of or the revenue generated by our capital assets, and expansion capital expenditures are those capital expenditures that increase the operating capacity of or the revenue generated by our capital assets. To the extent, however, that capital expenditures associated with acquiring a new vessel increase the revenues or the operating capacity of our fleet, those capital expenditures would be classified as expansion capital expenditures.

Investment capital expenditures are those that are neither maintenance and replacement capital expenditures nor expansion capital expenditures. Investment capital expenditures largely will consist of capital expenditures made for investment purposes.

Examples of investment capital expenditures include traditional capital expenditures for investment purposes, such as purchases of equity securities, as well as other capital expenditures that might be made in lieu of such traditional investment capital expenditures, such as the acquisition of a capital asset for investment purposes.

Examples of maintenance and replacement capital expenditures include capital expenditures associated with drydocking, modifying an existing vessel or acquiring a new vessel to the extent such expenditures are incurred to maintain the operating capacity of or the revenue generated by our fleet. Maintenance and replacement capital expenditures will also include interest (and related fees) on debt incurred and distributions on equity issued to finance the construction of a replacement vessel and paid during the construction period, which we define as the period beginning on the date that we enter into a binding construction contract and ending on the earlier of the date that the replacement vessel commences commercial service or the date that the replacement vessel is abandoned or disposed of. Debt incurred to pay or equity issued to fund construction period interest payments, and distributions on such equity, will also be considered maintenance and replacement capital expenditures.

Our partnership agreement provides that an amount equal to an estimate of the average quarterly maintenance and replacement capital expenditures necessary to maintain the operating capacity of or the revenue generated by our capital assets over the long term be subtracted from operating surplus each quarter, as opposed to the actual amounts spent. In the partnership agreement, we refer to these estimated maintenance and replacement capital expenditures to be subtracted from operating surplus as “estimated maintenance capital expenditures.” The amount of estimated maintenance and replacement capital expenditures deducted from operating surplus is subject to review and change by our board of directors at least once a year, provided that any change must be approved by our conflicts committee. The estimate is made at least annually and whenever an event occurs that is likely to result in a material adjustment to the amount of our maintenance and replacement capital expenditures, such as a major acquisition or the introduction of new governmental regulations that will affect our fleet. For purposes of calculating operating surplus, any adjustment to this estimate is prospective only. Our board of directors has elected not to deduct any replacement capital expenditures from our operating surplus since 2011.

### *Definition of Capital Surplus*

Any available cash that is distributed after we distribute the operating surplus is capital surplus. Capital surplus generally is expected to be generated by:

- borrowings other than working capital borrowings;
- sales of debt and equity securities; and
- sales or other dispositions of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or non-current assets sold as part of normal retirements or replacements of assets.

### *Characterization of Cash Distributions*

We will treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since we began operations equals the operating surplus as of the most recent date of determination of available cash. We will treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus. As described above, operating surplus includes an amount up to two times the amount needed for any one quarter for us to pay a distribution on all of our units (including the general partner units) and the incentive distribution rights at the same per unit amount as was distributed in the immediately preceding quarter. This amount does not reflect actual cash on hand available to pay distributions to unitholders. Rather, it is a provision that will enable us, if we choose, to distribute as operating surplus up to this amount of cash we receive in the future from non-operating sources, such as asset sales, issuances of securities and long-term borrowings, that would otherwise be distributed as capital surplus. We have not yet made any distributions from capital surplus and do not anticipate doing so in the future.

### Distributions of Available Cash From Operating Surplus

We make quarterly distributions of available cash from operating surplus in the following manner, after payment of any amounts owed on the Class B Units and subject to applicable law:

- first, 98% to all unitholders, pro rata, and 2.0% to our General Partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and
- thereafter, in the manner described in "—Incentive Distribution Rights" below.

The preceding paragraph is based on the assumption that our General Partner maintains its 2.0% general partner interest.

### Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our General Partner currently holds the incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in the partnership agreement. Any transfer by our General Partner of the incentive distribution rights would not change the percentage allocations of quarterly distributions with respect to such rights.

If for any quarter:

- we have paid to the holders of our Class B units the minimum quarterly amount we have promised to them, and all arrearages;
- we have paid to the holders of any other outstanding units that are senior in right of distribution to our common units the agreed amount of distribution; and

- we have distributed available cash from operating surplus to the common unitholders in an amount equal to the minimum quarterly distribution,
- then, we will distribute any additional available cash from operating surplus for that quarter among the unitholders and our General Partner in the following manner:
    - first, 98% to all unitholders, pro rata, and 2.0% to our General Partner, until each unitholder receives a total of $0.2425 per unit for that quarter (the “first target distribution”),
    - second, 85% to all unitholders, pro rata, and 15% to our General Partner, until each unitholder receives a total of $0.2675 per unit for that quarter (the “second target distribution”),
    - third, 75% to all unitholders, pro rata, and 25% to our General Partner, until each unitholder receives a total of $0.2925 per unit for that quarter (the “third target distribution”), and
    - thereafter, 65% to all unitholders, pro rata, and 35% to our General Partner.

The percentage interests set forth above assume that our General Partner maintains its 2.0% general partner interest and has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities.

Following discussion with, and with the unanimous support of, the conflicts committee of our board of directors, Capital Maritime permanently waived its rights to receive quarterly incentive distributions between $0.2425 and $0.25. This waiver effectively increases the first target distribution and the lower bound of the second target distribution (as referenced in the table below) from $0.2425 to $0.25.

Arrearages on Class B Units do not accrue interest. In addition, holders of Class B Units are not entitled to any distributions, whether payable in cash, property or partnership interests, in excess of the then arrearage plus the minimum quarterly distribution on the Class B Units for the relevant quarter.

### Percentage Allocations of Available Cash From Operating Surplus

The following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders and our General Partner up to the various target distribution levels. The percentage allocations in the table are subject to the distribution rights of the holders of our Class B Units. The amounts set forth under “Marginal Percentage Interest in Distributions” are the percentage interests of the unitholders and our General Partner in any available cash from operating surplus we distribute up to and including the corresponding amount in the column “Total Quarterly Distribution Target Amount,” until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders and our General Partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests shown for our General Partner assume that, upon conversion of its general partner units, our General Partner maintains a 2.0% general partner interest and assume our General Partner has not transferred the incentive distribution rights.

| | | Marginal Percentage Interest in Distributions | |
|---|---|---|---|
| | Total Quarterly Distribution Target Amount | Unitholders | General Partner |
| Minimum Quarterly Distribution | $0.2325 | 98% | 2% |
| First Target Distribution | up to $0.2425 (1) | 98% | 2% |
| Second Target Distribution | above $0.2425 (1) up to $0.2675 | 85% | 15% |
| Third Target Distribution | above $0.2675 up to $0.2925 | 75% | 25% |
| Thereafter | above $0.2925 | 65% | 35% |

(1) As disclosed on our Current Report on Form 6-K furnished on August 26, 2014, Capital Maritime unilaterally notified the Partnership that it decided to waive its rights to receive quarterly incentive distributions between $0.2425 and $0.25. Capital Maritime permanently waived these rights after discussion with, and with the unanimous support of, the conflicts committee of our board of directors. This waiver effectively increases the First Target Distribution and the lower bound of the Second Target Distribution (as referenced in the table above) from $0.2425 to $0.25.

**Distributions From Capital Surplus**

***How Distributions From Capital Surplus Will Be Made***

We will make distributions of available cash from capital surplus, if any, in the following manner:

- first, 100% to the Class B unitholders, pro rata, until we distribute in respect of each outstanding unit an aggregate amount of available cash from capital surplus equal to the redemption value of the Class B Units, being the sum of (i) the per unit purchase price of $9.00, plus (ii) arrearages in payment of the minimum quarterly distribution on the Class B units, plus (iii) the accrued minimum quarterly distribution rate for the Class B units since the close of the last complete quarter; and
- second, 98% to the common unitholders, pro rata, and 2% to our General Partner, until we distribute for each common unit an aggregate amount of available cash from capital surplus equal to the initial unit price of the common units issued in our initial public offering; and
- thereafter, we will make distributions of available cash from capital surplus as if they were from operating surplus.

The preceding paragraph is based on the assumption that our General Partner maintains a 2.0% general partner interest and that we do not issue additional classes of equity securities.

***Effect of a Distribution From Capital Surplus***

The partnership agreement treats a distribution of capital surplus as a return of capital. Each time a distribution of capital surplus is made, the minimum quarterly distribution and the target distribution levels will be reduced in the same proportion as the distribution had to the fair market value of the common units prior to the announcement of the distribution. Because distributions of capital surplus will reduce the minimum quarterly distribution, after any of these distributions are made, it may be easier for our General Partner to receive incentive distributions.

However, any distribution of capital surplus before the minimum quarterly distribution is reduced to zero cannot be applied to the payment of the minimum quarterly distribution or any arrearages.

**Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels**

In addition to adjusting the minimum quarterly distribution and target distribution levels to reflect a distribution of capital surplus, if we combine our units into fewer units or subdivide our units into a greater number of units, we will proportionately adjust:

- the minimum quarterly distribution; and
- the target distribution levels.

For example, if a two-for-one split of the common and subordinated units should occur, the minimum quarterly distribution, the target distribution levels would be reduced to 50% of its initial level. We will not make any adjustment by reason of the issuance of additional units for cash or property.

In addition, if legislation is enacted or the official interpretation of any existing legislation is modified by a governmental taxing authority, and as a result any of our subsidiaries becomes subject to taxation as an entity for U.S. federal, state, local or foreign tax purposes, our partnership agreement specifies that the minimum quarterly distribution and the target distribution levels for each quarter will be reduced by multiplying each distribution level by a fraction, the numerator of which is available cash for that quarter and the denominator of which is the sum of available cash for that quarter plus our board of directors' estimate of our direct or indirect aggregate liability for the quarter for such taxes payable by reason of such legislation or interpretation. To the extent that the actual tax liability differs from the estimated tax liability for any quarter, the difference will be accounted for in subsequent quarters.

**Distributions of Cash Upon Liquidation**

If we dissolve in accordance with the partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will apply the proceeds of liquidation in the manner set forth below.

Holders of outstanding Class B Units will be entitled to receive, prior and in preference to any distribution to the holders of common units (or any class or series of partnership interests ranking junior to the Class B Units) a sum of:

- the per unit purchase price of $9.00; plus
- arrearages in payment of the minimum quarterly distribution on the Class B units; plus
- the accrued minimum quarterly distribution rate for the Class B units since the close of the last complete quarter.

Once the Class B units have been paid the full liquidation value described above, the remaining proceeds will be distributed to common unitholders as follows.

If, as of the date three trading days prior to the announcement of the proposed liquidation, the average closing price for our common units for the preceding 20 trading days (or the current market price) is greater than the sum of:

- any arrearages in payment of the minimum quarterly distribution on the common units issued in our initial public offering for any prior quarters during the subordination period (as described below); plus
- the initial unit price of the common units issued in our initial public offering (less any prior capital surplus distributions and any prior cash distributions made in connection with a partial liquidation);

then the proceeds of the liquidation will be applied as follows:

- first, 98.0% to the common unitholders, pro rata, and 2.0% to our General Partner, until we distribute for each outstanding common unit an amount equal to the current market price of our common units; and
- thereafter, 50.0% to all unitholders, pro rata, 48.0% to holders of incentive distribution rights and 2.0% to our General Partner.

If, as of the date three trading days prior to the announcement of the proposed liquidation, the current market price of our common units is equal to or less than the sum of:

- any arrearages in payment of the minimum quarterly distribution on the common units issued in our initial public offering for any prior quarters during the subordination period; plus
- the initial unit price of the common units issued in our initial public offering (less any prior capital surplus distributions and any prior cash distributions made in connection with a partial liquidation);
- then the proceeds of the liquidation will be applied as follows:

- first, 98.0% to the common unitholders, pro rata, and 2.0% to our General Partner, until we distribute for each outstanding common unit an amount equal to such initial unit price (less any prior capital surplus distributions and any prior cash distributions made in connection with a partial liquidation);
- second, 98.0% to the common unitholders, pro rata, and 2.0% to our General Partner, until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period; and
- thereafter, 50.0% to all unitholders, pro rata, 48.0% to holders of incentive distribution rights and 2.0% to our General Partner.

The preceding paragraph is based on the assumption that our General Partner maintains its 2.0% general partner interest and has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities.

***Subordination Period***

The subordination period, which terminated on February 14, 2009, was a period during which the common units had the right to receive available cash from operating surplus in an amount equal to the minimum quarterly distribution per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus were made on the "subordinated units," which were issued in addition to the common units in our initial public offering. Upon termination of the subordination period, the subordinated units were converted into common units on a one-for-one basis.

## B. Significant Changes

Other than as described in "Item 4. Information on the Partnership—History and Development of the Partnership—Recent Developments" and below, no significant changes have occurred since the date of our Financial Statements included herein:

On January 17, 2018, we declared a cash distribution of $0.08 per common unit for the fourth quarter of 2017, which was paid on February 13, 2018 to unitholders of record on February 2, 2018.

On January 17, 2018, we declared a cash distribution of $0.21375 per Class B Unit for the fourth quarter of 2017, in line with our partnership agreement. The fourth quarter Class B Unit cash distribution was paid on February 9, 2018, to Class B unitholders of record on February 2, 2018.

## Item 9. The Offer and Listing.

Our common units started trading on the Nasdaq Global Select Market under the symbol "CPLP" on March 30, 2007. The following table sets forth the high and low closing sales prices in U.S. Dollars for our common units for each of the periods indicated.

| | High | Low |
|---|---|---|
| **Year Ended: December 31,** | | |
| 2017 | 3.97 | 3.12 |
| 2016 | 5.25 | 2.51 |
| 2015 | 9.94 | 5.05 |
| 2014 | 11.56 | 6.79 |
| 2013 | 10.57 | 6.81 |
| **Quarter Ended:** | | |
| December 31, 2017 | 3.59 | 3.12 |
| September 30, 2017 | 3.97 | 3.43 |
| June 30, 2017 | 3.55 | 3.29 |
| March 31, 2017 | 3.70 | 3.16 |
| December 31, 2016 | 3.29 | 2.77 |

| | | |
|---|---|---|
| September 30, 2016 | 3.95 | 2.80 |
| June 30, 2016 | 3.83 | 2.56 |
| March 31, 2016 | 5.25 | 2.51 |
| **Month Ended:** | | |
| February 28, 2018 | 3.27 | 3.04 |
| January 31, 2018 | 3.57 | 3.31 |
| December 31, 2017 | 3.46 | 3.12 |
| November 30, 2017 | 3.38 | 3.15 |
| October 31, 2017 | 3.59 | 3.42 |
| September 30, 2017 | 3.69 | 3.50 |
| August 31, 2017 | 3.66 | 3.43 |

## Item 10. Additional Information.

### A. Share Capital

Not applicable.

### B. Memorandum and Articles of Association

## THE PARTNERSHIP AGREEMENT

The following is a summary of the material provisions of our partnership agreement. The partnership agreement, as amended, is filed as Exhibit I to our Current Report on Form 6-K dated February 24, 2010, as Exhibit I to our Current Report on Form 6-K dated September 30, 2011, as Exhibit II to our Current Report on Form 6-K/A dated May 23, 2012, as Exhibit II to our Current Report on Form 6-K dated March 21, 2013 and as Exhibit A to Exhibit I to our Current Report on Form 6-K dated August 26, 2014. We will provide prospective investors with a copy of our limited partnership agreement and any amendments thereto upon request at no charge.

We summarize the following provisions of our partnership agreement elsewhere in this annual report:

- with regard to distributions of available cash, please read “Item 8: Financial Information—How We Make Cash Distributions,” and
- with regard to the fiduciary duties of our General Partner and our directors, please read “Item 7.B: Related Party Transactions—Conflicts of Interest and Fiduciary Duties.”

### Organization and Duration

We were organized on January 16, 2007 and have perpetual existence.

### Purpose

Our purpose under the partnership agreement is to engage in any business activities that may lawfully be engaged in by a limited partnership pursuant to the MILPA.

Our General Partner has delegated to our board of directors the authority to oversee and direct our operations, management and policies on an exclusive basis. Our General Partner, subject to the direction and supervision of our board of directors, manages our business and affairs and carry out our purpose.

**Power of Attorney**

Each limited partner, and each person who acquires a unit from another unitholder grants to our General Partner and, if appointed, a liquidator, a power of attorney to, among other things, execute and file documents required for our qualification, continuance or dissolution. The power of attorney also grants our General Partner the authority to make consents and waivers under the partnership agreement.

**Capital Contributions**

Unitholders are not obligated to make additional capital contributions, except as described below under "—Limited Liability."

**Voting Rights**

Each outstanding common unit is entitled to one vote on matters subject to a vote of common unitholders.

The holders of the Class B Units have voting rights that are identical to the voting rights of the common units on an as converted basis and will vote with the common units as a single class on all matters with respect to which each common unit is entitled to vote, provided, however, that except in the circumstances described below, holders of Class B Units have no right to vote for, elect or appoint any director, or to nominate any individual to stand for election or appointment as a director. *Therefore, whenever we refer to a vote of the common unit holders in this summary, you should be aware that the holders of the Class B Units will vote with the common unit holders on an as converted basis as a single class, except on any election of a director on our board of directors.*

To preserve our ability to be exempt from U.S. federal income tax under Section 883 of the Code, if at any time, any person or group, other than our General Partner or its affiliates, owns beneficially 5% or more of any class of units then outstanding, any units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders to vote on any matter (unless otherwise required by law),or calculating required votes, except for purposes of nominating a person for election to our board, or determining the presence of a quorum or for other similar purposes under our partnership agreement. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other unitholders holding less than 4.9% of the voting power of the same class of units entitled to vote. Our partnership agreement provides certain exceptions to such limitation, including when a person acquired securities directly from our General Partner or its affiliates or with the approval of our board of directors, but only for so long as such exception would not jeopardize our tax exemption under Section 883 of the Code.

We will hold a meeting of the limited partners entitled to vote every year to elect one or more members of our board of directors and to vote on any other matters that are properly brought before the meeting. The sole member of our General Partner, CMTC, has the right to appoint three of the eight members of our board of directors with the remaining five directors being elected by our common unitholders. Holders of the Class B Units do not have the right to elect directors, except upon the occurrence of certain triggering events. Among other consequences, if we fail to pay the minimum Class B Unit distribution, as set out in our partnership agreement, for six or more quarters, the holders of the Class B Units will have the right to appoint a director to our board and, if such arrearages exist on or after March 1, 2018, to replace the directors appointed by our General Partner, in each case by the affirmative vote of the persons holding a majority of the Class B Units, subject to exceptions and conditions contained in our partnership agreement.

In voting their units, our General Partner and its affiliates will have no fiduciary duty or obligation whatsoever to us or limited partners, including any duty to act in good faith or in the best interests of us and the limited partners.

The matters described in the table below require the unitholder vote specified below. Matters requiring the approval of a "unit majority" require the approval of a majority of the common units and, as long as our Class B Units are outstanding, our Class B Units voting on such matters with the common units as a single class on a converted basis (except for the election of directors on our board of directors). You should note that our General Partner has approval rights in respect of certain of the matters described below.

| Action | Unitholder Approval Required and Voting Rights |
|---|---|
| Issuance of additional units | No approval rights (although our General Partner has approval rights in certain instances). |
| Amendment of the partnership agreement | Certain amendments may be made by our board of directors without the approval of the unitholders if those amendments are also approved by our General Partner. Other amendments generally require the approval of a unit majority and can only be proposed by or with the written consent of our General Partner and our board of directors. Please read "—Amendment of the Partnership Agreement." |
| Amendment of the operating agreement of the operating company (as defined in our limited partnership agreement) | Unit majority if such amendment would adversely affect our limited partners in any material respect. |
| Merger of our partnership or the sale of all or substantially all of our assets | Unit majority if such amendment would adversely affect our limited partners in any material respect and approval of our General Partner and board of directors. Please read "—Merger, Sale, or Other Disposition of Assets." |
| Dissolution of our partnership | Unit majority and approval of our General Partner and our board of directors. Please read "—Termination and Dissolution." |
| Reconstitution of our partnership upon dissolution | Unit majority. Please read "—Termination and Dissolution." |
| Election of five of the eight members of our board of directors | A plurality of the votes of the holders of the common units. |
| Withdrawal of the General Partner | Our General Partner may withdraw without obtaining unitholder approval upon 90 days' written notice to our board of directors. Please read "—Withdrawal or Removal of the General Partner." |
| Removal of the General Partner | Not less than 66 2/3% of the outstanding units, including units held by our General Partner and its affiliates, voting together as a single class and a majority vote of our board of directors. Please read "—Withdrawal or Removal of the General Partner." |
| Transfer of the general partner interest in us | Our General Partner may transfer all or any part of its General Partner interest in us to another person without the approval of the holders of our outstanding units. Please read "—Transfer of General Partner Interest." |
| Transfer of incentive distribution rights | The incentive distribution rights are freely transferable. Please read "—Transfer of Incentive Distribution Rights." |
| Transfer of ownership interests in the General Partner | No approval required at any time. Please read "—Transfer of Ownership Interests in General Partner." |

**Limited Liability**

Assuming that a limited partner does not participate in the control of our business within the meaning of the MILPA and that such limited partner otherwise acts in conformity with the provisions of our partnership agreement, that partner's liability under the MILPA will be limited, subject to possible exceptions, to the amount of capital he or she is obligated to contribute to us for his or her units plus his or her share of any undistributed profits and assets. If a court determined, however, that limited partners "participated in the control" of our business for the purposes of the MILPA, then such limited partners could be held personally liable for our obligations under the laws of Marshall Islands, to the same extent as our General Partner, to persons who transact business with us who reasonably believe, based on the limited partner's conduct, that the limited partner is a general partner. Neither our partnership agreement nor the MILPA specifically provides for legal recourse against our General Partner if a limited partner were to lose limited liability through any fault of our General Partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Marshall Islands case law.

Under the MILPA, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, exceeds the fair value of the assets of the limited partnership, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds that liability. The MILPA provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the MILPA shall be liable to the limited partnership for the amount of the distribution for three years after the date of such distribution. Under the MILPA, a purchaser of units who becomes a limited partner of a limited partnership is liable for the obligations of the transferor to make contributions to the partnership, except that the transferee is not obligated for liabilities unknown to him at the time he became a limited partner and that could not be ascertained from the partnership agreement.

Maintenance of our limited liability may require compliance with legal requirements in the jurisdictions in which we conduct business, which may include qualifying to do business in those jurisdictions.

### Issuance of Additional Securities

The partnership agreement authorizes us to issue an unlimited amount of additional partnership securities and rights to buy partnership securities for the consideration and on the terms and conditions determined by our board of directors without the approval of the unitholders. Our General Partner will have the right to approve issuances of additional securities that are not reasonably expected to be accretive to equity within 12 months of issuance or which would otherwise have a material adverse impact on our General Partner or its interest in us. However, as long as Class B Units are outstanding, we may not authorize, create or issue any equity interests senior to the Class B Units or amend the provisions of an existing class of securities to make such class senior in priority to the Class B Units without the affirmative vote or written consent of the holders of at least 75% of the outstanding Class B Units, voting separately as a class based on one vote per unit.

We intend to fund acquisitions through borrowings and the issuance of additional common units or other equity securities and the assumption and/or the issuance of debt, subject to market conditions, as further described elsewhere herein . Holders of any additional common units we issue will be entitled to share equally with the then-existing holders of common units in our distributions of available cash. In addition, the issuance of additional common units or other equity securities interests may dilute the value of the interests of the then-existing holders of common units in our net assets.

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

Upon issuance of additional partnership securities, our General Partner will have the right, but not the obligation, to make additional capital contributions to the extent necessary to maintain its General Partner interest in us, which is currently 1.71%. Our General Partner’s interest in us will thus be reduced if we issue additional partnership securities in the future and our General Partner does not elect to maintain its then-applicable General Partner interest in us. Our General Partner will have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units or other equity securities whenever, and on the same terms that, we issue those securities to persons other than our General Partner and its affiliates, to the extent necessary to maintain its and its affiliates’ percentage interest, including its interest represented by common units, that existed immediately prior to each issuance. Other holders of common units will not have similar preemptive rights to acquire additional common units or other partnership securities. Upon issuance of additional partnership interests that, with respect to distributions, rank pari passu with our Class B Units, holders of Class B Units shall have the right to purchase their pro rata portion of such issuance.

### Tax Status

The partnership agreement provides that the partnership will elect to be taxed as a corporation for U.S. federal income tax purposes.

### Amendment of the Partnership Agreement

#### *General*

Amendments to our partnership agreement may be proposed only by or with the consent of our General Partner and our board of directors. However, neither our General Partner nor our board of directors will have a duty or obligation to propose any amendment and may decline to do so free of any fiduciary duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us or the limited partners. In order to adopt a proposed amendment, other than the amendments discussed below, approval of both our board of directors and our General Partner is required, as well as approval of the holders of the number of units required to approve the amendment. Except as we describe below, an amendment must be approved by a unit majority.

***Prohibited Amendments***

Except as set forth below, no amendment may:

1. increase the obligations of any limited partner without its consent, unless such increase is deemed to occur as a result of an amendment approved in accordance with sub-paragraph (2) below:
2. have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests unless approved by the holders of not less than a majority of the outstanding units of the class affected, voting together as a single class;
3. increase the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our General Partner or any of its affiliates without the consent of the General Partner, which may be given or withheld at its option;
4. change the term of our partnership;
5. provide that our partnership is not dissolved upon an election to dissolve our partnership by our General Partner and our board of directors that is approved by the holders of a unit majority; or
6. give any person the right to dissolve our partnership other than the right of our General Partner and our board of directors to dissolve our partnership with the approval of the holders of a unit majority.

The provision of our partnership agreement preventing the amendments having the effects described in clauses (1) through (6) above can only be amended upon the approval of the holders of at least 90% of the outstanding units voting together as a single class (including units owned by our General Partner and its affiliates).

***No Unitholder Approval***

Our board of directors may generally make amendments to our partnership agreement without the approval of any limited partner to reflect:

1. a change in our name, the location of our principal place of business, our registered agent or our registered office;
2. the admission, substitution, withdrawal or removal of partners in accordance with our partnership agreement;
3. a change that our board of directors determines to be necessary or appropriate for us to qualify or to continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any jurisdiction;
4. an amendment that is necessary, upon the advice of our counsel, to prevent us or our directors or our General Partner or its directors, officers, agents, or trustees from in any manner being subjected to the provisions of the U.S. Investment Company Act of 1940, the U.S. Investment Advisers Act of 1940, or "plan asset" regulations adopted under the U.S. Employee Retirement Income Security Act of 1974, or ERISA, whether or not substantially similar to plan asset regulations currently applied or proposed;

5. an amendment that our board of directors and, if required by the terms of the partnership agreement, our General Partner determines to be necessary or appropriate for the authorization of additional partnership securities or rights to acquire partnership securities;
6. any amendment expressly permitted in the partnership agreement to be made by our board of directors acting alone;
7. an amendment effected, necessitated, or contemplated by a merger agreement that has been approved under the terms of the partnership agreement;
8. any amendment that our board of directors determines to be necessary or appropriate for the formation by us of, or our investment in, any corporation, partnership or other entity, as otherwise permitted by the partnership agreement;
9. a change in our fiscal year or taxable year and related changes;
10. certain mergers or conveyances as set forth in our partnership agreement; or
11. any other amendments substantially similar to any of the matters described in (1) through (10) above.

All amendments reflecting matters described in (1) through (11) above require the approval of our General Partner.

In addition, our board of directors may make amendments to the partnership agreement without the approval of any limited partner if our board of directors determines that those amendments:

1. do not adversely affect the limited partners (or any particular class of limited partners) in any material respect;
2. are necessary or appropriate to satisfy any requirements, conditions, or guidelines contained in any opinion, directive, order, ruling or regulation of any Marshall Islands or other authority or contained in any statute;
3. are necessary or appropriate to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading;
4. are necessary or appropriate for any action taken by our board of directors relating to splits or combinations of units under the provisions of the partnership agreement; or
5. are required to effect the intent expressed in the IPO registration statement or any future prospectus or the intent of the provisions of the partnership agreement or are otherwise contemplated by the partnership agreement.

All amendments reflecting matters described in (1) through (5) above require the approval of our General Partner.

***Opinion of Counsel and Unitholder Approval***

Neither our General Partner nor our board of directors will be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under "—No Unitholder Approval" should occur. No other amendments to our partnership agreement will become effective without the approval of holders of at least 90% of the outstanding units voting as a single class unless we obtain an opinion of counsel to the effect that the amendment will not affect the limited liability of any of our limited partners under applicable law.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or privileges of any type or class of outstanding units in relation to other classes of units will require the approval of at least a majority of the type or class of units so affected. Any amendment that reduces the voting percentage required to take any action must be approved by the affirmative vote of limited partners whose aggregate outstanding units constitute not less than the voting requirement sought to be reduced.

### Action Relating to the Operating Subsidiaries

We effectively control our operating subsidiaries by being their sole member or shareholder, as applicable.

### Merger, Sale, or Other Disposition of Assets

A merger or consolidation of us requires the approval of our board of directors and the prior consent of our General Partner. However, our General Partner will have no duty or obligation to consent to any merger or consolidation and may decline to do so free of any fiduciary duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us or the limited partners. In addition, our partnership agreement generally prohibits our board of directors, without the prior approval of our General Partner and the holders of units representing a unit majority, from causing us to, among other things, sell, exchange, or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, including by way of merger, consolidation, or other combination, or approving on our behalf the sale, exchange, or other disposition of all or substantially all of the assets of our subsidiaries. Our board of directors may, however, cause us to mortgage, pledge, hypothecate, or grant a security interest in all or substantially all of our assets without the prior approval of the holders of units representing a unit majority, although it is required to obtain the prior approval of our General Partner if any such mortgage, pledge or hypothecation is done for purposes other than securing indebtedness that does not result in our over-leverage, taking into account customary industry leverage levels, our structure and our other assets and liabilities. Our General Partner and our board of directors may also cause us to sell all or substantially all of our assets under a foreclosure or other realization upon those encumbrances without the approval of the holders of units representing a unit majority.

If conditions specified in our partnership agreement are satisfied, our board of directors, with the consent of our General Partner, may convert us or any of our subsidiaries into a new limited liability entity or merge us or any of our subsidiaries into, or convey some or all of our assets to, a newly formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our legal form into another limited liability entity. The unitholders are not entitled to dissenters’ rights of appraisal under our partnership agreement or applicable law in the event of a conversion, merger or consolidation, a sale of substantially all of our assets, or any other transaction or event.

Additionally, our board of directors is permitted, with the prior consent of our General Partner, to merge or consolidate the Partnership with or into another entity in certain circumstances, provided that each unit outstanding immediately prior to the effective date of the merger is to be an identical unit after the effective date of the merger and the number of units issued by the Partnership in such merger does not exceed 20% of units outstanding immediately prior to the effective date of such merger.

### Termination and Dissolution

We will continue as a limited partnership until terminated or converted under our partnership agreement. We will dissolve upon:

1. the election of our General Partner and our board of directors to dissolve us, if approved by the holders of units representing a unit majority;
2. the sale, exchange, or other disposition of all or substantially all of our assets and properties and our subsidiaries;
3. the entry of a decree of judicial dissolution of us;
4. the withdrawal or removal of our General Partner or any other event that results in its ceasing to be our general partner other than by reason of a transfer of its general partner interest in accordance with the partnership agreement or withdrawal or removal following approval and admission of a successor; or

5. such time when there are no limited partners, unless we are continued without dissolution in accordance with the MILPA.

Upon a dissolution under clause (4), the holders of a unit majority may also elect, within specific time limitations, to continue our business on the same terms and conditions described in the partnership agreement by appointing as general partner an entity approved by the holders of units representing a unit majority, subject to our receipt of an opinion of counsel to the effect that the action would not result in the loss of limited liability of any limited partner.

**Liquidation and Distribution of Proceeds**

Upon our dissolution, unless we are continued as a new limited partnership, the liquidator authorized to wind up our affairs will, acting with all of the powers of our General Partner that are necessary or appropriate, liquidate our assets and apply the proceeds of the liquidation as provided in "How We Make Cash Distributions—Distributions of Cash Upon Liquidation." The liquidator may defer liquidation or distribution of our assets for a reasonable period or distribute assets to partners in kind if it determines that a sale would be impractical or would cause undue loss to our partners.

**Withdrawal or Removal of our General Partner**

Our General Partner may withdraw as general partner without first obtaining approval of any unitholder or our board of directors by giving 90 days' written notice. If that happens, such withdrawal will not constitute a violation of our partnership agreement. Please read "—Transfer of General Partner Interests" and "—Transfer of Incentive Distribution Rights."

Upon withdrawal of our General Partner under any circumstances, other than as a result of a transfer by our General Partner of all or a part of its general partner interest in us, the holders of a majority of the outstanding common units (and, as long as they are outstanding, the Class B Units, voting on an as converted basis) may select a successor to that withdrawing General Partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability cannot be obtained, we will be dissolved, wound up and liquidated, unless within a specified period of time after that withdrawal, the holders of a unit majority agree in writing to continue our business and to appoint a successor general partner. Please read "—Termination and Dissolution."

Our General Partner may not be removed unless that removal is approved by the vote of the holders of not less than 66 2/3% of the outstanding units, including units held by our General Partner and its affiliates, voting together as a single class and a majority vote of our board of directors, and we receive an opinion of counsel regarding limited liability. The ownership of more than 33 1/3% of the outstanding units by our General Partner and its affiliates or controlling our board of directors would provide the practical ability to prevent our General Partner's removal. Any removal of our General Partner is also subject to the successor general partner being approved by the vote of the holders of a majority of the outstanding common units, Class B Units, voting on an as converted basis (as long as they are outstanding), and general partner units, voting as a single class.

Our partnership agreement also provides that if our General Partner is removed as our general partner under circumstances where cause (as defined in our partnership agreement) does not exist and units held by our General Partner and its affiliates are not voted in favor of that removal, our General Partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests based on the fair market value of the interests at the time.

In the event of removal of our General Partner under circumstances where cause exists or withdrawal of our General Partner where that withdrawal violates the partnership agreement, a successor general partner will have the option to purchase the general partner interest and incentive distribution rights of the departing General Partner for a cash payment equal to the fair market value of those interests. Under all other circumstances where our General Partner withdraws or is removed by the limited partners, the departing general partner will have the option to require the successor general partner to purchase the general partner interest of the departing general partner and its incentive distribution rights for their fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. If the departing general partner and the successor general partner cannot agree upon an expert, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner's general partner interest and its incentive distribution rights will automatically convert into common units equal to the fair market value of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing general partner for all amounts due to the departing general partner, including, without limitation, any employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for our benefit.

**Transfer of General Partner Interest**

Our General Partner may transfer all or any part of its General Partner interest in us to another person without the approval of the holders of our outstanding units. As a condition of this transfer, the transferee must, among other things, assume the rights and duties of the general partner, agree to be bound by the provisions of the partnership agreement and furnish an opinion of counsel regarding limited liability.

Our General Partner and its affiliates may at any time transfer units to one or more persons, without unitholder approval.

**Transfer of Ownership Interests in General Partner**

At any time, the members of our General Partner may sell or transfer all or part of their respective membership interests in our General Partner to an affiliate or a third party without the approval of our unitholders. However, this may trigger a "Change of Control" (as defined in our limited partnership agreement) which, among other things, causes the minimum distribution rate of the Class B Units to increase to 1.25 times the then applicable rate.

**Transfer of Incentive Distribution Rights**

The incentive distribution rights are freely transferable.

**Change of Management Provisions**

The partnership agreement contains specific provisions that are intended to discourage a person or group from attempting to remove Capital GP L.L.C. as our General Partner or otherwise change management. If any person or group other than our General Partner and its affiliates acquires beneficial ownership of 5% or more of any class of units then outstanding, that person or group loses voting rights on all of its units in excess of 4.9% of all units (subject to certain exceptions).

The partnership agreement also provides that if our General Partner is removed under circumstances where cause does not exist and units held by our General Partner and its affiliates are not voted in favor of that removal, our General Partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests.

**Limited Call Right**

If at any time our General Partner and its affiliates hold more than 90% of the then-issued and outstanding limited partnership interests of any class, our General Partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the remaining limited partnership interests of the class held by unaffiliated persons as of a record date to be selected by the General Partner, on at least ten but not more than 60 days' notice at the greater of (x) the average of the daily closing prices of the limited partnership interests of such class over the 20 trading days preceding the date three days before the notice of exercise of the call right is first mailed and (y) the highest price paid by our General Partner or any of its affiliates for limited partnership interests of such class during the 90-day period preceding the date such notice is first mailed. Our General Partner is not obligated to obtain a fairness opinion regarding the value of the limited partnership interests to be repurchased by it upon the exercise of this limited call right.

As a result of the General Partner's right to purchase outstanding limited partnership interests, a holder of limited partnership interests may have the holder's limited partnership interests purchased at an undesirable time or price. The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of units in the market. Please read "Material U.S. Federal Income Tax Considerations—United States Federal Income Taxation of U.S. Holders—Sale, Exchange or Other Disposition of Common Units" and "Material U.S. Federal Income Tax Considerations— United States Federal Income Taxation of Non-U.S. Holders—Disposition of Common Units."

**Board of Directors**

Under our partnership agreement, our General Partner delegates to our board of directors the authority to oversee and direct our operations, policies and management on an exclusive basis, and such delegation will be binding on any successor General Partner of the partnership. Our board of directors is comprised of eight persons, three of whom are appointed by our General Partner in its sole discretion and five of whom are elected by the common unitholders. Three of the five elected directors (a) shall not be security holders, officers or employees of our General Partner, directors, officers or employees of any affiliate of our General Partner or holders of any interest in the partnership group (other than our common units) and (b) shall meet the required independence standards. Among other consequences, if we fail to pay the minimum Class B Unit distribution, as set out in our partnership agreement, for six or more quarters, the holders of the Class B Units will have the right to appoint a director to our board and, if such arrearages exist on or after March 31, 2018, to replace the directors appointed by our General Partner, in each case by the affirmative vote of the holders of a majority of the Class B Units and subject to exceptions and conditions contained in our partnership agreement.

Our board of directors nominates individuals to stand for election as elected board members on a staggered basis at an annual meeting of our limited partners. In addition, any limited partner or group of limited partners that beneficially owns 10% or more of the outstanding common units is entitled to nominate one or more individuals to stand for election as elected board members at the annual meeting by providing written notice to our board of directors not more than 120 days nor less than 90 days prior to the meeting. However, if the date of the annual meeting is not publicly announced by us at least 100 days prior to the date of the meeting, the notice must be delivered to our board of directors not later than ten days following the public announcement of the meeting date. The notice must set forth:

- the name and address of the limited partner or limited partners making the nomination or nominations;
- the number of common units beneficially owned by the limited partner or limited partners;
- the information regarding the nominee(s) proposed by the limited partner or limited partners as required to be included in a proxy statement relating to the solicitation of proxies for the election of directors filed pursuant to the proxy rules of the SEC;
- the written consent of the nominee(s) to serve as a member of our board of directors if so elected; and
- a certification that the nominee(s) qualify as "elected directors" within the meaning of the partnership agreement.

Our General Partner may remove an appointed board member, other than those appointed by the holders of Class B unitholders (if any), with or without cause at any time. "Cause" generally means a court's final, non-appealable judgment finding a person liable for actual fraud or willful misconduct in his or her capacity as a director. Any board member appointed by the holders of Class B unitholders, if applicable, may be removed with or without cause, by the affirmative decision of a majority of Class B unitholders. Any elected board member may be removed at any time for cause by the affirmative vote of a majority of the other elected board members. Any elected board member may be removed for cause at a properly called meeting of the limited partners by a majority of the outstanding units that are entitled to vote in an election of elected directors. Any appointed board member, other than those appointed by the holders of Class B unitholders, may be removed for cause at a properly called meeting of the limited partners by a majority of the outstanding units. If any appointed board member is removed, resigns or is otherwise unable to serve as a board member, our General Partner may fill the vacancy. If any board member elected by the common unitholders is removed, resigns or is otherwise unable to serve as a board member, the vacancy may be filled by a majority of the other elected board members then serving. If any board member elected by the Class B unitholders is removed, resigns or is otherwise unable to serve as a board member, the Class B unitholders will appoint an individual to fill the vacancy.

**Meetings; Voting**

Except as described below regarding a person or group owning 5% or more of any class of units then outstanding, unitholders who are record holders of units on the record date will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited.

We will hold a meeting of the limited partners every year to elect one or more members of our board of directors and to vote on any other matters that are properly brought before the meeting. Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or, if authorized by our board of directors, without a meeting if consents in writing describing the action so taken are signed by holders of the number of units necessary to authorize or take that action at a meeting at which all limited partners were present and voted. Special meetings of the unitholders may be called by our General Partner, our board of directors or by unitholders owning at least 20% of the outstanding units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding units of the class or classes for which a meeting has been called, represented in person or by proxy, will constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage of the units, in which case the quorum will be the greater percentage; provided, however, that if any meeting has been adjourned for a second time due to absence of a quorum, the act of the limited partners holding at least 25% of all outstanding units and which are represented in person or by proxy at such meeting shall be deemed to constitute the act of all limited partners, unless a greater or different percentage is required with respect to such action under the provisions of our partnership agreement.

Each record holder of a common unit may vote according to the holder’s percentage interest in us, subject to special voting rights attaching to certain limited partner interests having special voting rights. Please read “—Issuance of Additional Securities.” Units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise. The holders of the Class B Units have voting rights that are identical to the voting rights of the common units on an as converted basis and will vote with the common units as a single class on all matters with respect to which each common unit is entitled to vote, provided, however, that holders of Class B Units have no right to vote for, elect or appoint any director, or to nominate any individual to stand for election or appointment as a director, except. that if we fail to pay the minimum Class B Unit distribution, as set out in our partnership agreement, for six or more quarters, the holders of the Class B Units will have the right to appoint a director to our board and, if such arrearages exist on or after March 31, 2018, to replace the directors appointed by our General Partner, in each case by the affirmative vote of the holders of a majority of the Class B Units and subject to exceptions and conditions contained in our partnership agreement.

To preserve our ability to be exempt from U.S. federal income tax under Section 883 of the Code, if at any time, any person or group, other than our General Partner and its affiliates, owns beneficially 5% or more of any class of units then outstanding, any units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders to vote on any matter (unless otherwise required by law), calculating required votes, except for purposes of nominating a person for election to our board, determining the presence of a quorum or for other similar purposes under our partnership agreement. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other unitholders holding less than 4.9% of the voting power of the same class of units entitled to vote. Our partnership agreement provides certain exceptions to such limitation, including when a person acquired securities directly from our General Partner or its affiliates or with the approval of our board of directors, but only for so long as such exception would not jeopardize our tax exemption under Section 883 of the Code.

Any notice, demand, request report, or proxy material required or permitted to be given or made to record holders of units under the partnership agreement will be delivered to the record holder by us or by the transfer agent.

### Status as Limited Partner or Assignee

Except as described above under "—Limited Liability," the common units and Class B Units will be fully paid, and unitholders will not be required to make additional contributions. By transfer of common units or Class B Units in accordance with our partnership agreement, each transferee of common units or Class B Units shall be admitted as a limited partner with respect to the common units or Class B Units transferred when such transfer and admission is reflected in our books and records.

### Indemnification

Under the partnership agreement, in most circumstances, we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages or similar events arising as a result of such person's service to the Partnership:

- our General Partner;
- any departing general partner;
- any person who is or was an affiliate of our general partner or any departing general partner;
- any person who is or was an officer, director, member, partner fiduciary or trustee of any entity described in (1), (2) or (3) above;
- any person who is or was serving as a director, officer, member, partner, fiduciary or trustee of another person at the request of our General Partner or any departing general partner;
- any person designated by our board of directors; and
- the members of our board of directors.

Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our General Partner will not be personally liable for, or have any obligation to contribute or lend funds or assets to us to enable us to effectuate, indemnification. We may purchase insurance against any liabilities that may be asserted against, and any expenses that may be incurred by, persons for our activities or such person's activities on our behalf, regardless of whether we would have the power to indemnify the person against liabilities under the partnership agreement.

### Reimbursement of Expenses

Our partnership agreement requires us to reimburse our General Partner for all direct and indirect expenses it incurs or payments it makes on our behalf and all other expenses allocable to us or otherwise incurred by our General Partner in connection with operating our business. These expenses include salary, bonus, incentive compensation and other amounts paid to persons who perform services for us or on our behalf, and expenses allocated to our General Partner by its affiliates. Our General Partner and the members of our board of directors are entitled to determine in good faith the expenses that are allocable to us. Members of our board of directors are entitled to be reimbursed for out-of-pocket costs and expenses incurred in the course of their services to us.

### Books and Reports

Our General Partner is required to keep appropriate books of our business at our principal offices. The books will be maintained for financial reporting purposes on an accrual basis in accordance with U.S. GAAP. For tax and fiscal reporting purposes, our fiscal year is the calendar year.

We will furnish or make available to record holders of units, within 120 days after the close of each fiscal year, an annual report containing audited financial statements, including a balance sheet and statement of operations, our equity and cash flows, and a report on those financial statements by our independent chartered accountants. Except for our fourth quarter, we will also furnish or make available summary financial information within 90 days after the close of each quarter.

**Right to Inspect Our Books and Records**

The partnership agreement provides that a limited partner can, for a purpose reasonably related to his or her interest as a limited partner, upon reasonable demand and at the limited partner's own expense, have furnished to the limited partner:

- a current list of the name and last known addresses of each partner;
- information as to the amount of cash, and a description and statement of the agreed value of any other capital contribution or services contributed or to be contributed by each partner and the date on which each became a partner;
- copies of the partnership agreement, the certificate of limited partnership of the partnership, related amendments and powers of attorney under which they have been executed;
- information regarding the status of our business and financial position; and
- any other information regarding our affairs as is just and reasonable.

Our board of directors may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which our board of directors believes in good faith is not in our best interests or that we are required by law or by agreements with third parties to keep confidential.

**Registration Rights**

Under our partnership agreement, we have agreed to register for resale under the Securities Act of 1933, as amended and applicable state securities laws any common units, Class B Units or other partnership securities proposed to be sold by our General Partner or any of its affiliates or their assignees if an exemption from the registration requirements is not otherwise available or advisable. These registration rights generally continue for two years following any withdrawal or removal of Capital GP L.L.C. as our general partner and for so long thereafter as is required for our General Partner or its affiliates and assignees to sell all of the partnership securities with respect to which it has requested during such two-year period, inclusion in a registration statement otherwise filed or that a registration statement be filed. We are obligated to pay all expenses incidental to the registration, excluding underwriting discounts and commissions.

**Transfer of Common Units**

By acceptance of the transfer of common units in accordance with our partnership agreement, each transferee of common units:

- shall be admitted as a limited partner with respect to the common units transferred when such transfer and admission is reflected in our books and records;
- represents that the transferee has the capacity, power and authority to become bound by our partnership agreement;
- is bound by our partnership agreement; and
- grants the power of attorney and gives the consents and waivers contained in our partnership agreement.

A transferee will become a substituted limited partner of our partnership for the transferred common units automatically upon the recording of the transfer on our books and records.

We may, at our discretion, treat the nominee holder of a common unit as the owner of such common units without further inquiry, except as otherwise provided by law or stock exchange regulations. In that case, we expect that the beneficial holder's rights will limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

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

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

### C. Material Contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which we or any of our subsidiaries are a party, for the two years immediately preceding the date of this Annual Report, each of which is included in the list of exhibits in Item 19.

Please read "Item 7B: Related-Party Transactions" for transactions entered into with related parties, as well as further details on certain of the transactions described below.

- Purchase Agreement, dated January 17, 2018, with Capital Maritime to acquire the shares of the company owning the M/T Aristaios.
- Loan Agreement, dated September 6, 2017, between Capital Product Partners L.P. as Borrower, HSH Nordbank AG and ING Bank N.V., London Branch as Mandated Lead Arrangers and Bookrunners, BNP Paribas and National Bank of Greece S.A. as Arrangers and HSH Nordbank AG as Agent and Security Trustee relating to a senior secured term loan facility of up to US$460.0 million.
- Loan Agreement between Asterias Crude Carriers S.A. and Scorpio Crude Carriers S.A. as borrowers and Crédit Agricole Corporate and Investment Bank as Facility Agent and Security Trustee and ING Bank N.V. as Swap Bank dated January 2, 2017.
- Purchase Agreement, dated October 24, 2016, with Capital Maritime to acquire the shares of the vessel owning company of the M/T Amor.
- Equity Distribution Agreement, dated September 12, 2016, with UBS Securities LLC in connection with our ATM offering, filed on September 12, 2016 as Exhibit 1.1 to Form 6-K.
- Purchase Agreement, dated February 26, 2016, with Capital Maritime to acquire the shares of the vessel owning company of the M/V CMA CGM Magdalena.
- Master Vessel Acquisition Agreement dated July 24, 2014, with Capital Maritime to acquire the Dropdown Vessels and a right of first refusal over six additional newbuild Samsung eco medium range product tankers, including M/T Amor delivered during October 2016.
- Loan Agreement between Filonikis Product Carrier S.A. the vessel-owning company of M/T Amor and Iason Product Carrier S.A. the vessel owning company of M/T Anikitos, among other borrowers, and ING Bank N.V., London Branch as Facility Agent and Security Trustee and ING Bank N.V. as Swap Bank, dated November 19, 2015.

### D. Exchange Controls and Other Limitations Affecting Unitholders

We are not aware of any governmental laws, decrees or regulations, including foreign exchange controls, in the Republic of the Marshall Islands that restrict the export or import of capital, or that affect the remittance of dividends, interest or other payments to non-resident holders of our securities. We are not aware of any limitations on the right of non-resident or foreign owners to hold or vote our securities imposed by the laws of the Republic of the Marshall Islands or our partnership agreement.

## E. Taxation

### Marshall Islands Taxation

The following is a discussion of the material Marshall Islands tax consequences of our activities to unitholders who are not citizens of and do not reside in, maintain offices in or engage in business or transactions in the Marshall Islands ("non-resident holders"). Because we, our subsidiaries and our controlled affiliates do not, and we do not expect that we, our subsidiaries and our controlled affiliates will, conduct business or operations in the Marshall Islands, under current Marshall Islands law non-resident holders of our securities will not be subject to Marshall Islands taxation or withholding on distributions, including upon a return of capital, we make to such non-resident holders. In addition, non-resident holders will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of our securities, and will not be required by the Republic of the Marshall Islands to file a tax return relating to such securities.

***Taxation of the Partnership***

Because we, our subsidiaries and our controlled affiliates do not, and we do not expect that we, our subsidiaries and our controlled affiliates will conduct business or operations in the Marshall Islands, under current Marshall Islands law neither we, our subsidiaries nor our controlled affiliates will be subject to Marshall Islands income, capital gains, profits or other taxation, other than taxes or fees due to (i) the continued existence of legal entities registered in the Republic of the Marshall Islands, (ii) the incorporation or dissolution of legal entities registered in the Republic of the Marshall Islands, (iii) filing certificates (such as certificates of incumbency, merger, or redomiciliation) with the Marshall Islands registrar, (iv) obtaining certificates of goodstanding from, or certified copies of documents filed with, the Marshall Islands registrar, or (v) compliance with Marshall Islands law concerning vessel ownership, such as tonnage tax. As a result, distributions by our subsidiaries and our controlled affiliates to us will not be subject to Marshall Islands taxation.

### Material U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax considerations that may be relevant to current and prospective common unitholders. This discussion is based upon provisions of the Code, Treasury Regulations, and current administrative rulings and court decisions, all as currently in effect or existence on the date of this Annual Report and all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below.

The following discussion applies only to beneficial owners of our common units that own such units as "capital assets" (generally, for investment purposes) and does not comment on all aspects of U.S. federal income taxation which may be important to particular common unitholders in light of their individual circumstances, such as unitholders subject to special tax rules (e.g., financial institutions, insurance companies, broker-dealers, tax-exempt organizations, or former citizens or long-term residents of the United States), persons that will hold the common units as part of a straddle, hedge, conversion, constructive sale, wash sale or other integrated transaction for U.S. federal income tax purposes, persons that own (actually or constructively) 10.0% or more of the total value of all classes of our units or of the total combined voting power of all classes of our units entitled to vote, or U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds our common units, the tax treatment of a partner thereof will generally depend upon the status of the partner and upon the tax treatment of the partnership. If you are a partner in a partnership holding our common units, you should consult your tax advisor.

No ruling has been or will be requested from the IRS regarding any matter affecting us or our common unitholders. The statements made here may not be sustained by a court if contested by the IRS.

This discussion does not contain information regarding any U.S. state or local, estate or alternative minimum tax considerations concerning the ownership or disposition of our common units. Each common unitholder is urged to consult its tax advisor regarding the U.S. federal, state, local and other tax consequences of the ownership or disposition of our common units.

***Election to be Taxed as a Corporation***

We have elected to be taxed as a corporation for U.S. federal income tax purposes. As such, among other consequences, U.S. Holders (as defined below) will, subject to the discussion of certain rules relating to PFICs below (please see "Item 10E: Taxation—Material U.S. Federal Income Tax Considerations—U.S. Federal Income Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences"), generally not be directly subject to U.S. federal income tax on our income, but rather will be subject to U.S. federal income tax on distributions received from us and dispositions of common units, as described below. As a corporation, we may be subject to U.S. federal income tax on our income as discussed below. Additionally, our distributions to common unitholders will generally be reported on IRS Form 1099-DIV.

***Taxation of Operating Income***

We expect that substantially all of our gross income will continue to be attributable to the transportation of crude oil and related oil products, as well as dry cargo and containerized goods. For this purpose, gross income attributable to transportation (or "Transportation Income") includes income derived from, or in connection with, the use (or hiring or leasing for use) of a vessel to transport cargo, or the performance of services directly related to the use of any vessel to transport cargo, and thus includes spot charter, time charter and bareboat charter income.

Transportation Income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States (or "U.S. Source International Transportation Income") will be considered to be 50% derived from sources within the United States. Transportation Income attributable to transportation that both begins and ends in the United States (or "U.S. Source Domestic Transportation Income") will be considered to be 100% derived from sources within the United States. Transportation Income attributable to transportation exclusively between non-U.S. destinations will be considered to be 100% derived from sources outside the United States. Transportation Income derived from sources outside the United States generally will not be subject to U.S. federal income tax.

Based on our current operations, we do not expect to have U.S. Source Domestic Transportation Income. However, certain of our activities give rise to U.S. Source International Transportation Income, and future expansion of our operations could result in an increase in the amount of U.S. Source International Transportation Income, as well as give rise to U.S. Source Domestic Transportation Income, all of which could be subject to U.S. federal income taxation unless exempt from U.S. taxation under Section 883 of the Code (or the "Section 883 Exemption"), as discussed below.

***The Section 883 Exemption***

In general, the Section 883 Exemption provides that if a non-U.S. corporation satisfies the requirements of Section 883 of the Code and the Treasury Regulations thereunder (the "Section 883 Regulations"), it will not be subject to the net basis and branch profits taxes or the 4% gross basis tax described below on its U.S. Source International Transportation Income. The Section 883 Exemption applies to U.S. Source International Transportation Income and other forms of related income, such as gain from the sale of a vessel. As discussed below, we believe that under our current ownership structure, the Section 883 Exemption will apply and that, accordingly, we will not be taxed on our U.S. Source International Transportation Income. The Section 883 Exemption does not apply to U.S. Source Domestic Transportation Income.

We will qualify for the Section 883 Exemption if, among other matters, we meet the following three requirements:

- We are organized in a jurisdiction outside the United States that grants an equivalent exemption from tax to corporations organized in the United States (an "Equivalent Exemption");
- We satisfy the "Publicly Traded Test" (as described below); and
- We meet certain substantiation, reporting and other requirements.

The Publicly Traded Test requires that the stock of a non-U.S. corporation be “primarily and regularly traded” on an established securities market either in the United States or in a jurisdiction outside the United States that grants an Equivalent Exemption. The Section 883 Regulations provide, in pertinent part, that equity interests in a non-U.S. corporation will be considered to be “primarily traded” on an established securities market in a given country if the number of units of each class of equity relied upon to meet the “regularly traded” test that are traded during any taxable year on all established securities markets in that country exceeds the number of units in each such class that are traded during that year on established securities markets in any other single country. Equity of a non-U.S. corporation will be considered to be “regularly traded” on an established securities market under the Section 883 Regulations if one or more classes of equity of the corporation that, in the aggregate, represent more than 50% of the total combined voting power and value of the non-U.S. corporation are listed on such market and certain trading volume requirements are met or deemed met as described below. For this purpose, if one or more “5% Unitholders” (i.e., a unitholder holding, actually or constructively, at least 5% of the vote and value of a class of equity) own in the aggregate 50% or more of the vote and value of a class of equity (the “Closely Held Block”), such class of equity will not be counted towards meeting the “primarily and regularly traded” test (the “Closely Held Block Exception”).

We are organized under the laws of the Republic of the Marshall Islands. The U.S. Treasury Department has recognized the Republic of the Marshall Islands as a jurisdiction that grants an Equivalent Exemption. Consequently, our U.S. Source International Transportation Income (including, for this purpose, (i) any such income earned by our subsidiaries that have properly elected to be treated as partnerships or disregarded as entities separate from us for U.S. federal income tax purposes and (ii) any such income earned by subsidiaries that are corporations for U.S. federal income tax purposes, are organized in a jurisdiction that grants an Equivalent Exemption and whose outstanding stock is owned 50% or more by value by us) will be exempt from U.S. federal income taxation provided we meet the Publicly Traded Test. In addition, since our common units are only traded on the Nasdaq Global Select Market, which is considered to be an established securities market, our common units will be deemed to be “primarily traded” on an established securities market.

We believe we meet the trading volume requirements of the Section 883 Exemption because the pertinent regulations provide that trading volume requirements will be deemed to be met with respect to a class of equity traded on an established securities market in the United States where, as will be the case for our common units, the units are regularly quoted by dealers who regularly and actively make offers, purchases and sales of such units to unrelated persons in the ordinary course of business. Additionally, the pertinent regulations also provide that a class of equity will be considered to be “regularly traded” on an established securities market if (i) such class of stock is listed on such market; (ii) such class of stock is traded on such market, other than in minimal quantities, on at least 60 days during the taxable year or one sixth of the days in a short taxable year and (iii) the aggregate number of shares of such class of stock traded on such market during the taxable year is at least 10% of the average number of shares of such class of stock outstanding during such year, or as appropriately adjusted in the case of a short taxable year. We believe that trading of our common units has satisfied these conditions in the past, and we expect that such conditions will continue to be satisfied. Finally, we believe that our common units represent more than 50% of our voting power and value and accordingly we believe that our units should be considered to be “regularly traded” on an established securities market.

These conclusions, however, are based upon legal authorities that do not expressly contemplate an organizational structure such as ours. In particular, although we have elected to be treated as a corporation for U.S. federal income tax purposes, for corporate law purposes we are organized as a limited partnership under Marshall Islands law and our General Partner is responsible for managing our business and affairs and has been granted certain veto rights over decisions of our board of directors. Accordingly, it is possible that the IRS could assert that our units do not meet the “regularly traded” test.

We expect that our units will not lose eligibility for the Section 883 Exemption as a result of the Closely Held Block Exception, because our partnership agreement provides that the voting rights of any 5% Unitholders (other than our General Partner and its affiliates, their transferees and persons who acquired such units with the approval of our board of directors) are limited to a 4.9% voting interest in us regardless of how many common units are held by that 5% Unitholder. (The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote). If Capital Maritime and our General Partner own 50% or more of our common units, they will provide the necessary documents to establish an exception to the application of the Closely Held Block Exception. This exception is available when shareholders residing in a jurisdiction granting an Equivalent Exemption and meeting certain other requirements own sufficient shares in the Closely Held Block to preclude shareholders who have not met such requirements from owning 50% or more of the outstanding class of equity relied upon to satisfy the Publicly Traded Test.

Thus, although the matter is not free from doubt, we believe that we will satisfy the Publicly Traded Test. Should any of the facts described above cease to be correct, our ability to satisfy the test will be compromised.

***Taxation of Operating Income in the Absence of the Section 883 Exemption***

If we earn U.S. Source International Transportation Income and the Section 883 Exemption does not apply, the U.S. source portion of such income may be treated as effectively connected with the conduct of a trade or business in the United States (or "Effectively Connected Income") if we have a fixed place of business in the United States and substantially all of our U.S. Source International Transportation Income is attributable to regularly scheduled transportation or, in the case of bareboat charter income, is attributable to a fixed place of business in the United States. Based on our current operations, none of our potential U.S. Source International Transportation Income is attributable to regularly scheduled transportation or is received pursuant to bareboat charters attributable to a fixed place of business in the United States. As a result, we do not anticipate that any of our U.S. Source International Transportation Income will be treated as Effectively Connected Income. However, there is no assurance that we will not earn income pursuant to regularly scheduled transportation or bareboat charters attributable to a fixed place of business in the United States in the future, which would result in such income being treated as Effectively Connected Income. In addition, any U.S. Source Domestic Transportation Income generally will be treated as Effectively Connected Income.

Any income we earn that is treated as Effectively Connected Income would be subject to U.S. federal corporate income tax (the highest statutory rate is currently 35%). In addition, a 30% branch profits tax imposed under Section 884 of the Code also would apply to such income, and a branch interest tax could be imposed on certain interest paid or deemed paid by us.

***Taxation of Gain on the Sale of a Vessel***

Provided we qualify for the Section 883 Exemption, gain from the sale of a vessel should be exempt from tax under Section 883. If, however, we do not qualify for the Section 883 Exemption, then such gain could be treated as effectively connected income (determined under rules different from those discussed above) and subject to the net income and branch profits tax regime described above.

***The 4% Gross Basis Tax***

If the Section 883 Exemption does not apply and the net basis tax does not apply, we would be subject to a 4% U.S. federal income tax on the U.S. source portion of our U.S. Source International Transportation Income, without the benefit of deductions.

***U.S. Federal Income Taxation of U.S. Holders***

As used herein, the term U.S. Holder means a beneficial owner of our common units that is an individual U.S. citizen or resident (as determined for U.S. federal income tax purposes), a corporation or other entity organized under the laws of the United States or its political subdivisions and classified as a corporation for U.S. federal income tax purposes, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

***Distributions***

Subject to the discussion of the rules applicable to PFICs below, any distributions made by us with respect to our common units to a U.S. Holder generally will constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in its common units on a dollar-for-dollar basis and thereafter as capital gain. U.S. Holders that are corporations generally will not be entitled to claim a dividends-received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common units generally will be treated as "passive" income from sources outside the United States for purposes of computing allowable foreign tax credits for U.S. federal income tax purposes.

Dividends paid on our common units to a U.S. Holder who is an individual, trust or estate (or a "U.S. Individual Holder") will be treated as qualified dividend income that is taxable to such U.S. Individual Holder at preferential rates applicable to long-term capital gain provided that: (i) our common units are readily tradable on an established securities market in the United States (such as the Nasdaq Global Select Market, on which our common units are traded); (ii) we are not a PFIC (which we do not believe we are, have been or will be, as discussed below); (iii) the U.S. Individual Holder has owned the common units for more than 60 days in the 121-day period beginning 60 days before the date on which the common units become ex-dividend (and has not entered into certain risk limiting transactions with respect to such units) and (iv) the U.S. Individual Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. There is no assurance that any dividends paid on our common units will be eligible for these preferential rates in the hands of a U.S. Individual Holder, and any dividends paid on our common units that are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder. Special rules may apply to any "extraordinary dividend" paid by us. An extraordinary dividend is, generally, a dividend with respect to a unit if the amount of the dividend is equal to or in excess of 10 percent of a unitholder's adjusted basis (or fair market value in certain circumstances) in such unit. If we pay an "extraordinary dividend" on our common units that is treated as "qualified dividend income," then any loss derived by a U.S. Individual Holder from the sale or exchange of such units will be treated as long-term capital loss to the extent of the amount of such dividend.

***Sale, Exchange or other Disposition of Common Units***

Subject to the discussion of PFICs below, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common units in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such units. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one-year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations. Long-term capital gain of a U.S. Individual Holder is generally subject to tax at preferential rates.

***PFIC Status and Significant Tax Consequences***

Special and adverse U.S. federal income tax rules apply to a U.S. Holder that owns an equity interest in a non-U.S. entity taxed as a corporation and classified as a PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder held our common units, either:

- at least 75% of our gross income (including the gross income of our vessel owning subsidiaries) for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of the assets held by us (including the assets of our vessel-owning subsidiaries) during such taxable year produce, or are held for the production of, passive income.

Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business. Based on our current and projected methods of operation, we believe that we are not currently a PFIC, nor do we expect to become a PFIC. Although there is no legal authority directly on point, and we are not obtaining a ruling from the IRS on this issue, we will take the position that, for purposes of determining whether we are a PFIC, the gross income we derive or are deemed to derive from the time and spot chartering activities of our wholly owned subsidiaries constitutes services income, rather than rental income. Correspondingly, such income should not constitute passive income, and the assets that we or our wholly owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels we or our subsidiaries own that are subject to time charters, should not constitute passive assets for purposes of determining whether we were a PFIC.

As noted above, there is, however, no direct legal authority under the PFIC rules addressing our method of operation. Moreover, in a case not specifically interpreting the PFIC rules, Tidewater Inc. v. United States , 565 F.3d 299 (5th Cir. 2009), the Fifth Circuit held that the vessel time charters at issue generated predominantly rental income rather than services income. However, the court's ruling was contrary to the position of the IRS that the time charter income should have been treated as services income. Additionally, the IRS later affirmed its position in Tidewater , adding further that the time charters at issue would be treated as giving rise to services income under the PFIC rules.

No assurance, however, can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine we are or were a PFIC. In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, we cannot assure U.S. Holders that the nature of our operations will not change in the future, or that we can avoid PFIC status in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a Qualified Electing Fund (a "QEF election"). As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to our common units, as discussed below. In addition, if a U.S. Holder owns our common units during any taxable year that we are a PFIC, such units owned by such holder will be treated as units in a PFIC even if we are not a PFIC in a subsequent year and, if the total value of all PFIC stock that such holder directly or indirectly owns exceeds certain thresholds, such holder must file IRS Form 8621 with the holder's U.S. federal income tax return to report the holder's ownership of our common units.

***Taxation of U.S. Holders Making a Timely QEF Election***

If a U.S. Holder makes a timely QEF election (such U.S. Holder, an "Electing Holder"), the Electing Holder must report each year for U.S. federal income tax purposes his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. The Electing Holder's adjusted tax basis in the common units will be increased to reflect taxed but undistributed income. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common units and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common units. A U.S. Holder would make a QEF election with respect to any year that we are a PFIC by filing one copy of IRS Form 8621 with his U.S. federal income tax return and a second copy in accordance with the instructions to such form. If contrary to our expectations, we determine that we are treated as a PFIC for any taxable year, we will attempt to provide each U.S. Holder with all necessary information in order to make the QEF election described above.

***Taxation of U.S. Holders Making a "Mark-to-Market" Election***

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate, our common units were treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common units, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common units at the end of the taxable year over such holder's adjusted tax basis in the common units. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common units over the fair market value thereof at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in his common units would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common units would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common units would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

***Taxation of U.S. Holders not making a timely QEF or mark-to-market election***

Finally, if we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a “mark-to-market” election for that year (a “Non-Electing Holder”) would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common units in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder’s holding period for the common units), and (2) any gain realized on the sale, exchange or other disposition of our common units. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder’s aggregate holding period for the common units;
- the amount allocated to the current taxable year and any year prior to the year we were first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a qualified pension, profit sharing or other retirement trust or other tax-exempt organization that did not borrow money or otherwise utilize leverage in connection with its acquisition of our common units. If we were treated as a PFIC for any taxable year and a Non-Electing Holder who is an individual dies while owning our common units, such holder’s successor generally would not receive a step-up in tax basis with respect to such units.

***U.S. Federal Income Taxation of Non-U.S. Holders***

A beneficial owner of our common units (other than a partnership, including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is a Non-U.S. Holder.

***Distributions***

Distributions we pay to a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax if the Non-U.S. Holder is not engaged in a U.S. trade or business. If the Non-U.S. Holder is engaged in a U.S. trade or business, distributions we pay may be subject to U.S. federal income tax to the extent those distributions constitute income effectively connected with that Non-U.S. Holder’s U.S. trade or business. However, distributions paid to a Non-U.S. Holder who is engaged in a trade or business may be exempt from taxation under an income tax treaty if the income represented thereby is not attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder.

***Disposition of Common Units***

The U.S. federal income taxation of Non-U.S. Holders on any gain resulting from the disposition of our common units is generally the same as described above regarding distributions. However, individual Non-U.S. Holders may be subject to tax on gain resulting from the disposition of our common units if they are present in the United States for 183 days or more during the taxable year in which those shares are disposed and meet certain other requirements.

***Backup Withholding and Information Reporting***

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

- fails to provide an accurate taxpayer identification number;

- is notified by the IRS that he has failed to report all interest or corporate distributions required to be shown on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding on payments within the United States by certifying their status on IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8IMY, as applicable. Backup withholding is not an additional tax. Rather, a common unitholder generally may obtain a credit for any amount withheld against his liability for U.S. federal income tax (and a refund of any amounts withheld in excess of such liability) by filing a return with the IRS.

### F. Dividends and Paying Agents

Not applicable.

### G. Statements by Experts

Not applicable.

### H. Documents on Display

We have filed with the SEC a registration statement on Form F-1, a registration statement on Form F-4 and one effective registration statements on Form F-3 regarding our common units, among other securities. This Annual Report does not contain all of the information found in these registration statements. For further information regarding us and our common units, you may wish to review the full registration statements, including their exhibits. The registration statements, including the exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates or from the SEC's web site on the Internet at http://www.sec.gov free of charge. Please call the SEC at 1-800-SEC-0330 for further information on public reference room. Our registration statements can also be inspected and copied at the offices of the Nasdaq Global Select Market, One Liberty Plaza, New York, New York 10006.

### I. Subsidiary Information

Please see Exhibit 8.1 to this Annual Report for a list of our significant subsidiaries as of December 31, 2017.

## Item 11. Quantitative and Qualitative Disclosures about Market Risk.

***Our Risk Management Policy***

Our policy is to continuously monitor our exposure to business risks, including the impact of changes in interest rates and currency rates, as well as inflation on earnings and cash flows. We intend to assess these risks and, when appropriate, take measures to minimize our exposure to the risks.

***Foreign Exchange Risk***

We do not have a material currency exposure risk. We generate all of our revenues in U.S. Dollars and incur less than 20% of our expenses in currencies other than U.S. Dollars. For accounting purposes, expenses incurred in currencies other than the U.S. Dollar are translated into U.S. Dollars at the exchange rate prevailing on the date of each transaction. As of December 31, 2017, less than 5% of our liabilities were denominated in currencies other than U.S. Dollars (mainly in Euros). These liabilities were translated into U.S. Dollars at the exchange rate prevailing on December 31, 2017. We have not hedged currency exchange risks and our operating results could be adversely affected as a result.

*Interest Rate Risk*

The international tanker, container and drybulk industry is capital intensive, requiring significant amounts of investment, a significant portion of which is provided in the form of long-term debt. Our current debt contains interest rates that fluctuate with LIBOR. Our 2017 credit facility bears an interest margin of 3.25% per annum over US$ LIBOR, the 2015 credit facility bears an interest margin of 2.50% per annum over US$ LIBOR and the Aristaios credit facility bears an interest margin of 2.85% per annum over US$ LIBOR. Therefore, we are exposed to the risk that our interest expense may increase if interest rates rise.

Currently we have, and during 2017 we had, no interest rate swap agreements outstanding. As a result of a possible market disruption in determining the cost of funds for our banks, any increases by the lenders to their “funding costs” under our credit facilities will lead to proportional increases in the relevant interest amounts payable under such credit facilities on a quarterly basis. As an indication of the extent of our sensitivity to interest rate changes based upon our debt level, an increase of 100 basis points in LIBOR would have resulted in an increase in our interest expense by approximately $5.8 million, $6.1 million and $5.7 million for the years ended December 31, 2017, 2016 and 2015 respectively, assuming all other variables had remained constant.

*Concentration of Credit Risk*

Financial instruments which potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. We place our cash and cash equivalents, consisting mostly of deposits, with creditworthy financial institutions as rated by qualified rating agencies. We do not obtain rights to collateral to reduce our credit risk. Please refer to “Item 5B: Liquidity and Capital Resources—Borrowings—Our Credit Facilities” for more information on our interest rate swap agreements.

*Inflation*

Inflation has had a minimal impact on vessel operating expenses, drydocking expenses and general and administrative expenses to date. Our management does not consider inflation to be a significant risk to direct expenses in the current and foreseeable economic environment. However, in the event that inflation becomes a significant factor in the global economy, inflationary pressures would result in increased operating, voyage and financing costs.

**Item 12. Description of Securities Other than Equity Securities.**

Not Applicable.

**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies.**

None.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.**

No material modifications to the rights of security holders.

**Item 15. Controls and Procedures.**

**A. Disclosure Controls and Procedures**

As of December 31, 2017, our management (with the participation of the chief executive officer and chief financial officer of our General Partner) conducted an evaluation pursuant to Rule 13a-15(b) and 15d-15 promulgated under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Our management, including the chief executive and chief financial officer of our General Partner, recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the partnership have been detected. Further, in the design and evaluation of our disclosure controls and procedures our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Based on this evaluation, the chief executive officer and chief financial officer of our General Partner concluded that, as of December 31, 2017, our disclosure controls and procedures, which include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including the chief executive officer and chief financial officer of our General Partner, as appropriate to allow timely decisions regarding required disclosure, were effective in providing reasonable assurance that information that was required to be disclosed by us in reports we file or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

### B. Management's Annual Report on Internal Control over Financial Reporting

Our management (with the management of our General Partner) is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal controls were designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation and presentation of our Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States.

Our internal controls over financial reporting includes those policies and procedures that 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our Financial Statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made in accordance with authorizations of management and the directors of the Partnership and 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the 2013 framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management believes that our internal control over financial reporting was effective as of December 31, 2017.

However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements even when determined to be effective and can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with relevant policies and procedures may deteriorate.

Deloitte Certified Public Accountants S.A. ("Deloitte"), our independent registered public accounting firm, has audited the Financial Statements included herein and our internal control over financial reporting and has issued an attestation report on the effectiveness of our internal control over financial reporting which is reproduced in its entirety in Item 15(c) below.

### C. Attestation Report of the Registered Public Accounting Firm.

To the Board of Directors and Unitholders of
Capital Product Partners L.P.
Majuro, Republic of the Marshall Islands.

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Capital Product Partners L.P. and subsidiaries (the “Partnership”) as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017 of the Partnership and our report dated March 5, 2018 expressed an unqualified opinion on those financial statements.

**Basis for Opinion**

The Partnership’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Management’s Annual Report on Internal Control over Financial Reporting.” Our responsibility is to express an opinion on the Partnership’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece
March 5, 2018

**D. Changes in Internal Control over Financial Reporting**

There have been no changes in our internal controls over financial reporting during the year covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**Item 16A. Audit Committee Financial Expert.**

Our board of directors has determined that director Abel Rasterhoff, the chairman of our audit committee, qualifies as an audit committee financial expert for purposes of the U.S. Sarbanes-Oxley Act of 2002 and is independent under applicable Nasdaq Global Select Market and SEC standards.

**Item 16B. Code of Ethics.**

Our board of directors has adopted a Code of Business Conduct and Ethics that includes a Code of Ethics (the “Code of Ethics”) that applies to the Partnership and all of its employees, directors and officers, including its chief executive officer, chief financial officer, chief accounting officer or controller, its agents and persons performing similar functions, including for the avoidance of doubt any employees, officers or directors of Capital Ship Management, wherever located, as well as to all of the Partnership’s subsidiaries and other business entities controlled by it worldwide. The Code of Ethics incorporates terms and conditions consistent with the FCPA and U.K. Bribery Act, and includes a Gifts and Entertainment policy.

This document is available under “Corporate Governance” in the Investor Relations area of our web site (www.capitalpplp.com). We will also provide a hard copy of our Code of Ethics free of charge upon written request. We intend to disclose, under “Corporate Governance” in the Investor Relations area of our web site, any waivers to or amendments of the Code of Ethics for the benefit of any of our directors and executive officers within five business days of such waiver or amendment.

**Item 16C. Principal Accountant Fees and Services.**

Our principal accountant for 2017 and 2016 was Deloitte. The following table shows the fees we paid or accrued for audit and tax services provided by Deloitte for these periods (in thousands of U.S. Dollars).

| Fees | 2017 | 2016 |
|---|---|---|
| Audit Fees (1) | $458.4 | $405.2 |
| Audit-Related Fees | — | — |
| Tax Fees (2) | 25.8 | 26.6 |
| **Total** | $484.2 | $431.8 |

(1) Audit fees represent fees for professional services provided in connection with the audit of our Financial Statements included herein, review of our quarterly consolidated financial information, audit services provided in connection with other regulatory filings, issuance of consents and assistance with and review of documents filed with the SEC.

(2) Tax fees represent fees for professional services provided in connection with various U.S. income tax compliance and information reporting matters.

The audit committee of our board of directors has the authority to pre-approve permissible audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees. Engagements for proposed services either may be separately pre-approved by the audit committee or entered into pursuant to detailed pre-approval policies and procedures established by the audit committee, as long as the audit committee is informed on a timely basis of any engagement entered into on that basis. The audit committee separately pre-approved all engagements and fees paid to our principal accountant in 2017 and 2016.

**Item 16D. Exemptions from the Listing Standards for Audit Committees.**

None.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

In October 2016, we issued 283,696 new common units to Capital Maritime in connection with the acquisition of M/T Amor, at a price of $3.21 per common unit.

In May 2016, Capital Maritime announced that it has acquired 459,799 common units in open market transactions and that it entered into a Rule 10b5-1 trading plan (the “10b5-1 Plan”) with an independent broker-dealer for the further purchase of up to 5,000,000 common units, subject to pre-determined pricing parameters. The 10b5-1 Plan expired. No further purchase of common units was made thereunder.

Following these transactions, Capital Maritime owned 17,291,768 common units, representing a 13.6% interest in us. As of December 31, 2017, the Marinakis family, including Evangelos M. Marinakis, may be deemed to beneficially own on a fully converted basis a 16.1% interest in us (17.7% on a non-fully converted basis), through, among others, Capital Maritime.

**Item 16F. Change in Registrant’s Certifying Accountant.**

Not applicable.

**Item 16G. Corporate Governance.**

The Nasdaq Global Select Market requires limited partnerships with listed units to comply with its corporate governance standards. As a foreign private issuer, we are not required to comply with all of the rules that apply to listed U.S. limited partnerships. However, we have generally chosen to comply with most of the Nasdaq Global Select Market’s corporate governance rules as though we were a U.S. limited partnership. Although we are not required to have a majority of independent directors on our board of directors or to establish a compensation committee or a nominating/corporate governance committee, our board of directors has established an audit committee and a conflicts committee comprised solely of independent directors. Accordingly, we do not believe there are any significant differences between our corporate governance practices and those that would typically apply to a U.S. domestic issuer that is a limited partnership under the corporate governance standards of the Nasdaq Global Select Market. Please see “Item 6C: Board Practices” and “Item 10B: Memorandum and Articles of Association” for more detail regarding our corporate governance practices.

## PART III

**Item 17. Financial Statements**

Not Applicable.

**Item 18. Financial Statements**

### INDEX TO FINANCIAL STATEMENTS

**CAPITAL PRODUCT PARTNERS L.P.**


| | Page |
|---|---|
| Report of Independent Registered Public Accounting Firm | F-1 |
| Consolidated Balance Sheets as of December 31, 2017 and 2016 | F-2 |
| Consolidated Statement of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015 | F-3 |
| Consolidated Statement of Changes in Partners' Capital for the years ended December 31, 2017, 2016 and 2015 | F-4 |
| Consolidated Statement of Cash Flows for the years ended December 31, 2017, 2016 and 2015 | F-5 |
| Notes to the Consolidated Financial Statements | F-6 |


**Item 19. Exhibits**

The following exhibits are filed as part of this Annual Report:

| Exhibit No. | Description |
|---|---|
| 1.1 | Certificate of Limited Partnership of Capital Product Partners L.P. (1) |
| 1.2 | Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated February 22, 2010 (7) |
| 1.3 | Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated September 30, 2011 (8) |
| 1.4 | Second Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated May 22, 2012 (14) |
| 1.5 | Third Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated March 19, 2013 (15) |
| 1.6 | Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated August 25, 2014 (17) |
| 1.7 | Certificate of Formation of Capital GP L.L.C. (1) |
| 1.8 | Limited Liability Company Agreement of Capital GP L.L.C. (1) |

| | |
|---|---|
| 1.9 | Certificate of Formation of Capital Product Operating GP L.L.C. (1) |
| 4.1 | Revolving $370.0 Million Credit Facility, dated March 22, 2007 (1) |
| 4.2 | First Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated September 19, 2007 (2) |
| 4.3 | Second Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated June 11, 2008 (3) |
| 4.4 | Third Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated April 7, 2009 (6) |
| 4.5 | Fourth Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated April 8, 2009 (6) |
| 4.6 | Fifth Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated October 2, 2009 (6) |
| 4.7 | Sixth Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated June 30, 2010 (9) |
| 4.8 | Seventh Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated November 30, 2010 (9) |
| 4.9 | Eighth Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated December 23, 2011 (13) |
| 4.10 | Ninth Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated May 21, 2012 (14) |
| 4.11 | Tenth Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated November 4, 2013 (21) |
| 4.12 | Eleventh Supplemental Agreement to Revolving $370.0 Million Credit Facility, dated April 30, 2015 (21) |
| 4.13 | Revolving $350.0 Million Credit Facility, dated March 19, 2008 (2) |
| 4.14 | First Supplemental Agreement to Revolving $350.0 Million Credit Facility, dated October 2, 2009 (6) |
| 4.15 | Second Supplemental Agreement to Revolving $350.0 Million Credit Facility, dated June 30, 2010 (9) |
| 4.16 | Third Supplemental Agreement to Revolving $350.0 Million Credit Facility, dated May 21, 2012 (14) |
| 4.17 | Fourth Supplemental Agreement to Revolving $350.0 Million Credit Facility, dated December 21, 2012 (16) |
| 4.18 | Fifth Supplemental Agreement to Revolving $350.0 Million Credit Facility, dated April 28, 2015 (21) |
| 4.19 | Loan Agreement with Emporiki Bank of Greece S.A., dated June 9, 2011 (13) |
| 4.20 | Supplemental Deed to Loan Agreement with Emporiki Bank of Greece S.A., dated April 28, 2015 (21) |
| 4.21 | Amended and Restated Loan Agreement with ING Bank N.V., HSH Nordbank AG, National Bank of Greece S.A. and Skandinaviska Enskilda Banken AB (publ), dated December 27, 2013 (18) |
| 4.22 | Loan Agreement between Filonikis Product Carrier S.A. and others and ING Bank N.V., London Branch as Facility Agent and Security Trustee, and ING Bank N.V., as Swap Bank, dated November 19, 2015 (23) |
| 4.23 | Guarantee Relating to Loan Agreement, dated 19 November 2015, between Capital Product Partners L.P as Guarantor and ING Bank N.V., London Branch as Security Trustee, dated November 19, 2015 (23) |
| 4.24 | Loan Agreement with HSH Nordbank AG and ING Bank N.V., London Branch, as mandated lead arrangers and bookrunners relating to a term loan facility of up to US$460,000,000, dated September 6, 2017 (24) |
| 4.25 | Loan Agreement, dated January 2, 2017 with ING Bank N.V. and Crédit Agricole Corporate and Investment Bank as bookrunners and mandated lead arrangers related to a secured term loan facility of up to US$70,200,000 |
| 4.26 | Guarantee, dated January 2, 2017, Relating to the Loan Agreement with ING Bank N.V. and Crédit Agricole Corporate and Investment Bank as bookrunners and mandated lead arrangers related to a secured term loan facility of up to US$70,200,000 |
| 4.27 | Amended and Restated Omnibus Agreement, dated September 30, 2011 (8) |
| 4.28 | Amended and Restated Management Agreement with Capital Ship Management, dated March 25, 2017. |

| | |
|---|---|
| 4.29 | Floating Rate Management Agreement with Capital Ship Management Corp., dated June 10, 2011 (13) |
| 4.30 | Amendment No. 9 to the Floating Rate Management Agreement with Capital Ship Management Corp., dated January 22, 2013 (18) |
| 4.31 | Amendment No. 30 to the Floating Rate Management Agreement with Capital Ship Management Corp., dated January 17, 2018, amending and restating Schedule B in its entirety.** |
| 4.32 | Form of Management Agreement between Crude Carriers Corp. and Capital Ship Management Corp. (10) |
| 4.33 | Amendment No. 1 to Crude Carriers Management Agreement, dated August 5, 2010 (11) |
| 4.34 | Amendment No. 2 to Crude Carriers Management Agreement, dated August 6, 2010 (11) |
| 4.35 | Waiver Letter, dated January 1, 2017, with respect to certain fees under Crude Carriers Management Agreement |
| 4.36 | Administrative Services Agreement with Capital Ship Management (1) |
| 4.37 | Amendment 1 to Administrative Services Agreement with Capital Ship Management Corp., dated April 2, 2012 (16) |
| 4.38 | IT Agreement, dated April 3, 2007, by and between Capital Ship Management Corp. and Capital Product Partners L.P. |
| 4.39 | Addendum No. 1 to IT Agreement, dated April 2, 2012. |
| 4.40 | Addendum No. 2 to IT Agreement, dated April 2, 2017. |
| 4.41 | Share Purchase Agreement for the M/T Active, dated March 31, 2015 (21) |
| 4.42 | Share Purchase Agreement for the M/V CMA CGM Amazon, dated June 10, 2015 (21) |
| 4.43 | Share Purchase Agreement for the M/T Amadeus, dated June 30, 2015 (21) |
| 4.44 | Share Purchase Agreement for the M/V CMA CGM Uruguay, dated September 18, 2015 (21) |
| 4.45 | Share Purchase Agreement for the M/V CMA CGM Magdalena, dated February 26, 2016 (23) |
| 4.46 | Share Purchase Agreement for the M/T Amor, dated October 24, 2016 (23) |
| 4.47 | Share Purchase Agreement for the M/T Aristaios, dated January 17, 2018 |
| 4.48 | Memorandum of Agreement for sale of M/T Aristotelis, dated December 22, 2017. |
| 4.49 | Master Vessel Acquisition Agreement, dated July 24, 2014 (19) |
| 4.50 | Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan, dated April 29, 2008 (4) |
| 4.51 | Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan, amended July 22, 2010 (9) |
| 4.52 | Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan, amended August 21, 2014 (17) |
| 4.53 | Crude Carriers Corp. Equity Incentive Plan, dated March 1, 2010 (10) |
| 4.54 | Form of Restricted Unit Award of Capital Product Partners L.P. (9) |
| 4.55 | Equity Distribution Agreement, dated September 12, 2016, with UBS Securities LLC in connection with at-the-market offering (22) |
| 8.1 | List of Subsidiaries of Capital Product Partners L.P. |
| 12.1 | Rule 13a-14(a)/15d-14(a) Certification of Capital Product Partners L.P.'s Chief Executive Officer |
| 12.2 | Rule 13a-14(a)/15d-14(a) Certification of Capital Product Partners L.P.'s Chief Financial Officer |
| 13.1 | Capital Product Partners L.P. Certification of Gerasimos (Jerry) Kalogiratos, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002* |
| 13.2 | Capital Product Partners L.P. Certification of Nikolaos Kalapotharakos, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002* |

| | |
|---|---|
| 15.1 | Consent of Deloitte Certified Public Accountants S.A. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

(1) Previously filed as an exhibit to Capital Product Partners L.P.'s Registration Statement on Form F-1 (File No. 333-141422), filed with the SEC on March 19, 2007 and hereby incorporated by reference to such Registration Statement.
(2) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2007 and filed with the SEC on April 4, 2008.
(3) Previously filed as an exhibit to the registrant's Registration Statement on Form F-3 filed with the SEC on August 29, 2008.
(4) Previously filed as a Current Report on Form 6-K with the SEC on April 30, 2008.
(5) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2008 and filed with the SEC on March 27, 2009.
(6) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2009 and filed with the SEC on February 4, 2010.
(7) Previously filed as a Current Report on Form 6-K with the SEC on February 24, 2010.
(8) Previously filed as a Current Report on Form 6-K with the SEC on September 30, 2011.
(9) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2010 and filed with the SEC on February 4, 2011.
(10) Previously filed as an exhibit to Crude Carriers Corp.'s Registration Statement on Form F-1 (File No. 333-165138), filed with the SEC on March 1, 2010, and incorporated by reference to such Registration Statement.
(11) Previously filed as an exhibit to Crude Carriers Corp.'s Annual Report on Form 20-F for the year ended December 31, 2010 and filed with the SEC on April 18, 2011.
(12) Previously filed as a Current Report on Form 6-K with the SEC on May 9, 2011.
(13) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2011 and filed with the SEC on February 13, 2012.
(14) Previously furnished as a Current Report on Form 6-K with the SEC on May 23, 2012.
(15) Previously furnished as a Current Report on Form 6-K with the SEC on March 21, 2013.
(16) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2012 and filed with the SEC on February 5, 2013.
(17) Previously furnished as a Current Report on Form 6-K with the SEC on August 26, 2014.
(18) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2013 and filed with the SEC on February 18, 2014.
(19) Previously furnished as a Current Report on Form 6-K with the SEC on July 29, 2014.
(20) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2014 and filed with the SEC on February 26, 2015.
(21) Previously filed as an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2015 and filed with the SEC on February 17, 2016.
(22) Previously filed as a Current Report on Form 6-K with the SEC on September 12, 2016.
(23) Previously filed as a an exhibit to the registrant's Annual Report on Form 20-F for the year ended December 31, 2016.
(24) Previously filed as Exhibit II to a Current Report on Form 6-K with the SEC on September 12, 2017.
* Furnished only and not filed
** Amendments No. 1-8 and 10-29 to the Floating Rate Management Agreement are substantially identical to, or superseded by, Amendment No. 30.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL PRODUCT PARTNERS L.P.,

| | |
|---|---|
| By: | Capital GP L.L.C., its general partner |
| By: | /s/ Gerasimos (Jerry) Kalogiratos |
| Name: | Gerasimos (Jerry) Kalogiratos |
| Title: | Chief Executive Officer of Capital GP L.L.C. |

Dated: March 5, 2018

Table of Contents

## INDEX TO FINANCIAL STATEMENTS

### CAPITAL PRODUCT PARTNERS L.P.


| | Page |
|---|---|
| Report of Independent Registered Public Accounting Firm | F-1 |
| Consolidated Balance Sheets as of December 31, 2017 and 2016 | F-2 |
| Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015 | F-3 |
| Consolidated Statements of Changes in Partners' Capital for the years ended December 31, 2017, 2016 and 2015 | F-4 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015 | F-5 |
| Notes to the Consolidated Financial Statements | F-6 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of
Capital Product Partners L.P.
Majuro, Republic of the Marshall Islands.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Capital Product Partners L.P. and subsidiaries (the "Partnership") as of December 31, 2017 and 2016, the related consolidated statements of comprehensive income, changes in partners' capital, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 5, 2018 expressed an unqualified opinion on the Partnership's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece
March 5, 2018

We have served as the Company's auditor since 2006.

Table of Contents

**Capital Product Partners L.P.**
**Consolidated Balance Sheets**
**(In thousands of United States Dollars, except number of units)**

| | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 63,297 | $ 106,678 |
| Trade accounts receivable | 4,772 | 2,497 |
| Prepayments and other assets | 3,046 | 3,943 |
| Inventories | 5,315 | 4,761 |
| Assets held for sale (Note 5) | 29,027 | — |
| **Total current assets** | **105,457** | **117,879** |
| **Fixed assets** | | |
| Vessels, net (Note 5) | 1,265,196 | 1,367,731 |
| **Total fixed assets** | **1,265,196** | **1,367,731** |
| **Other non-current assets** | | |
| Above market acquired charters (Note 6) | 75,035 | 90,243 |
| Deferred charges, net | 1,519 | 4,154 |
| Restricted cash (Note 7) | 18,000 | 18,000 |
| Prepayments and other assets | 1,009 | 598 |
| **Total non-current assets** | **1,360,759** | **1,480,726** |
| **Total assets** | **$ 1,466,216** | **$ 1,598,605** |
| **Liabilities and Partners' Capital** | | |
| **Current liabilities** | | |
| Current portion of long-term debt, net (Note 7) | $ 50,514 | $ 39,568 |
| Trade accounts payable | 9,631 | 8,686 |
| Due to related parties (Note 4) | 14,234 | 16,095 |
| Accrued liabilities (Note 9) | 15,111 | 7,861 |
| Deferred revenue, current (Note 4) | 18,800 | 19,986 |
| Liability associated with vessel held for sale (Notes 5, 7) | 14,781 | — |
| **Total current liabilities** | **123,071** | **92,196** |
| **Long-term liabilities** | | |
| Long-term debt, net (Note 7) | 403,820 | 562,619 |
| Deferred revenue | 5,920 | 16,033 |
| **Total long-term liabilities** | **409,740** | **578,652** |
| **Total liabilities** | **532,811** | **670,848** |
| Commitments and contingencies (Note 16) | | |
| **Partners' capital** | | |
| General Partner | 16,427 | 16,685 |
| Limited Partners - Common (127,246,692 and 122,094,633 units issued and outstanding at December 31, 2017 and 2016, respectively) | 806,472 | 800,566 |
| Limited Partners - Preferred (12,983,333 Class B units issued and outstanding at December 31, 2017 and 2016) | 110,506 | 110,506 |
| **Total partners' capital** | **933,405** | **927,757** |
| **Total liabilities and partners' capital** | **$ 1,466,216** | **$ 1,598,605** |

The accompanying notes are an integral part of these consolidated financial statements.

**Capital Product Partners L.P.**
**Consolidated Statements of Comprehensive Income**
**(In thousands of United States Dollars, except number of units and net income per unit)**

| | For the years ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Revenues | $ 204,462 | $ 205,594 | $ 156,613 |
| Revenues – related party (Note 4) | 44,653 | 36,026 | 63,731 |
| **Total Revenues** | **249,115** | **241,620** | **220,344** |
| **Expenses:** | | | |
| Voyage expenses (Note 10) | 15,165 | 9,920 | 6,479 |
| Voyage expenses - related party (Notes 4, 10) | — | 360 | 411 |
| Vessel operating expenses (Note 10) | 74,516 | 66,637 | 58,625 |
| Vessel operating expenses - related party (Notes 4, 10) | 11,629 | 10,866 | 11,708 |
| General and administrative expenses (Note 4) | 6,234 | 6,253 | 6,608 |
| Vessel depreciation and amortization (Note 5) | 73,993 | 71,897 | 62,707 |
| Impairment of vessel (Notes 5, 8) | 3,282 | — | — |
| **Operating income** | **64,296** | **75,687** | **73,806** |
| **Other income / (expense), net:** | | | |
| Interest expense and finance cost (Note 7) | (26,605) | (24,302) | (20,143) |
| Other income | 792 | 1,104 | 1,747 |
| **Total other expense, net** | **(25,813)** | **(23,198)** | **(18,396)** |
| **Partnership’s net income** | **$ 38,483** | **$ 52,489** | **$ 55,410** |
| Preferred unit holders’ interest in Partnership’s net income | $ 11,101 | $ 11,101 | $ 11,334 |
| General Partner’s interest in Partnership’s net income | $ 522 | $ 818 | $ 879 |
| Common unit holders’ interest in Partnership’s net income | $ 26,860 | $ 40,570 | $ 43,197 |
| Net income per (Note 14): | | | |
| • Common unit, basic and diluted | $ 0.22 | $ 0.34 | $ 0.38 |
| Weighted-average units outstanding: | | | |
| • Common units, basic and diluted | 123,845,345 | 119,803,329 | 115,030,879 |
| **Total Partnership’s comprehensive income:** | **$ 38,483** | **$ 52,489** | **$ 55,410** |

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

**Capital Product Partners L.P.**
**Consolidated Statements of Changes in Partners' Capital**
**(In thousands of United States Dollars)**

| | General Partner | Common Unitholders | Preferred Unitholders | Total |
|---|---|---|---|---|
| **Balance at December 31, 2014** | **$15,602** | **$ 735,547** | **$ 121,412** | **$ 872,561** |
| Distributions declared and paid (distributions of $0.94 per common and $0.87 per preferred unit) (Note 12) | (2,225) | (109,027) | (11,521) | (122,773) |
| Partnership's net income | 879 | 43,197 | 11,334 | 55,410 |
| Issuance of Partnership's units (Note 12) | — | 132,588 | — | 132,588 |
| Equity compensation expense (Note 13) | — | 34 | — | 34 |
| Conversion of Partnership's units (Note 12) | 2,742 | 7,900 | (10,642) | — |
| **Balance at December 31, 2015** | **$16,998** | **$ 810,239** | **$ 110,583** | **$ 937,820** |

| | General Partner | Common Unitholders | Preferred Unitholders | Total |
|---|---|---|---|---|
| **Balance at December 31, 2015** | **$16,998** | **$ 810,239** | **$ 110,583** | **$937,820** |
| Distributions declared and paid (distributions of $0.46 per common and $0.86 per preferred unit) (Note 12) | (1,131) | (55,884) | (11,178) | (68,193) |
| Partnership's net income | 818 | 40,570 | 11,101 | 52,489 |
| Issuance of Partnership's units (Note 12) | — | 4,567 | — | 4,567 |
| Equity compensation expense (Note 13) | — | 1,074 | — | 1,074 |
| **Balance at December 31, 2016** | **$16,685** | **$ 800,566** | **$ 110,506** | **$927,757** |

| | General Partner | Common Unitholders | Preferred Unitholders | Total |
|---|---|---|---|---|
| **Balance at December 31, 2016** | **$16,685** | **$ 800,566** | **$ 110,506** | **$927,757** |
| Distributions declared and paid (distributions of $0.32 per common and $0.86 per preferred unit) (Note 12) | (780) | (39,749) | (11,101) | (51,630) |
| Partnership's net income | 522 | 26,860 | 11,101 | 38,483 |
| Issuance of Partnership's units (Note 12) | — | 17,639 | — | 17,639 |
| Equity compensation expense (Note 13) | — | 1,156 | — | 1,156 |
| **Balance at December 31, 2017** | **16,427** | **806,472** | **110,506** | **933,405** |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

**Capital Product Partners L.P.**
**Consolidated Statements of Cash flows**
**(In thousands of United States Dollars)**

| | For the year ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net income | 38,483 | 52,489 | 55,410 |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | | |
| Vessel depreciation and amortization (Note 5) | 73,993 | 71,897 | 62,707 |
| Amortization and write off of deferred financing costs | 1,262 | 1,250 | 908 |
| Amortization of above market acquired charters (Note 6) | 15,208 | 14,542 | 14,864 |
| Equity compensation expense (Note 13) | 1,156 | 1,074 | 34 |
| Impairment of vessel (Notes 5, 8) | 3,282 | — | — |
| **Changes in operating assets and liabilities:** | | | |
| Trade accounts receivable | (2,275) | 183 | (92) |
| Due from related parties | — | — | 55 |
| Prepayments and other assets | 486 | (600) | (2,102) |
| Inventories | (719) | (354) | (973) |
| Trade accounts payable | 2,764 | (595) | 1,929 |
| Due to related parties | (1,861) | (6,059) | 4,657 |
| Accrued liabilities | 7,624 | 662 | 1,114 |
| Deferred revenue | (11,299) | 24,267 | (2,207) |
| Dry docking costs paid | (1,130) | (3,670) | (2,095) |
| **Net cash provided by operating activities** | **126,974** | **155,086** | **134,209** |
| **Cash flows from investing activities:** | | | |
| Vessel acquisitions and improvements including time charter agreements (Notes 5, 6) | (2,038) | (90,782) | (207,937) |
| Increase in restricted cash | — | (1,000) | (2,000) |
| **Net cash used in investing activities** | **(2,038)** | **(91,782)** | **(209,937)** |
| **Cash flows from financing activities:** | | | |
| Proceeds from issuance of Partnership units (Note 12) | 17,815 | 4,546 | 133,327 |
| Expenses paid for issuance of Partnership units | (247) | (784) | (739) |
| Proceeds from issuance of long-term debt (Note 7) | — | 35,000 | 115,000 |
| Payments of long-term debt (Note 7) | (129,262) | (17,354) | (121,299) |
| Deferred financing costs paid | (4,993) | (31) | (1,797) |
| Dividends paid (Note 12) | (51,630) | (68,193) | (122,773) |
| **Net cash (used in) / provided by financing activities** | **(168,317)** | **(46,816)** | **1,719** |
| **Net (decrease) / increase in cash and cash equivalents** | **(43,381)** | **16,488** | **(74,009)** |
| **Cash and cash equivalents at the beginning of the year** | **106,678** | **90,190** | **164,199** |
| **Cash and cash equivalents at the end of the year** | **63,297** | **106,678** | **90,190** |
| **Supplemental cash flow information** | | | |
| Cash paid for interest | $ 19,646 | $ 23,763 | $ 16,759 |
| **Non-Cash Investing and Financing Activities** | | | |
| Capital expenditures included in liabilities | $ 312 | $ 1,383 | $ 769 |
| Offering expenses included in liabilities | $ 35 | $ 106 | $ — |
| Deferred financing costs included in liabilities | $ 79 | $ — | $ — |
| Capitalized dry docking costs included in liabilities | $ 11 | $ 1,141 | $ 1,687 |
| Assumption of loan regarding the acquisition of the shares of Filonikis Product Carrier S.A. (“Filonikis”) (Notes 3, 7) | $ — | $ 15,750 | $ — |
| Units issued to acquire Filonikis (Note 3) | $ — | $ 911 | $ — |

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars, except number of units)**

### 1. Basis of Presentation and General Information

Capital Product Partners, L.P. was formed on January 16, 2007, under the laws of the Marshall Islands. The Partnership is an international shipping company. As of December 31, 2017, its fleet of thirty six vessels comprises four suezmax crude oil tankers, twenty-one modern medium range tankers, all of which are classed as IMO II/III chemical/product carriers, ten post-panamax container carrier vessels and one capesize bulk carrier. Its vessels are capable of carrying a wide range of cargoes, including crude oil, refined oil products, such as gasoline, diesel, fuel oil and jet fuel, edible oils and certain chemicals, such as ethanol, as well as dry cargo and containerized goods under short-term voyage charters and medium to long-term time and bareboat charters.

The consolidated financial statements include Capital Product Partners, L.P. and the following vessel-owning companies, intermediate holding company and operating companies (collectively the "Partnership") which were all incorporated or formed under the laws of the Marshall Islands and Liberia.

| Subsidiary | Date of Incorporation | Name of Vessel Owned by Subsidiary | Deadweight "DWT" | Date acquired by the Partnership | Date acquired by Capital Maritime & Trading Corp. ("CMTC") |
|---|---|---|---|---|---|
| Capital Product Operating LLC | 01/16/2007 | — | — | — | — |
| Crude Carriers Corp. | 10/29/2009 | — | — | 09/30/2011 | — |
| Crude Carriers Operating Corp. | 01/21/2010 | — | — | 09/30/2011 | — |
| Shipping Rider Co. | 09/16/2003 | M/T Atlantas II | 36,760 | 04/04/2007 | 04/26/2006 |
| Canvey Shipmanagement Co. | 03/18/2004 | M/T Assos | 47,872 | 08/16/2010<br>04/04/2007 | 05/17/2006 |
| Centurion Navigation Limited | 08/27/2003 | M/T Aktoras<br>(M/T British Envoy) | 36,759 | 04/04/2007 | 07/12/2006 |
| Polarwind Maritime S.A. | 10/10/2003 | M/T Agisilaos | 36,760 | 04/04/2007 | 08/16/2006 |
| Carnation Shipping Company | 11/10/2003 | M/T Arionas | 36,725 | 04/04/2007 | 11/02/2006 |
| Apollonas Shipping Company | 02/10/2004 | M/T Avax | 47,834 | 04/04/2007 | 01/12/2007 |
| Tempest Maritime Inc. | 09/12/2003 | M/T Aiolos<br>(M/T British Emissary) | 36,725 | 04/04/2007 | 03/02/2007 |
| Iraklitos Shipping Company | 02/10/2004 | M/T Axios | 47,872 | 04/04/2007 | 02/28/2007 |
| Epicurus Shipping Company | 02/11/2004 | M/T Atrotos | 47,786 | 03/01/2010<br>05/08/2007 | 05/08/2007 |
| Laredo Maritime Inc. | 02/03/2004 | M/T Akeraios | 47,781 | 07/13/2007 | 07/13/2007 |
| Lorenzo Shipmanagement Inc. | 05/26/2004 | M/T Apostolos | 47,782 | 09/20/2007 | 09/20/2007 |
| Splendor Shipholding S.A. | 07/08/2004 | M/T Anemos I | 47,782 | 09/28/2007 | 09/28/2007 |
| Ross Shipmanagement Co. | 12/29/2003 | M/T Attikos | 12,000 | 09/24/2007 | 01/20/2005 |
| Sorrel Shipmanagement Inc. | 02/07/2006 | M/T Alexandros II<br>(M/T Overseas Serifos) | 51,258 | 01/29/2008 | 01/29/2008 |
| Baymont Enterprises Incorporated | 05/29/2007 | M/T Amore Mio II | 159,982 | 03/27/2008 | 07/31/2007 |
| Forbes Maritime Co. | 02/03/2004 | M/T Aristofanis | 12,000 | 04/30/2008 | 06/02/2005 |
| Wind Dancer Shipping Inc. | 02/07/2006 | M/T Aristotelis II<br>(M/T Overseas Sifnos) | 51,226 | 06/17/2008 | 06/17/2008 |
| Belerion Maritime Co. | 01/24/2006 | M/T Aris II<br>(M/T Overseas Kimolos) | 51,218 | 08/20/2008 | 08/20/2008 |
| Mango Finance Corp. | 07/14/2006 | M/T Agamemnon II | 51,238 | 04/07/2009 | 11/24/2008 |
| Navarro International S.A. | 07/14/2006 | M/T Ayrton II | 51,260 | 04/13/2009 | 04/10/2009 |
| Adrian Shipholding Inc. | 06/22/2004 | M/T Alkiviadis | 36,721 | 06/30/2010 | 03/29/2006 |
| Patroklos Marine Corp. | 06/17/2008 | M/V Cape Agamemnon | 179,221 | 06/09/2011 | 01/25/2011 |
| Cooper Consultants Co. renamed to Miltiadis M II Carriers Corp. | 04/06/2006 | M/T Miltiadis M II | 162,397 | 09/30/2011 | 04/26/2006 |

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars, except number of units)**

**1. Basis of Presentation and General Information – Continued**

| Subsidiary | Date of Incorporation | Name of Vessel Owned by Subsidiary | Deadweight "DWT" | Date acquired by the Partnership | Date acquired by CMTC |
|---|---|---|---|---|---|
| Amoureux Carriers Corp. | 04/14/2010 | M/T Amoureux | 149,993 | 09/30/2011 | — |
| Aias Carriers Corp. | 04/14/2010 | M/T Aias | 150,393 | 09/30/2011 | — |
| Agamemnon Container Carrier Corp. | 04/19/2012 | M/V Agamemnon | 108,892 | 12/22/2012 | 06/28/2012 |
| Archimidis Container Carrier Corp. | 04/19/2012 | M/V Archimidis | 108,892 | 12/22/2012 | 06/22/2012 |
| Aenaos Product Carrier S.A. | 10/16/2013 | M/T Aristotelis | 51,604 | 11/28/2013 | — |
| Anax Container Carrier S.A | 04/08/2011 | M/V Hyundai Prestige | 63,010 | 09/11/2013 | 02/19/2013 |
| Hercules Container Carrier S.A. | 04/08/2011 | M/V Hyundai Premium | 63,010 | 03/20/2013 | 03/11/2013 |
| Iason Container Carrier S.A | 04/08/2011 | M/V Hyundai Paramount | 63,010 | 03/27/2013 | 03/27/2013 |
| Thiseas Container Carrier S.A. | 04/08/2011 | M/V Hyundai Privilege | 63,010 | 09/11/2013 | 05/31/2013 |
| Cronus Container Carrier S.A. | 07/19/2011 | M/V Hyundai Platinum | 63,010 | 09/11/2013 | 06/14/2013 |
| Miltiadis M II Corp. | 08/28/2012 | — | — | — | — |
| Dias Container Carrier S.A | 05/16/2013 | M/V Akadimos (renamed to "CMA CGM Amazon") (1) | 115,534 | 06/10/2015 | 06/10/2015 |
| Poseidon Container Carrier S.A | 05/16/2013 | M/V Adonis (renamed to "CMA CGM Uruguay") (1) | 115,639 | 09/18/2015 | 09/18/2015 |
| Isiodos Product Carrier S.A | 05/31/2013 | M/T Active (1) | 50,136 | 03/31/2015 | 03/31/2015 |
| Titanas Product Carrier S.A | 05/31/2013 | M/T Amadeus (1) | 50,108 | 06/30/2015 | 06/30/2015 |
| Atrotos Container Carrier S.A | 10/25/2013 | M/V Anaxagoras (renamed to "CMA CGM Magdalena") (1) | 115,639 | 02/26/2016 | 02/26/2016 |
| Filonikis Product Carrier S.A | 05/31/2013 | M/T Amor | 49,999 | 10/24/2016 | 09/30/2015 |

(1) Vessels that were acquired according to the terms of the Master Vessel Acquisition Agreement ("Master Agreement") (Note 5).

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**2. Significant Accounting Policies**

*(a)* ***Principles of Consolidation*****:** The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and include the accounts of the legal entities comprising the Partnership as discussed in Note 1. Intra-group balances and transactions have been eliminated upon consolidation.

*(b)* ***Use of Estimates:*** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

*(c)* ***Accounting for Revenue, Voyage and Operating Expenses:*** The Partnership generates its revenues from charterers for the charter hire of its vessels. Vessels are chartered on time charters, bareboat charters or voyage charters. A time charter is a contract for the use of a vessel for a specific period of time and a specified daily charter hire rate, which is generally payable monthly in advance. Some of the Partnership's time charters also include profit sharing provisions, under which the Partnership can realize additional revenues in the event that spot rates are higher than the base rates in these time charters. A bareboat charter is a contract in which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate, which is generally payable monthly in advance, and the charterer generally assumes all risk and costs of operation during the bareboat charter period. A voyage charter is a contract, in which the vessel owner undertakes to transport a specific amount and type of cargo on a load port-to-discharge port basis, subject to various cargo handling terms. Under a typical voyage charter, the vessel owner is paid on the basis of moving cargo from a loading port to a discharge port. In voyage charters the vessel owner is generally responsible for paying both vessel operating costs and voyage expenses, and the charterer generally is responsible for any delay at the loading or discharging ports. A voyage is deemed to commence upon the later of the completion of discharge of the vessel's previous cargo or upon vessel arrival to the agreed upon port, based on the terms of a voyage contract that is not cancellable and voyage is deemed to end upon the completion of discharge of the delivered cargo. Revenues under voyage charter agreements are recognized on a pro-rata basis.

Time, bareboat and voyage charter revenues are recognized when a charter agreement exists, charter rate is fixed and determinable, the vessel is made available to the lessee, and collection of the related revenue is reasonably assured. Revenues are recognized ratably on a straight line basis over the period of the respective charter. Revenues from profit sharing arrangements in time charters represent a portion of time charter equivalent (voyage income less direct expenses, divided by operating days), that exceeds the agreed base rate and are recognized in the period earned.

Deferred revenue represents cash and other assets received in advance of being earned and deferred revenue resulting from straight-line revenue recognition in respect of charter agreements that provide for varying charter rates. The portion of the deferred revenue that will be earned within the next twelve months is classified as current liability and the rest as long-term liability.

Vessel voyage expenses are direct expenses to voyage revenues and primarily consist of brokerage commissions, port expenses, canal dues and bunkers. Brokerage commissions are paid to shipbrokers for their time and efforts for negotiating and arranging charter party agreements on behalf of the Partnership and expensed over the related charter period and all the other voyage expenses are expensed as incurred. In general, under time and bareboat charter agreements, all voyages expenses, except commissions are assumed by the charterer. For voyage charters, all voyage expenses are paid by the Partnership.

Vessel operating expenses presented in the consolidated financial statements mainly consist of:

- Management fees payable to the Partnership's manager, Capital Ship Management Corp. (the "Manager" or "CSM") under three different types of Management agreements (Note 4); and
- Actual operating expenses, such as crewing, repairs and maintenance, insurance, stores, spares, lubricants and other operating expenses.

Vessel operating expenses are expensed as incurred.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**2. Significant Accounting Policies – Continued**

*(d)* ***Foreign Currency Transactions:*** The functional currency of the Partnership is the U.S. Dollar because the Partnership's vessels operate in international shipping markets that utilize the U.S. Dollar as the functional currency. The accounting records of the Partnership are maintained in U.S. Dollars. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in currencies other than the U.S. Dollar, are translated into the functional currency using the exchange rate at those dates. Gains or losses resulting from foreign currency transactions are included in other income in the accompanying consolidated statements of comprehensive income.

*(e)* ***Cash and Cash Equivalents:*** The Partnership considers highly-liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

*(f)* ***Restricted cash:*** For the Partnership to comply with debt covenants under its credit facilities, it must maintain minimum cash deposits. Such deposits are considered by the Partnership to be restricted cash.

*(g)* ***Trade Accounts Receivable:*** The amount shown as trade accounts receivable primarily consists of earned revenue that has not been billed yet or that it has been billed but not yet collected. At each balance sheet date all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate write off. As of December 31, 2017 and 2016 there were no write off.

*(h)* ***Inventories:*** Inventories consist of consumable bunkers, lubricants, spares and stores and are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling prices less reasonably predictable costs of disposal and transportation. The cost is determined by the first-in, first-out method.

*(i)* ***Vessels Held for Sale:*** The Partnership classifies vessels as being held for sale when the following criteria are met: (i) management is committed to sell the asset; (ii) the asset is available for immediate sale in its present condition; (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; (iv) the sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year; (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Vessels classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. These vessels are not depreciated once they meet the criteria to be classified as held for sale.

In the case that a plan to sell a vessel is cancelled, the Partnership reclassifies the vessel as held for use and re-measures it at the lower of (i) its carrying amount before the vessel was classified as held for sale, adjusted for any depreciation expense that would have been recognized if the vessel had been continuously classified as held and used and (ii) its fair value at the date of the subsequent decision not to sell.

*(j)* ***Fixed Assets:*** Fixed assets consist of vessels, which are stated at cost, less accumulated depreciation. Vessel cost consists of the contract price for the vessel and any material expenses incurred upon their construction (improvements and delivery expenses, on-site supervision costs incurred during the construction periods, as well as capitalized interest expense during the construction period). Vessels acquired through acquisition of businesses are recorded at their acquisition date fair values. The cost of each of the Partnership's vessels is depreciated; beginning when the vessel is ready for its intended use, on a straight-line basis over the vessel's remaining economic useful life, after considering the estimated residual value. Management estimates the scrap value of the Partnership's vessels to be $0.2 per light weight ton (LWT) and useful life to be 25 years.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**2. Significant Accounting Policies – Continued**

***(k)*** ***Impairment of Long-lived Assets:*** An impairment loss on long-lived assets is recognized when indicators of impairment are present and the carrying amount of the long-lived asset is greater than its fair value and not believed to be recoverable. In determining future benefits derived from use of long-lived assets, the Partnership performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the asset, including any related intangible assets and liabilities, exceeds its undiscounted future net cash flows, the carrying value is reduced to its fair value. Various factors including future charter rates and vessel operating costs are included in this analysis.

In recent years, market conditions, as compared to previous years, have changed significantly as a result of the global credit crisis and resulting slowdown in world trade. Charter rates decreased and values of assets were affected. The Partnership considered these market developments as indicators of potential impairment of the carrying amount of its long-lived assets. The Partnership has performed an undiscounted cash flow test based on U.S. GAAP as of December 31, 2017 and 2016, determining undiscounted projected net operating cash flows for the vessels and comparing them to the carrying values of the vessels, and any related intangible assets and liabilities. In developing estimates of future cash flows, the Partnership made assumptions about future charter rates, utilization rates, vessel operating expenses, future dry docking costs and the estimated remaining useful life of the vessels. These assumptions are based on historical trends as well as future expectations that are in line with the Partnership's historical performance and expectations for the vessels' utilization under the current deployment strategy. Based on these assumptions, the Partnership determined that the vessels held for use and their related intangible assets and liabilities were not impaired as of December 31, 2017 and 2016.

***(l)*** ***Deferred charges, net:*** are comprised mainly of dry docking costs. The Partnership's vessels are required to be dry docked every thirty to sixty months for major repairs and maintenance that cannot be performed while the vessels are under operation. The Partnership has adopted the deferral method of accounting for dry docking activities whereby costs incurred are deferred and amortized on a straight line basis over the period until the next scheduled dry docking activity.

***(m)*** ***Intangible assets:*** The Partnership records all identified tangible and intangible assets or any liabilities associated with the acquisition of a business or an asset at fair value. When a vessel or a business that owns a vessel is acquired with an existing charter agreement, the Partnership determines the present value of the difference between: (i) the contractual charter rate and (ii) the prevailing market rate for a charter of equivalent duration. When determining present value, the Partnership uses Weighted Average Cost of Capital ("WACC"). The resulting above-market (assets) and below-market (liabilities) charters are amortized using the straight line method as a reduction and increase, respectively, to revenues over the remaining term of the charters.

***(n)*** ***Net Income Per Limited Partner Unit:*** Basic net income per limited partner unit is calculated by dividing the Partnership's net income less net income allocable to preferred unit holders, general partner's interest in net income (including incentive distribution rights) and net income allocable to unvested units, by the weighted-average number of common units outstanding during the period (Note 14). Diluted net income per limited partner unit reflects the potential dilution that could occur if securities or other contracts to issue limited partner units were exercised.

***(o)*** ***Segment Reporting:*** The Partnership reports financial information and evaluates its operations by charter revenues and not by the length, type of vessel or type of ship employment for its customers, i.e. time or bareboat charters. The Partnership does not use discrete financial information to evaluate the operating results for each such type of charter or vessel. Although revenue can be identified for these types of charters or vessels, management cannot and does not identify expenses, profitability or other financial information for these various types of charters or vessels. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet, and thus the Partnership has determined that it operates as one reportable segment. Furthermore, when the Partnership charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographic information is impracticable.

***(p)*** ***Omnibus Incentive Compensation Plan:*** Equity compensation expense represents vested and unvested units granted to employees and to non-employee directors, for their services as directors, as well as to non-employees and are included in general and administrative expenses in the consolidated statements of comprehensive income. Units granted to employees are measured at their fair value equal to the market value of the Partnership's common units on the grant date. Unvested units granted to non-employees are initially and subsequently measured at their then current fair value as of the financial reporting dates. The units that contain a time-based service vesting condition are considered unvested units on the grant date and the total fair value of such units is recognized on a straight-line basis over the requisite service period. In addition, unvested awards granted to non-employees are measured at their then-current fair value as of the financial reporting dates (Note 13).

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**2. Significant Accounting Policies – Continued**

*(q)* **Recent Accounting Pronouncements:** In January 2017, the Financial Accounting Standards Board ("FASB") issued the Accounting Standard Update ("ASU") 2017-01 Business Combinations to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets or businesses. Under current implementation guidance the existence of an integrated set of acquired activities (inputs and processes that generate outputs) constitutes an acquisition of business. This ASU provides a screen to determine when a set of assets and activities does not constitute a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. The amendments of this ASU should be applied prospectively on or after the effective date. Early adoption is permitted, including adoption in an interim period 1) for transactions for which the acquisition date occurs before the issuance date or effective date of the ASU, only when the transaction has not been reported in financial statements that have been issued or made available for issuance and 2) for transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occur before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. The Partnership will adopt this update from January 1, 2018 and believes that the adoption of this update will not have any material impact on its financial statements.

In November 2016 the FASB issued the ASU 2016-18 – Restricted cash. This ASU requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years and is required to be applied retrospectively. Early adoption is permitted, including adoption in an interim period. The implementation of this update affects the presentation in the statement of cash flows as currently changes in restricted cash are included within investing activities and has no impact on the Partnership's balance sheet and statement of comprehensive income. The Partnership has not elected early adoption.

In August 2016, the FASB issued the ASU 2016-15 – classification of certain cash payments and cash receipts. This ASU addresses certain cash flow issues with the objective of reducing the existing diversity in practice. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted, including adoption in an interim period. It must be applied retrospectively to all periods presented but may be applied prospectively from the earliest date practicable, if retrospective application would be impracticable. The Partnership evaluated the impact of this ASU on its financial statements and determined that there is no impact as the classification of the related cash payments and cash receipts has always been reported as described in the ASU.

In March 2016, the FASB issued the ASU No 2016-09, Stock Compensation, which is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance was effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. During 2017 the Partnership adopted this ASU with no material impact on its financial statements.

In February 2016, the FASB issued the ASU 2016-02, Leases (Topic 842). The main provision of this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. Accounting by lessors will remain largely unchanged from current U.S. GAAP but require the lessors to separate lease and non-lease components. The requirements of this standard include an increase in required disclosures. The Partnership expects that its time charter arrangements will be subject to the requirements of the new Leases standard as the Partnership will be regarded as the lessor. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after the date of initial application, with an option to use certain transition relief. This update is effective for public entities with reporting periods beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted. The Partnership is currently evaluating the impact, if any, of the adoption of this new standard and will evaluate any amendments that may be issued.

In July 2015, the FASB issued the ASU 2015-11, Simplifying the Measurement of Inventory to simplify the measurement of inventory using first-in, first out (FIFO) or average cost method. According to this ASU an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices less reasonably predictable costs of completion, disposal and transportation. This update was effective for public entities with reporting periods beginning after December 15, 2016 and early adoption was permitted. During 2017 the Partnership adopted this ASU with no material impact on its financial statements.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**2. Significant Accounting Policies – Continued**

**(q) Recent Accounting Pronouncements – Continued**

On May 28, 2014, the FASB issued the ASU No 2014-09 Revenue from Contracts with Customers. ASU 2014-09, as amended, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Partnership adopted this ASU for the reporting period commencing on January 1, 2018. The Partnership elected to use the modified retrospective transition method for the implementation of this standard. As a result of the adoption of this standard revenues generated under voyage charter agreements will be recognized on a pro-rata basis from the date of loading to discharge of cargo. Prior to the adoption of this standard, revenues generated under voyage charter agreements were recognized on a pro-rata basis over the period of the voyage which was deemed to commence upon the later of the completion of discharge of the vessel's previous cargo or upon vessel's arrival to the agreed upon port, and deemed to end upon the completion of discharge of the delivered cargo. The financial impact on the Partnership's financial statements will derive from voyage charters which do not commence and end in the same reporting period due to the timing of recognition of revenue, as well as the timing of recognition of certain voyage related costs. As voyage charters represent 5.8% of the Partnership's revenues for the year ended December 31, 2017, and only three vessels of the Partnership had voyage charters that were in progress as of December 31, 2017, we expect the effect of implementation to be insignificant.

**3. Acquisition of Filonikis Product Carrier S.A. (M/T Amor)**

On October 24, 2016, following the unanimous recommendation of the conflicts committee and the unanimous approval of the board of directors, the Partnership acquired the shares of Filonikis, the owning company of the M/T Amor from CMTC for a total consideration of $16,911. The Partnership also assumed, on the acquisition date, CMTC's guarantee with respect to the outstanding balance of $15,750 of the loan that Filonikis had entered into and was arranged by CMTC (Note 7). The vessel at the time of her acquisition by the Partnership was fixed on a two-year time charter with Cargill International S.A. ("Cargill") ending October 2017, with the option to terminate 30 days earlier, and immediately thereafter with CMTC for a two-month period time charter.

The Partnership accounted for the acquisition of Filonikis as an acquisition of a business. All assets and liabilities of Filonikis except the vessel, necessary permits, the time charter agreements and the loan, were retained by CMTC. The purchase price of the acquisition has been allocated to the identifiable assets acquired and liabilities assumed.

- ***Purchase Price***

The total purchase consideration of $16,911 was funded by $16,000 from the Partnership's cash and the issuance of 283,696 new Partnership's common units at a price of $3.21 per unit as quoted on the Nasdaq Stock Exchange on October 24, 2016 the day of the acquisition of Filonikis (Note 12).

- ***Acquisition related costs***

Acquisition related costs of $264 are included in general and administrative expenses in the Partnership's consolidated statements of comprehensive income for the year ended December 31, 2016.

- ***Purchase price allocation***

The allocation of the purchase price to acquired identifiable assets and liabilities assumed was based on their estimated fair values at the date of acquisition. The fair value allocated to each class of identifiable assets acquired and liabilities assumed of Filonikis was calculated as follows:

| | As of October 24, 2016 |
|---|---|
| Vessel | $ 31,600 |
| Above market acquired time charters | $ 1,061 |
| **Identifiable assets** | **$ 32,661** |
| Loan | $ (15,750) |
| **Net assets acquired** | **$ 16,911** |
| **Purchase price** | **$ (16,911)** |

Table of Contents

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**3. Acquisition of Filonikis Product Carrier S.A. (M/T Amor) – Continued**

- ***Purchase price allocation** - Continued*

The Partnership concluded that its measurements for the assets acquired appropriately reflect consideration of all available information that existed as of the acquisition date. The fair value of the vessel of $31,600 was quoted by independent ship brokers at the time of her acquisition by the Partnership and the fair value of the loan of $15,750 was determined to be its face value.

- ***Identifiable intangible assets***

The following table sets forth the component of the identifiable intangible asset acquired on the purchase of Filonikis which is being amortized over its duration on a straight-line basis as a reduction of revenue:

| Intangible assets | As of October 24, 2016 | Duration of time charters acquired |
|---|---|---|
| Above market acquired time charter | $ 1,061 | 1 year |

The fair value of the above market time charter acquired was determined as the difference between the time charter rate at which the vessel was fixed and the market rate for comparable charters as provided by independent ship brokers on the business combination date discounted at a WACC of approximately 7.5%.

Total revenues and net income of Filonikis since its acquisition by the Partnership were $980 and $222 respectively and are included in the Partnership's consolidated statement of comprehensive income for the year ended December 31, 2016.

- ***Unaudited Pro Forma Financial Information***

The supplemental pro forma financial information was prepared using the acquisition method of accounting and is based on the following:

- The Partnership's actual results of operations for the years ended December 31, 2016 and 2015
- Pro forma results of operations of Filonikis for the period from the vessel's delivery from the shipyard on September 30, 2015 (vessel inception) to December 31, 2015 and from January 1, 2016 to October 24, 2016 as if the vessel was operating under post acquisition revenue and cost structure.

The combined results do not purport to be indicative of the results of the operations which would have resulted had the acquisition been effected at beginning of the applicable period noted above, or the future results of operations of the combined entity.

The following table summarizes total net revenues; net income and net income per common unit of the combined entity had the acquisition of Filonikis occurred on September 30, 2015 (vessel inception):

| | For the year ended December 31, 2016 | 2015 |
|---|---|---|
| Total revenues | $ 245,825 | $ 221,638 |
| **Partnership's net income** | $ 53,677 | $ 55,430 |
| Preferred unit holders' interest in Partnership's net income | $ 11,101 | $ 11,334 |
| General Partner's interest in Partnership's net income | $ 850 | $ 881 |
| **Common unit holders interest in Partnership's net income** | $ 41,726 | $ 43,215 |
| **Net income per common unit basic and diluted** | $ 0.35 | $ 0.38 |

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**4. Transactions with Related Parties**

The Partnership and its subsidiaries have related party transactions with CMTC which is a related party unit holder. The Partnership and its subsidiaries have also related party transactions with the Manager, arising from certain terms of the following three different types of management agreements.

1. ***Fixed fee management agreement:*** At the time of the completion of its Initial Public Offering ("IPO"), the Partnership entered into an agreement with its Manager, according to which the Manager provides the Partnership with certain commercial and technical management services for a fixed daily fee per managed vessel which covers the commercial and technical management services, the respective vessels' operating costs such as crewing, repairs and maintenance, insurance, stores, spares, and lubricants as well as the cost of the first special survey or next scheduled dry-docking, of each vessel. In addition to the fixed daily fees payable under the management agreement, the Manager is entitled to supplementary compensation for additional fees and costs (as defined in the agreement) of any direct and indirect additional expenses it reasonably incurs in providing these services, which may vary from time to time. For the years ended December 31, 2017, 2016 and 2015 management fees under the fixed fee management agreement amounted to $488, $981 and $3,221, respectively. The Partnership also pays a fixed daily fee per bareboat chartered vessel in its fleet, mainly to cover compliance and commercial costs, which include those costs incurred by the Manager to remain in compliance with the oil majors' requirements, including vetting requirements;

2. ***Floating fee management agreement:*** On June 9, 2011, the Partnership entered into an agreement with its Manager based on actual expenses per managed vessel. Under the terms of this agreement, the Partnership compensates its Manager for expenses and liabilities incurred on the Partnership's behalf while providing the agreed services, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating costs. Costs and expenses associated with a managed vessel's next scheduled dry docking are borne by the Partnership and not by the Manager. The Partnership also pays its Manager a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index. For the years ended December 31, 2017, 2016 and 2015 management fees under the floating fee management agreement amounted to $10,100, $8,865 and $7,477, respectively; and

3. ***Crude management agreement:*** On September 30, 2011, the Partnership completed the acquisition of Crude Carriers Corp. and its subsidiaries ("Crude"). Three of the five crude tanker vessels that the Partnership acquired at the time of the completion of the merger with Crude continue to be managed under a management agreement entered into in March 2010 with the Manager, whose initial term expires on December 31, 2020. Under the terms of this agreement the Partnership compensates the Manager for all of its expenses and liabilities incurred on the Partnership's behalf while providing the agreed services, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating and administrative costs. For the years ended December 31, 2017, 2016 and 2015 management fees under the crude management agreement amounted to $1,041, $1,020 and $1,010, respectively. Prior to January 1, 2017 the Partnership paid its Manager the following fees:

   (a) a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index;

   (b) a sale & purchase fee equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of a vessel acquired/disposed by Crude; and

   (c) a commercial services fee equal to 1.25% of all gross charter revenues generated by each vessel for commercial services rendered.

   Effective from January 1, 2017 the Manager agreed to waive going forward (i) the sale and purchase fee equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of the three vessels and (ii) the commercial services fee equal to 1.25% of all gross charter revenues generated by each of the three vessels for commercial services rendered. For the years ended December 31, 2016 and 2015, such commercial services amounted to $360 and $411, respectively, and are included in "Voyage expenses – related party" in the accompanying consolidated statements of comprehensive income.

   The Manager has the right to terminate the Crude management agreement and, under certain circumstances, could receive substantial sums in connection with such termination. In March 2017 this termination fee was adjusted to $10,124 from $9,858.

All the above three agreements constitute the "Management Agreements" and the related management fees are included in "Vessel operating expenses – related party" in the accompanying consolidated statements of comprehensive income.

Table of Contents

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**4. Transactions with Related Parties – Continued**

On April 4, 2007, the Partnership entered into an administrative services agreement with the Manager, pursuant to which the Manager has agreed to provide certain administrative management services to the Partnership such as accounting, auditing, legal, insurance, IT, clerical, and other administrative services. Also the Partnership reimburses the Manager and its general partner, Capital GP L.L.C. (the "CGP") for reasonable costs and expenses incurred in connection with the provision of these services after the Manager submits to the Partnership an invoice for such costs and expenses, together with any supporting detail that may be reasonably required. These expenses are included in general and administrative expenses in the consolidated statements of comprehensive income. In January 2016, the Partnership amended the executive services agreement with CGP according to which CGP provides certain executive officers services for the management of the Partnership's business as well as investor relation and corporate support services to the Partnership. For the years ended December 31, 2017, 2016 and 2015 such fees amounted to $1,688, $1,688 and $1,624, respectively, and are included in "General and administrative expenses" in the consolidated statements of comprehensive income.

Balances and transactions with related parties consisted of the following:

| Consolidated Balance Sheets | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| **Liabilities:** | | |
| Manager – payments on behalf of the Partnership (a) | $ 13,218 | $ 15,126 |
| Management fee payable to CSM (b) | 1,016 | 969 |
| **Due to related parties** | **$ 14,234** | **$ 16,095** |
| Deferred revenue – current (e) | 2,829 | 2,925 |
| **Total liabilities** | **$ 17,063** | **$ 19,020** |

| Consolidated Statements of Income | For the year ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Revenues (c) | $44,653 | $36,026 | $63,731 |
| Voyage expenses | — | 360 | 411 |
| Vessel operating expenses | 11,629 | 10,866 | 11,708 |
| General and administrative expenses (d) | 1,983 | 2,076 | 2,569 |

***(a) Manager—Payments on Behalf of the Partnership:*** This line item represents the amount outstanding for payments for operating and voyage expenses made by the Manager on behalf of the Partnership and its subsidiaries.

***(b) Management fee payable to CSM*** : The amount outstanding as of December 31, 2017 and 2016 represents the management fee payable to CSM as a result of the Management Agreements the Partnership entered into with the Manager.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**4. Transactions with Related Parties – Continued**

***(c) Revenues:*** The following table includes information regarding the charter agreements that were in place between the Partnership and CMTC and its subsidiaries during 2017 and 2016.

| Vessel Name | Time Charter (TC) in years | Commencement of Charter | Termination or earliest expected redelivery | Gross (Net) Daily Hire Rate |
|---|---|---|---|---|
| M/T Agisilaos | 1.0 | 09/2015 | 06/2016 | $14.5 ($14.3) |
| M/T Arionas | 1.2 | 12/2014 | 01/2016 | $15.0 ($14.8) |
| M/T Arionas | 1.0 | 01/2017 | 02/2018 | $11.0 ($10.9) |
| M/T Amore Mio II | 0.9 | 08/2016 | 09/2017 | $21.0 ($20.7) |
| M/T Akeraios | 2.0 | 03/2015 | 04/2016 | $15.6 ($15.4) |
| M/T Apostolos | 2.0 | 04/2015 | 01/2016 | $15.6 ($15.4) |
| M/T Anemos I | 1.0 | 06/2015 | 01/2016 | $17.3 ($17.0) |
| M/T Aristotelis | 1.1 to 1.3 | 12/2015 | 12/2016 | $19.0 ($18.8) |
| M/T Aristotelis | 1.0 | 01/2017 | 02/2018 | $13.8 ($13.6) |
| M/T Ayrton II | 2.0 | 02/2016 | 02/2018 | $18.0 ($17.8) |
| M/T Miltiadis M II | 0.6 | 09/2015 | 05/2016 | $35.0 ($34.6) |
| M/T Miltiadis M II | 0.9 | 08/2016 | 08/2017 | $25.0 ($24.7) |
| M/T Miltiadis M II | 0.8 to 1.0 | 10/2017 | 08/2018 | $18.0 ($18.0) |
| M/T Amadeus | 2.0 | 06/2015 | 08/2017 | $17.0 ($16.8) |
| M/T Atlantas II | 1.0 | 10/2016 | 12/2017 | $13.0 ($12.8) |
| M/T Amoureux | 1.0 | 04/2017 | 03/2018 | $22.0 ($22.0) |
| M/T Aktoras | 0.8 to 1.0 | 09/2017 | 01/2018 | $11.0 ($10.9) |
| M/T Aiolos | 0.8 to 1.0 | 09/2017 | 07/2018 | $11.0 ($10.9) |
| M/T Amor | 0.2 | 09/2017 | 01/2018 | $14.0 ($13.8) |

***(d) General and administrative expenses:*** This line item mainly includes fees relating to internal audit, investor relations and consultancy fees.

***(e) Deferred Revenue:*** As of December 31, 2017 and 2016 the Partnership had received cash in advance for charter hire relating to revenue earned in a subsequent period from CMTC.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**5. Fixed assets and assets held for sale**

**(a) Advances for vessels under construction – related party**

An analysis of advances for vessels under construction – related party is as follows:

| | Advances for vessels under construction – related party |
|---|---|
| **Balance as at December 31, 2015** | **$ 18,172** |
| Additions | — |
| Transfer to vessels | (18,172) |
| **Balance as at December 31, 2016** | **$ —** |

On July 24, 2014, the Partnership entered into a Master Agreement with CMTC to acquire five companies that owned five vessels under construction (the "new-buildings") with attached time charters, subject to the amendment of the partnership agreement to reset the target distributions to holders of the Incentive Distribution Rights (the "IDRs") (Note 12). As the reset of the IDRs was a pre-condition for the acquisition of the vessels, the amount of $36,417, representing the difference between the fair value of $347,917 of the respective new-buildings at the time of the approval of this transaction in August 2014 at the Partnership's annual general meeting and the contractual cash consideration of $311,500, was considered to be the deemed equity contribution and thus the fair value of the reset of the IDRs. The fair value of the new-buildings amounting to $347,917 was based on the average of three valuations obtained from three independent shipbrokers.

Two of these five vessels are 50,000 DWT product carriers and the remaining three are 9,100 Twenty Feet Equivalent Units ("TEU") post-panamax container carriers.

During 2015 the Partnership acquired from CMTC the shares of four out of the five vessel owning companies. As a result, as of December 31, 2015, the amount of $18,172 consisted of advances totalling $7,921 that the Partnership paid to CMTC for the acquisition of the remaining vessel owning company and the fair value from the reset of the IDRs of $10,251 which was attributable to this vessel, and is presented as "Advances for vessels under construction–related party" in the Partnership's consolidated balance sheet as of December 31, 2015. On February 26, 2016 the Partnership acquired the company owning the M/V CMA CGM Magdalena, which was the last out of the five vessel owning companies the Partnership agreed to acquire from CMTC according to the terms of the Master Agreement. As a result there were no "Advances for vessels under construction–related party" as of December 31, 2016.

**(b) Vessels, net**

An analysis of vessels is as follows:

| | Vessel Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| **Balance as at January 1, 2016** | **$1,653,727** | **$ (338,242)** | **$ 1,315,485** |
| Acquisitions and improvements | 103,790 | — | 103,790 |
| Transfer from Advances for vessels under construction-related party | 18,172 | — | 18,172 |
| Depreciation for the period | — | (69,716) | (69,716) |
| **Balance as at December 31, 2016** | **$1,775,689** | **$ (407,958)** | **$ 1,367,731** |
| Acquisitions and improvements | 967 | — | 967 |
| Depreciation for the period | — | (71,358) | (71,358) |
| Impairment of vessel | (3,282) | — | (3,282) |
| Classification as asset held for sale | (34,859) | 5,997 | (28,862) |
| **Balance as at December 31, 2017** | **$1,738,515** | **$ (473,319)** | **$ 1,265,196** |

All of the Partnership's vessels as of December 31, 2017 have been provided as collateral to secure the Partnership's credit facilities.

On October 24, 2016, the Partnership acquired the shares of the company owning the M/T Amor (Note 3). The Partnership accounted for this acquisition as an acquisition of business based on the existence of an integrated set of activities (inputs and processes that generate outputs). The vessel was recorded in the Partnership's financial statements at its fair value of $31,600 as quoted by independent ship brokers at the time of its acquisition by the Partnership.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**5. Fixed assets and assets held for sale – Continued**

**(b) Vessels, net - Continued**

On February 26, 2016, the Partnership acquired the shares of the company owning the M/V CMA CGM Magdalena for a total consideration of $81,500 which was funded by loan drawdown of $35,000 from the Partnership's 2013 credit facility (Note 7) and the remaining balance of $46,500 by the Partnership's cash. The Partnership accounted for this transaction as acquisition of an asset based on the absence of processes attached to the inputs. Other than the new-building and the attached time charter, no other inputs and no processes were acquired. The Partnership considered whether any value should be assigned to the attached charter party agreement acquired and concluded that the contracted daily charter rate was above the market rates on the transaction completion date and therefore, the total cost of $91,751, which comprised the purchase consideration of $81,500 and the fair value from the reset of the IDRs of $10,251,which was attributable to this vessel (Note 5a), was allocated to the vessel cost and the above market acquired charter. Thus the vessel was recorded in the Partnership's financial statements at a cost of $88,545 and the above market acquired charter at a cost of $3,206 (Note 6).

During 2017, the M/V Agamemnon, the M/T Amore Mio II, the M/T Miltiadis M II, the M/T Ayrton II, the M/T Axios, the M/T Arionas, the M/T Avax, the M/T Assos, the M/T Amoureux and the M/T Atrotos underwent improvements. The costs of these improvements amounted to $967 and were capitalized as part of the vessels' cost.

During 2016, the M/T Alkiviadis, the M/V Archimidis, the M/T Anemos I, the M/T Amore Mio II, the M/T Miltiadis M II and the M/T Arionas underwent improvements. The costs of these improvements amounted to $1,817 and were capitalized as part of the vessels' cost.

**(c) Assets held for sale**

An analysis of assets held for sale is as follows:

| | Assets held for sale |
|---|---|
| **Balance as at January 1, 2016** | — |
| Vessel held for sale | 28,862 |
| Inventories | 165 |
| **Balance as at December 31, 2017** | **29,027** |

On December 22, 2017 the Partnership entered into a Memorandum of Agreement (the "Agreement") with an unrelated party for the disposal of the M/T Aristotelis at a price of $29,400. The Partnership decided to enter into this Agreement after receiving the Buyer's purchase enquiry which was opportunistic in nature. Under this agreement the vessel can be delivered to its Buyer by latest March 11, 2018. Upon entering the agreement the Partnership considered that M/T Aristotelis met the criteria to be classified as held for sale, as described in note 2(i), and measured the vessel at the lower of its carrying amount and fair value less the cost associated with the sale. In this respect, the Partnership recognized an impairment charge of $3,282 in its consolidated statement of comprehensive income for the year ended December 31, 2017. No assets were classified as held for sale as of December 31, 2016.

**6. Above market acquired charters**

On October 24, 2016 the Partnership acquired the shares of the company owning the M/T Amor from CMTC with outstanding time charters to Cargill and CMTC. The time charter with Cargill was above the market rate for equivalent time charters prevailing at the time of acquisition. The present value of the above market acquired time charter was estimated by the Partnership at $1,061 and recorded as an asset in the consolidated balance sheet as of the acquisition date (Note 3). The time charter with CMTC was equal to the market rate for equivalent time charters prevailing at the time of acquisition.

On February 26, 2016 the Partnership acquired the shares of the company owning the M/V CMA CGM Magdalena from CMTC with outstanding time charter to CMA-CGM S.A., which was above the market rate for equivalent time charters prevailing at the time of acquisition. The present value of the above market acquired time charter of $3,206 was determined as the difference between the time charter rate at which the vessel was fixed at and the market rate for comparable charters as provided by independent third parties on the acquisition date discounted at a WACC of approximately 7.5% and was recorded as an asset in the consolidated balance sheet as of the acquisition date.

For the years ended December 31, 2017, 2016 and 2015 revenues included a reduction of $15,208, $14,542 and $14,864 as amortization of the above market acquired charters, respectively.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**6. Above market acquired charters – Continued**

An analysis of above market acquired charters is as follows:

| Above market acquired charters | Book Value |
|---|---|
| **Carrying amount as at January 1, 2016** | **$ 100,518** |
| Acquisitions | $ 4,267 |
| Amortization | $ (14,542) |
| **Carrying amount as at December 31, 2016** | **$ 90,243** |
| Amortization | $ (15,208) |
| **Carrying amount as at December 31, 2017** | **$ 75,035** |

As of December 31, 2017 the remaining carrying amount of unamortized above market acquired time charters was $75,035 and will be amortized in future years as follows:

| For the twelve month period ended December 31, | Amount |
|---|---|
| 2018 | $14,381 |
| 2019 | $14,381 |
| 2020 | $11,695 |
| 2021 | $ 8,418 |
| 2022 | $ 8,372 |
| Thereafter | $17,788 |
| **Total** | **$75,035** |

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**7. Long-Term Debt**

Long-term debt consists of the following:

| | Bank loans | As of December 31, 2017 | As of December 31, 2016 | Margin |
|---|---|---|---|---|
| (i) | Issued in September 2017 maturing in October 2023 (the "2017 credit facility") | 460,000 | — | 3.25% |
| (ii) | Assumed in October 2016 maturing in November 2022 (the "2015 credit facility") | 15,750 | 15,750 | 2.50% |
| (iii) | Issued in March 2007 repaid in October 2017 (the "2007 credit facility") | — | 185,975 | 3.00% |
| (iv) | Issued in March 2008 repaid in October 2017 (the "2008 credit facility") | — | 181,641 | 3.00% |
| (v) | Issued in June 2011 fully repaid in October 2017 (the "2011 credit facility") | — | 14,000 | 3.25% |
| (vi) | Issued in September 2013 repaid in October 2017 (the "2013 credit facility") | — | 207,646 | 3.50% |
| | **Total long-term debt** | **$ 475,750** | **$ 605,012** | |
| | Less: Deferred loan issuance costs | 6,635 | 2,825 | |
| | Less: loan associated with vessel held for sale | 14,781 | — | |
| | **Total long-term debt, net** | **$ 454,334** | **$ 602,187** | |
| | Less: Current portion of long-term debt | 52,057 | 40,534 | |
| | Add: Current portion of deferred loan issuance costs | 1,543 | 966 | |
| | **Long-term debt, net** | **$ 403,820** | **$ 562,619** | |

On September 6, 2017, the Partnership entered into a new senior secured term loan facility for an aggregate principal amount of up to $460,000 with a syndicate of lenders led by HSH Nordbank AG and ING Bank N.V. On October 2, 2017, the Partnership fully repaid $14,000 outstanding under its 2011 credit facility, through available cash. On October 4, 2017, the Partnership fully repaid total indebtedness of $102,246 and the then outstanding indebtedness of the 2007 credit facility, the 2008 credit facility and the 2013 credit facility amounting to $460,000 was replaced by the 2017 credit facility. The 2017 credit facility is comprised of two tranches. Tranche A amounts to $259,000, is secured by 11 of the Partnership's vessels and is required to be repaid in 24 equal quarterly instalments of $4,833 in addition to a balloon instalment of $143,008, which is payable together with the final quarterly instalment in the fourth quarter of 2023. Tranche B amounts to $201,000, is secured by 24 of the Partnership's vessels and is required to be repaid fully in 24 equal quarterly instalments of $8,375. The Partnership started paying quarterly instalments under both tranches A and B on January 4, 2018. The loans drawn under the 2017 credit facility bear interest at LIBOR plus a margin of 3.25%.

During 2017, the Partnership classified the M/T Aristotelis as vessel held for sale (Note 5c). As of December 31, 2017, the part of the Tranche A of the 2017 credit facility which was associated with this vessel amounted to $14,781, is expected to be repaid in March 2018, and is presented as "Liability associated with vessel held for sale" in the accompanying consolidated balance sheet.

On October 24, 2016, upon the completion of the acquisition of the shares of the company owning the M/T Amor (Notes 3, 5), the Partnership assumed CMTC's guarantee with respect to the outstanding balance of $15,750 under the term loan that was entered into on November 19, 2015 with ING Bank N.V. The term loan is payable in 17 consecutive equal quarterly instalments starting two years after the vessel's acquisition plus a balloon payment with expected maturity date in November 2022. The term loan bears interest at LIBOR plus a margin of 2.50%.

On February 23, 2016, the Partnership drew the amount of $35,000 from its 2013 credit facility in order to partly finance the acquisition of the shares of the company owning the M/V CMA CGM Magdalena (Note 5).

During 2017 and 2016, the Partnership repaid the amount of $13,016 and $17,354, respectively, in line with the amortization schedule of its 2013 credit facility.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**7. Long-Term Debt – Continued**

The Partnership's credit facilities contain customary ship finance covenants, including restrictions as to changes in management and ownership of the mortgaged vessels, the incurrence of additional indebtedness and the mortgaging of vessels and requirements such as, the ratio of EBITDA to Net Interest Expenses to be no less than 2:1, a minimum cash requirement of $500 per vessel, the ratio of net Total Indebtedness to the Total Assets of the Partnership adjusted for the Market Value of the fleet not to exceed 0.75:1 for the 2017 credit facility and the ratio of net Total Indebtedness to the aggregate Market Value of the fleet not to exceed 0.725:1 for the 2015 credit facility. As of December 31, 2017 and 2016, restricted cash amounted to $18,000 for each year and is presented under other non-current assets. The credit facilities also contain a collateral maintenance requirement under which the aggregate fair market value of the collateral vessels should not be less than 125% for the 2017 credit facility and 120% for the 2015 credit facility, of the aggregate outstanding amount under these facilities. Also the vessel-owning companies may pay dividends or make distributions when no event of default has occurred and the payment of such dividend or distribution has not resulted in a breach of any of the financial covenants. As of December 31, 2017 and 2016 the Partnership was in compliance with all financial covenants.

The credit facilities have a general assignment of the earnings, insurances and requisition compensation of the respective collateral vessel or vessels. Each also requires additional security, such as pledge and charge on current accounts and mortgage interest insurance.

As of December 31, 2017 there were no undrawn amounts under the Partnership's credit facilities.

For the years ended December 31, 2017, 2016 and 2015, the Partnership recorded interest expense of $24,782, $22,674 and $17,856 respectively which is included in "Interest expense and finance cost" in the consolidated statements of comprehensive income. For the years ended December 31, 2017 and 2016 the weighted average interest rate of the Partnership's loan facilities was 4.29% and 3.73% respectively.

The required annual loan payments to be made subsequent to December 31, 2017 are as follows:

| | 2017 Credit Facility (i) | 2015 Credit Facility (ii) | Total |
|---|---|---|---|
| 2018 | $ 66,510 | $ 328 | $ 66,838 |
| 2019 | 51,729 | 1,313 | 53,042 |
| 2020 | 51,729 | 1,313 | 53,042 |
| 2021 | 51,729 | 1,313 | 53,042 |
| 2022 | 51,729 | 11,483 | 63,212 |
| Thereafter | 186,574 | — | 186,574 |
| **Total** | **$ 460,000** | **$ 15,750** | **$475,750** |

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

## 8. Financial Instruments

### (a) Fair value of financial instruments

The Partnership follows the accounting guidance for financial instruments that establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Inputs are unobservable inputs for the asset or liability.

The carrying value of cash and cash equivalents and restricted cash, which are considered Level 1 items as they represent liquid assets with short-term maturities, trade receivables, amounts due from related parties and due to related parties, trade accounts payable and accrued liabilities approximates their fair value. The fair values of long-term variable rate bank loans approximate the recorded values, due to their variable interest being the LIBOR and due to the fact the lenders have the ability to pass on their funding cost to the Partnership under certain circumstances, which reflects their current assessed risk. We believe the terms of our loans are similar to those that could be procured as of December 31, 2017. LIBOR rates are observable at commonly quoted intervals for the full terms of the loans and hence bank loans are considered Level 2 items in accordance with the fair value hierarchy.

The following table summarizes the valuation of the Company's assets measured at fair value on a non-recurring basis as of December 31, 2017:

| | Items Measured at Fair Value on a Nonrecurring Basis - Fair Value Measurements | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical assets | Significant other observable inputs | Unobservable Inputs | |
| **Non – Recurring Measurements:** | **Level 1** | **Level 2** | **Level 3** | **Loss** |
| Long-lived assets classified as held for sale | $ — | $ 29,400 | $ — | $3,282 |

As of December 22, 2017 the vessel M/T Aristotelis with a carrying amount of $32,144, was classified as vessel held for sale and written down to its fair value of $29,400, less estimated costs to sell, resulting in a loss of $3,282 (Note 5c), which was included in the accompanying consolidated statements of comprehensive income under impairment of vessel. The fair value of M/T Aristotelis was based on its transaction price, as the sale price was agreed with an unaffiliated third party hence it is considered level 2.

### (b) Concentration of credit risk

Financial instruments which potentially subject the Partnership to significant concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable. The Partnership places its cash and cash equivalents, consisting mostly of deposits, with creditworthy financial institutions rated by qualified rating agencies. A limited number of financial institutions hold the Partnership's cash. Most of the Partnership's revenues were derived from a few charterers. For the year ended December 31, 2017 Petroleo Brasileiro S.A. ("Petrobras"), CMTC, Hyundai Merchant Marine Co Ltd ("HMM") and CMA CGM accounted for 19%, 18%, 18% and 17% of the Partnership's total revenue, respectively. For the year ended December 31, 2016 HMM, Petrobras, CMA CGM and CMTC accounted for 19%, 18%, 17% and 15% of the Partnership's total revenue, respectively. For the year ended December 31, 2015 CMTC and HMM accounted for 29% and 21% of the Partnership's total revenue, respectively.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

## 9. Accrued Liabilities

Accrued liabilities consist of the following:

| | As of December 31, 2017 | 2016 |
|---|---|---|
| Accrued loan interest and loan fees | $ 5,221 | $ 114 |
| Accrued operating expenses | 5,199 | 4,360 |
| Accrued voyage expenses and commissions | 3,521 | 2,453 |
| Accrued general and administrative expenses | 1,170 | 934 |
| **Total** | **$15,111** | **$7,861** |

## 10. Voyage Expenses and Vessel Operating Expenses

Voyage expenses and vessel operating expenses consist of the following:

| | For the years ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| **Voyage expenses:** | | | |
| Commissions | $ 4,440 | $ 4,816 | $ 4,421 |
| Bunkers | 4,726 | 2,601 | 1,753 |
| Port expenses | 3,593 | 892 | 259 |
| Other | 2,406 | 1,971 | 457 |
| **Total** | **$15,165** | **$10,280** | **$ 6,890** |
| **Vessel operating expenses:** | | | |
| Crew costs and related costs | $43,699 | $37,342 | $31,788 |
| Insurance expense | 5,035 | 5,772 | 5,004 |
| Spares, repairs, maintenance and other expenses | 12,731 | 11,688 | 11,521 |
| Stores and lubricants | 7,937 | 8,203 | 7,790 |
| Management fees (Note 4) | 11,491 | 10,661 | 11,219 |
| Vetting, insurances, spares and repairs (Note 4) | 138 | 205 | 489 |
| Other operating expenses | 5,114 | 3,632 | 2,522 |
| **Total** | **$86,145** | **$77,503** | **$70,333** |

## 11. Income Taxes

Under the laws of the Marshall Islands and Liberia, the country in which the vessel-owning subsidiaries were incorporated, these companies are not subject to tax on international shipping income. However, they are subject to registration and tonnage taxes in the country in which the vessels are registered and managed from, which have been included in vessel operating expenses in the accompanying consolidated statements of comprehensive income.

Pursuant to Section 883 of the United States Internal Revenue Code (the “Code”) and the regulations thereunder, a foreign corporation engaged in the international operation of ships is generally exempt from U.S. federal income tax on its U.S.-source shipping income if the foreign corporation meets both of the following requirements: (a) the foreign corporation is organized in a foreign country that grants an “equivalent exemption” to corporations organized in the United States for the types of shipping income (e.g., voyage, time, bareboat charter) earned by the foreign corporation and (b) more than 50% of the voting power and value of the foreign corporation’s stock is “primarily and regularly traded on an established securities market” in the United States and certain other requirements are satisfied (the “Publicly-Traded Test”).

The jurisdictions where the Partnership’s vessel-owning subsidiaries are incorporated each grants an “equivalent exemption” to United States corporations with respect to each type of shipping income earned by the Partnership’s vessel-owning subsidiaries. Additionally, our units are only traded on the Nasdaq Global Market, which is considered to be established securities market. The Partnership has satisfied the Publicly-Traded Test for the years ended December 31, 2017, 2016 and 2015 and the ship-owning subsidiaries are exempt from United States federal income taxation with respect to U.S.-source shipping income.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**12. Partners' Capital**

***General:*** The partnership agreement requires that within 45 days after the end of each quarter, beginning with the quarter ending June 30, 2007, all of the Partnership's available cash will be distributed to unitholders.

***Definition of Available Cash:*** Available Cash, for each fiscal quarter, consists of all cash on hand at the end of the quarter:

- less the amount of cash reserves established by our board of directors to:
  - provide for the proper conduct of the Partnership's business (including reserves for future capital expenditures and for our anticipated credit needs);
  - comply with applicable law, any of the Partnership's debt instruments, or other agreements; or
  - provide funds for distributions to the Partnership's unitholders and to the general partner for any one or more of the next four quarters;
- plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Working capital borrowings are generally borrowings that are made under our credit agreements and in all cases are used solely for working capital purposes or to pay distributions to partners subject to certain exceptions set forth in the limited partnership agreement.

***General Partner Interest and IDRs:*** The general partner has a 1.71% interest in the Partnership and holds the IDRs. In accordance with Section 5.2(b) of the partnership agreement, upon the issuance of additional units by the Partnership, the general partner may elect to make a contribution to the Partnership to maintain its general partner interest.

IDRs represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. The Partnership's general partner as of December 31, 2017, 2016 and 2015 holds the IDRs.

According to the partnership agreement, as amended in 2014, the following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders and general partner up to the various target distribution levels. The amounts set forth under "Marginal Percentage Interest in Distributions" are the percentage interests of the unitholders and general partner in any available cash from operating surplus that is being distributed up to and including the corresponding amount in the column "Total Quarterly Distribution Target Amount per Unit," until available cash from operating surplus the Partnership distributes reaches the next target distribution level, if any. The percentage interests shown for the unitholders and general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests shown below assume that the Partnership's general partner maintains a 2% general partner interest and that it has not transferred its incentive distribution rights.

| | Total Quarterly Distribution Target Amount per Unit | Marginal Percentage Interest in Distributions | |
|---|---|---|---|
| | | Unitholders | General Partner |
| Minimum Quarterly Distribution | $0.2325 | 98% | 2% |
| First Target Distribution | up to $0.2425 | 98% | 2% |
| Second Target Distribution | above $0.2425 up to $0.2675 | 85% | 15% |
| Third Target Distribution | above $0.2675 up to $0.2925 | 75% | 25% |
| Thereafter | above $0.2925 | 65% | 35% |

Following the 2014's annual general meeting, CMTC unilaterally notified the Partnership that it has decided to waive its rights to receive quarterly incentive distributions between $0.2425 and $0.25. This waiver effectively increases the First Threshold and the lower band of the Second Threshold (as referenced in the table above) from $0.2425 to $0.25.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**12. Partners' Capital – Continued**

***Distributions of Available Cash from Operating Surplus:*** Our partnership agreement requires that we will make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

- first, 98% to all unitholders, pro rata, and 2.0% to our general partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and
- thereafter, in the manner described in the above table.

***Class B Convertible Preferred Units***

During 2012 and 2013 the Partnership issued in total 24,655,554 Class B Convertible Preferred Units to a group of investors including CMTC according to two separate Class B Convertible Preferred Unit Subscription Agreements (the "Agreements") that the Partnership had entered with this group of investors in 2012 and 2013. The holders of the Class B Convertible Preferred Units have the right to convert all or a portion of such Class B Convertible Preferred Units at any time into Common Units at the conversion price of $9 per Class B Convertible Preferred Unit and a conversion rate of one Common Unit per one Class B Convertible Preferred Unit. The Conversion Ratio and the Conversion Price shall be adjusted upon the occurrence of certain events described in the limited partnership agreement. Commencing on May 23, 2015, in the event the 30-day volume-weighted average trading price ("VWAP") and the daily VWAP of the Common Units on the National Securities Exchange on which the Common Units are listed or admitted to trading exceeds 130% of the then applicable Conversion Price for at least 20 Trading Days out of the 30 consecutive Trading Day period used to calculate the 30-day VWAP (the "Partnership Mandatory Conversion Event") the Partnership acting pursuant to direction and approval of the Conflicts Committee (following consultation with the full board of directors), shall have the right to convert the Class B Convertible Preferred Units then outstanding in whole or in part into Common Units at the then-applicable Conversion Ratio. The holders of the outstanding Class B Convertible Preferred Units as of an applicable record date shall be entitled to receive, when, as and if authorized by the Partnership's board of directors or any duly authorized committee, out of legally available funds for such purpose, (a) first, the minimum quarterly Class B Convertible Preferred Unit Distribution Rate on each Class B Convertible Preferred Unit and (b) second, any cumulative Class B Convertible Preferred Unit Arrearage then outstanding, prior to any other distributions made in respect of any other Partnership Interests pursuant to the Agreements in cash. The minimum quarterly Class B Convertible Preferred Unit Distribution Rate shall be payable quarterly which is generally expected to be February 10, May 10, August 10 and November 10, or, if any such date is not a business day, the next succeeding business day. No distribution on the Class B Convertible Preferred Units shall be authorized by the board of directors or declared or paid or set apart for payment by the Partnership at such time as the terms and provisions of any agreement of the Partnership, including any agreement relating to its indebtedness, prohibits such authorization, declaration, payment or setting apart for payment or provides that such authorization, declaration, payment or setting apart for payment would constitute a breach thereof, or a default thereunder, or if such authorization, declaration, payment or setting apart for payment shall be restricted or prohibited by law. The foregoing distributions with respect to the Class B Convertible Preferred Units shall accumulate as of the Class B Convertible Preferred Unit distribution payment date on which they first become payable whether or not any of the foregoing restrictions exist, whether or not there is sufficient Available Cash for the payment thereof and whether or not such distributions are authorized. A cumulative Class B Convertible Preferred Unit arrearage shall not bear interest and holders of the Class B Convertible Preferred Units shall not be entitled to any distributions, whether payable in cash, property or Partnership Interests, in excess of the then cumulative Class B Convertible Preferred Unit arrearage plus the minimum quarterly Class B Convertible Preferred Unit distribution rate for such quarter. With respect to Class B Convertible Preferred Units that are converted into Common Units, the holder thereof shall not be entitled to a Class B Convertible Preferred Unit distribution and a Common Unit distribution with respect to the same period, but shall be entitled only to the distribution to be paid based upon the class of Units held as of the close of business on the record date for the distribution in respect of such period; provided, however, that the holder of a converted Class B Convertible Preferred Unit shall remain entitled to receive any accrued but unpaid distributions due with respect to such Unit on or as of the prior Class B Convertible Preferred Unit distribution payment date; and provided, further, that if the Partnership exercises the Partnership Mandatory Conversion Right to convert the Class B Convertible Preferred Units pursuant to this Agreements then the holders' rights with respect to the distribution for the Quarter in which the Partnership Mandatory Conversion Notice is received is as set forth in the limited partnership agreement.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**12. Partners' Capital – Continued**

During 2015 various holders of Class B Convertible Preferred Units including CMTC converted 1,240,404 Class B Convertible Preferred Units into common units. As a result in the Partnership's Consolidated Statements of Changes in Partners' Capital, the Partnership's Limited Partners-Preferred Unitholders decreased by $10,642 and Partnership's Limited Partners-Common Unitholders, increased by $10,642 for the year ended December 31, 2015. The conversion rate was one common unit per one Class B Convertible Preferred Unit. During 2017 and 2016 no such conversion occurred.

***Common Units***

On October 24, 2016, the Partnership issued 283,696 common units according to the terms of the share purchase agreement that the Partnership entered into with CMTC in order to partly finance the acquisition of the shares of the vessel owning company of M/T Amor (Notes 3, 5).

In September 2016, the Partnership entered into an equity distribution agreement with UBS Securities LLC ("UBS") under which the Partnership may sell, from time to time, through UBS, as its sales agent, new common units having an aggregate offering amount of up to $50,000 (the "ATM offering"). The equity distribution agreement provides that UBS, when it is acting as the Partnership's sales agent, will be entitled to compensation of up to 2% of the gross sales price of the common units sold through UBS from time to time. During 2017 the Partnership issued 5,152,059 new common units under the ATM offering resulting in net proceeds of $17,815 after the payment of commission to the sales agent, but before offering expenses. For the year ended December 31, 2017, the Partnership recognized offering expenses of $176 in connection with the ATM offering. Since the launch of the ATM offering until December 31, 2016, the Partnership issued 1,401,481 new common units resulting in net proceeds of $4,546 after the payment of commission to the sales agent, but before offering expenses. For the year ended December 31, 2016, the Partnership recognized offering expenses of $890 in connection with the ATM offering.

During 2015 CMTC converted 315,908 common units into general partner units respectively, in order for CGP to maintain its 2% interest in the Partnership. As a result in the Partnership's Consolidated Statements of Changes in Partners' Capital the Partnership's Limited Partners-Common Unitholders decreased by $2,742 and General Partner increased by $2,742 for the years ended December 31, 2015. During 2017 and 2016 CMTC did not convert any common units into general partners units.

In December 2015, the Partnership issued 850,000 common units under its Omnibus Incentive Compensation Plan (Note 13).

In April 2015, the Partnership completed successfully a follow-on equity offering of 14,555,000 common units, including 1,100,000 common units sold to CMTC and 1,755,000 common units representing the overallotment option at a net price of $9.53 per common unit, receiving proceeds of $133,327 after the deduction of the underwriters' commissions. After the deduction of expenses relating to this equity offering, the net proceeds amounted to $132,588.

As of December 31, 2017 and 2016 our partners' capital included the following units:

| | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Common units | 127,246,692 | 122,094,633 |
| General partner units | 2,439,989 | 2,439,989 |
| Preferred units | 12,983,333 | 12,983,333 |
| **Total partnership units** | **142,670,014** | **137,517,955** |

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

## 13. Omnibus Incentive Compensation Plan

On April 29, 2008, the board of directors approved the Partnership's Plan according to which the Partnership may issue a limited number of awards, not to exceed 500,000 units. The Plan was amended on July 22, 2010 increasing the aggregate number of restricted units issuable under the Plan to 800,000 which was then increased to 1,650,000 common units on August 21, 2014, at the annual general meeting of the Partnership's unit holders. The Plan is administered by the general partner as authorized by the board of directors. The persons eligible to receive awards under the Plan are officers, directors, and executive, managerial, administrative and professional employees of the Manager, or CMTC, or other eligible persons (collectively, "key persons") as the general partner, in its sole discretion, shall select based upon such factors as it deems relevant. Members of the board of directors and officers of the general partner are considered to be employees of the Partnership ("Employees") for the purposes of recognition of equity compensation expense, while employees of the Manager, CMTC and other eligible persons under the plan are not considered to be employees of the Partnership ("Non-Employees"). Awards may be made under the Plan in the form of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, unrestricted stock, restricted stock units and performance shares.

On December 23, 2015 the Partnership awarded 240,000 and 610,000 unvested units to Employees and Non-Employees, respectively. Awards granted to certain Employees and Non Employees will vest in three annual instalments. The remaining awards will vest on December 31, 2018.

All unvested units are conditional upon the grantee's continued service as Employee and/or Non-Employee until the applicable vesting date.

The unvested units accrue distributions as declared and paid which are retained by the custodian of the Plan until the vesting date at which time they are payable to the grantee. As unvested unit grantees accrue distributions on awards that are expected to vest, such distributions are charged to Partner's capital. As of December 31, 2017 the unvested units accrued $427 of distributions.

The following table contains details of our plan:

| | Employee equity compensation | | Non-Employee equity compensation | |
|---|---|---|---|---|
| Unvested Units | Units | Grant-date fair value | Units | Award-date fair value |
| **Unvested on January 1, 2016** | **240,000** | **$ 1,325** | **610,000** | **$ 3,367** |
| Vested | 33,332 | 184 | 117,500 | 374 |
| **Unvested on December 31, 2016** | **206,668** | **$ 1,141** | **492,500** | **$ 2,993** |
| Vested | 36,666 | 202 | 117,500 | 395 |
| **Unvested on December 31, 2017** | **170,002** | **$ 939** | **375,000** | **$ 2,598** |

For the years ended December 31, 2017, 2016, and 2015 the equity compensation expense that has been charged in the consolidated statements of comprehensive income was $438, $439 and $10 for the Employee awards and $718, $635 and $24 for the Non-Employee awards, respectively. This expense has been included in general and administrative expenses in the consolidated statements of comprehensive income for each respective year.

As of December 31, 2017 the total compensation cost related to non vested awards is $1,111 and is expected to be recognized over a weighted average period of one year. The Partnership uses the straight-line method to recognize the cost of the awards.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**14. Net Income Per Unit**

The general partner's and common unit holders' interests in net income are calculated as if all net income for periods subsequent to April 4, 2007, were distributed according to the terms of the partnership agreement, regardless of whether those earnings would or could be distributed. The partnership agreement does not provide for the distribution of net income; rather, it provides for the distribution of available cash (Note 12), which is a contractually-defined term that generally means all cash on hand at the end of each quarter after establishment of cash reserves determined by the Partnership's board of directors to provide for the proper resources for the Partnership's business. Unlike available cash, net income is affected by non-cash items. The Partnership follows the guidance relating to the Application of the Two-Class Method and its application to Master Limited Partnerships which considers whether the incentive distributions of a master limited partnership represent a participating security when considered in the calculation of earnings per unit under the Two-Class Method.

The Partnership also considers whether the Partnership Agreement contains any contractual limitations concerning distributions to the IDRs that would impact the amount of earnings to allocate to the IDRs for each reporting period.

Under the partnership agreement, the holder of the IDRs in the Partnership, which is currently CGP, assuming that there are no cumulative arrearages on common unit distributions, has the right to receive an increasing percentage of cash distributions (Note 12). The Partnership excluded the effect of the 12,983,333 Class B Convertible Preferred Units in calculating dilutive EPU as of December 31, 2017, 2016 and 2015, for each year as they were anti-dilutive.

As of December 31, 2017, 2016 and 2015 the Partnership excluded the effect of 545,002, 699,168 and 850,000, respectively, non-vested unit awards in calculating dilutive EPU for its common unitholders as they were anti-dilutive. The non-vested units are participating securities because they received distributions from the Partnership and these distributions do not have to be returned to the Partnership if the non-vested units are forfeited by the grantee.

The Partnership's net income for the years ended December 31, 2017, 2016 and 2015 did not exceed the First Target Distribution Level, and as a result, the assumed distribution of net income did not result in the use of increasing percentages to calculate CGP's interest in net income.

The two class method used to calculate EPU is as follows:

| BASIC AND DILUTED | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Numerators** | | | |
| Partnership's net income | **$ 38,483** | **$ 52,489** | **$ 55,410** |
| Less: | | | |
| Preferred unit holders' interest in Partnership's net income | 11,101 | 11,101 | 11,334 |
| General Partner's interest in Partnership's net income | 522 | 818 | 879 |
| Partnership's net income allocable to unvested units | 135 | 285 | 8 |
| Common unit holders' interest in Partnership's net income | **$ 26,725** | **$ 40,285** | **$ 43,189** |
| **Denominators** | | | |
| Weighted average number of common units outstanding, basic and diluted | 123,845,345 | 119,803,329 | 115,030,879 |
| **Net income per common unit:** | | | |
| **Basic and Diluted** | **$ 0.22** | **$ 0.34** | **$ 0.38** |

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

## 15. HMM charters restructuring

HMM, the charterer of five of the Partnership's vessels, namely Hyundai Prestige, Hyundai Premium, Hyundai Paramount, Hyundai Privilege and Hyundai Platinum (the "HMM Vessels"), each under time charter expiring for Hyundai Prestige in 2024 and for the remaining four vessels in 2025, experienced financial difficulties and pursued a financial restructuring involving various creditors and vessel owners.

As part of the various agreements that HMM reached with its creditors and vessel owners under its voluntary debt restructuring, the owning companies of the HMM Vessels entered into a Charter Restructuring Agreement on July 15, 2016. This agreement provides for the reduction of the gross charter rate payable under the respective charter parties by 20% to $23.5 per day from $29.4, for a three and a half year period starting in July 2016 and ending in December 2019 (the "Charter Reduction Period"). As compensation the Partnership received 4,398,910 HMM common shares on August 4, 2016, which the Partnership recognized as a "Trading asset" at the amount of $29,706 being the fair value of the shares with a corresponding "Deferred revenue, current" and "Deferred revenue" to be amortized within revenue over the remaining duration of each time charter. The shares were immediately sold on the Stock Market Division of the Korean Exchange for aggregate cash consideration of $29,706. The Charter Restructuring Agreement further provides that at the end of the Charter Reduction Period, the charter rate under the respective charter parties will be restored to the original daily rate of $29.4 until the expiry of each charter in 2024 and 2025.

## 16. Commitments and Contingencies

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Partnership's vessels. The Partnership is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

The Partnership accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, the Partnership is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the consolidated financial statements.

An estimated loss from a contingency should be accrued by a charge to expense and a liability recorded only if all of the following conditions are met:

- Information available prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statements.
- The amount of the loss can be reasonably estimated.

*(a)* ***Lease Commitments:*** Future minimum charter hire receipts, excluding any profit share revenue that may arise, based on non-cancellable long-term time and bareboat charter contracts, as of December 31, 2017 were:

| Year ended December 31, | Amount |
|---|---|
| 2018 | $156,343 |
| 2019 | 106,422 |
| 2020 | 87,617 |
| 2021 | 54,584 |
| 2022 | 53,564 |
| Thereafter | 111,647 |
| **Total** | **$570,177** |

## 17. Subsequent Events

*(a)* ***Dividends:*** On January 17, 2018, the board of directors of the Partnership declared a cash distribution of $0.08 per common unit for the fourth quarter of 2017. The fourth quarter common unit cash distribution was paid on February 13, 2018, to unit holders of record on February 2, 2018.

*(b)* ***Dividends:*** On January 17, 2018, the board of directors of the Partnership declared a cash distribution of $0.21375 per Class B unit for the fourth quarter of 2017. The cash distribution was paid on February 9, 2018, to Class B unit holders of record on February 2, 2018.

**Capital Product Partners L.P.**
**Notes to the Consolidated Financial Statements**
**(In thousands of United States Dollars)**

**17. Subsequent Events – Continued**

***(c) Acquisition of vessels:***

On January 17, 2018 the Partnership acquired the eco-type crude tanker Aristaios (113,689 dwt, Ice Class 1C, built 2017, Daehan Shipbuilding Co. Ltd., S.Korea) for a total consideration of $52,500 from CMTC. The M/T Aristaios is currently employed under a time charter to Tesoro Far East Maritime Company ('Tesoro') at a gross daily rate of $26.4. The Tesoro charter commenced in January 2017 with duration of five years +/-45 days. The Partnership financed the acquisition with $24,167 in cash and the assumption of a $28,333 term loan under a credit facility previously arranged by CMTC with Credit Agricole Corporate and Investment Bank and ING Bank NV. The term loan bears interest at LIBOR plus a margin of 2.85% and is payable in twelve consecutive semi-annual instalments of approximately $917 beginning in July 2018, plus a balloon payment payable together with the last semi-annual instalment due in January 2024. The term loan is subject to ship finance covenants similar to the covenants applicable under our existing facilities.

On January 22, 2018, the Partnership agreed to acquire, conditional upon the successful completion of the sale of the M/T Aristotelis, the M/T Anikitos an eco-type MR product tanker (50,082 dwt IMO II/III Chemical Product Tanker built 2016, Samsung Heavy Industries (Ningbo) Co., Ltd.) for a total consideration of $31,500, from CMTC. The M/T Anikitos is currently employed under a time charter, at a gross daily rate of $15.3 with earliest charter expiry in June 2020. The charterer has the option to extend the time charter for eighteen months (+/-30 days) at the same gross daily rate. The Partnership intents to fund the acquisition through the net proceeds to be received from the sale of M/T Aristotelis, available cash and the assumption of a term loan under our "2015 credit facility" (see Note 7), previously arranged by CMTC with ING Bank NV at an amount representing approximately 50% of the vessel's charter free market value at the time of the dropdown. The term loan is non-amortizing for a period of two years from the anniversary of the dropdown with an expected final maturity date in June 2023 and bears interest at LIBOR plus a margin of 2.50%. The Partnership expects to take delivery of M/T Anikitos in March 2018, following the delivery of the M/T Aristotelis to its new owner.

**Exhibit 4.25**

**Dated 2 January 2017**

**ASTERIAS CRUDE CARRIER S.A.** and
**SCORPIO CRUDE CARRIER S.A.**
as joint and several Borrowers

and

**THE BANKS AND FINANCIAL INSTITUTIONS**
listed in Schedule 1
as Lenders

and

**CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK**
as Facility Agent, Security Trustee and Account Bank

and

**ING BANK N.V.** and
**CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK**
as Bookrunners and Mandated Lead Arrangers

and

**ING BANK N.V.**
as Swap Bank

# LOAN AGREEMENT

relating to a post- delivery secured term loan facility of up to US$70,200,000
to refinance in part and to finance part of the construction and acquisition cost of
two Aframax tankers being constructed by Daehan Shipbuilding Co., Ltd.
in the Republic of South Korea

## Index


| Clause | | Page |
|---|---|---|
| 1 | Interpretation | 2 |
| 2 | Facility | 25 |
| 3 | Position of the Lenders, the Swap Bank and the Majority Lenders | 26 |
| 4 | Drawdown and Dropdown Option | 27 |
| 5 | Interest | 29 |
| 6 | Interest Periods | 30 |
| 7 | Default Interest | 31 |
| 8 | Repayment and Prepayment | 32 |
| 9 | Conditions Precedent | 36 |
| 10 | Representations and Warranties | 37 |
| 11 | General Undertakings | 41 |
| 12 | Corporate Undertakings | 46 |
| 13 | Insurance | 47 |
| 14 | Ship covenants | 54 |
| 15 | Security Cover | 59 |
| 16 | Payments and Calculations | 61 |
| 17 | Application of Receipts | 64 |
| 18 | Application of Earnings | 65 |
| 19 | Event of Default | 68 |
| 20 | Fees and Expenses | 74 |
| 21 | Indemnities | 75 |
| 22 | No Set-Off or Tax Deduction | 78 |
| 23 | Illegality, etc | 81 |
| 24 | Increased Costs | 81 |
| 25 | Set-Off | 83 |
| 26 | Transfers and Changes in Lending Offices | 84 |
| 27 | Variations and Waivers | 91 |
| 28 | Notices | 93 |
| 29 | Joint and Several Liability | 95 |
| 30 | Confidentiality | 97 |
| 31 | Supplemental | 100 |
| 32 | Law and Jurisdiction | 101 |
| 33 | Bail-In | 102 |
| Schedule 1 Lenders and Commitments | | 103 |
| Schedule 2 Drawdown Notice | | 104 |
| Schedule 3 Conditions Precedent Documents | | 105 |
| Schedule 4 Transfer Certificate | | 109 |
| Schedule 5 Designation Notice | | 113 |
| Schedule 6 Power of Attorney | | 114 |
| Execution Pages | | 115 |

**THIS LOAN AGREEMENT** is made on 2 January 2017

**BETWEEN:**

(1) **ASTERIAS CRUDE CARRIER S.A.** and **SCORPIO CRUDE CARRIER S.A.**, each being a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (together, the "**Borrowers**").

(2) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1, as **Lenders**.

(3) **ING BANK N.V.** as **Swap Bank**.

(4) **ING BANK N.V., LONDON BRANCH** and **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK** as **Mandated Lead Arrangers**.

(5) **ING BANK N.V., LONDON BRANCH** and **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK** as **Bookrunners**.

(6) **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK** as **Facility Agent, Security Trustee** and **Account Bank**.

**WHEREAS**

(A) The Lenders have agreed to make available to the Borrowers, or, following a Dropdown (as defined below), to the Borrowers that are members of the relevant Group, a post-delivery secured term loan facility (divided into two advances) of up to US$70,200,000 in aggregate for the purpose of:

(i) in the case of Advance A (as defined below), being in an amount of up to the lower of (i) US$35,100,000 and (ii) 65 per cent. of the market value (determined in accordance with the valuations of that Ship referred to in paragraph 4 of Schedule 3) of one Aframax tanker with Builder's Hull No. 5011 and to be made available in one advance to finance the delivery instalment in connection with the acquisition cost of such ship or, as the case may be, refinance certain pre-delivery instalments or the delivery instalment; and

(ii) in the case of Advance B (as defined below), being in an amount of up to the lower of (i) US$35,100,000 and (ii) 65 per cent. of the market value (determined in accordance with the valuations of that Ship referred to in paragraph 4 of Schedule 3) of one Aframax tanker with Builder's Hull No. 5012 and to be made available in one advance to finance the delivery instalment in connection with the acquisition cost of such ship or, as the case may be, refinance certain pre-delivery instalments or the delivery instalment;

(B) The Swap Bank may agree to enter into interest rate swap transactions with each Borrower from time to time to hedge that Borrower's exposure under this Agreement to interest rate fluctuations.

(C) The Lenders and the Swap Bank have agreed to share pari passu in the security to be granted to the Security Trustee pursuant to this Agreement.

**IT IS AGREED** as follows:

## 1 INTERPRETATION

### 1.1 Definitions

Subject to Clause 1.5, in this Agreement:

"**Acceptable Bank**" means a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of BBB+ or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or Baa1 or higher by Moody's Investor Service Limited or a comparable rating from an internationally recognised credit rating agency which is approved by the Majority Lenders;

"**Account**" means each of the Operating Accounts, the Minimum Working Capital Accounts and the Retention Accounts, and in the plural, means all of them;

"**Account Bank**" means Crédit Agricole Corporate and Investment Bank acting through its office at 12, place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France;

"**Accounts Pledge**" means, in respect of each Account, a pledge agreement creating security in respect of that Account, in the Agreed Form, and in the plural means all of them;

"**Advance**" means each of Advance A or Advance B and in the plural means all of them;

"**Advance A**" means that part of the Loan made or to be made available to the Borrowers, or, following a Dropdown, to the Borrower that is a member of the relevant Group, to finance or, as the case may be, refinance in part the acquisition cost of Ship A in a principal amount as at the relevant Drawdown Date not exceeding the lower of (i) $35,100,000 and (ii) 65 per cent. of the Initial Market Value of Ship A;

"**Advance B**" means that part of the Loan made or to be made available to the Borrowers, or, following a Dropdown, to the Borrower that is a member of the relevant Group, to finance or, as the case may be, refinance in part the acquisition cost of Ship B in a principal amount as at the relevant Drawdown Date not exceeding the lower of (i) $35,100,000 and (ii) 65 per cent. of the Initial Market Value of Ship B;

"**Advances**" means, together, Advance A and Advance, B and, in the singular, means any of them;

"**Affected Borrower**" means a Borrower that is the subject of a Dropdown and in respect of which the conditions stated in paragraphs (a) to (e) of Clause 4.9 have been satisfied and in the plural means all of them;

"**Affected Clauses**" has the meaning given in Clause 29.2;

"**Affected Lender**" has the meaning given in Clause 5.6;

"**Affiliate**" means, in relation to any person, a subsidiary of that person or a holding company of that person or any other subsidiary of that holding company.

**"Age"** means, in relation to a Ship at any time, the number of whole years having elapsed from the year in which the construction of that Ship was completed;

"**Agency and Trust Agreement**" means the agency and trust agreement executed or to be executed between the Borrowers, the Lenders, the Swap Bank and the Security Trustee in the Agreed Form;

"**Agreed Form**" means, in relation to any document, that document in the form approved in writing by the Facility Agent acting reasonably (acting on the instructions of the Majority Lenders) or as otherwise approved in accordance with any other approval procedure specified in any relevant provision of any Finance Document;

"**Approved Broker**" means each of Arrow Valuations (London), H. Clarksons & Co. Ltd., Maersk Brokers K/S, Barry Rogliano Salles, Howe Robinson & Co. Ltd Shipbrokers and Poten & Galbraiths or any other brokers approved by the Majority Lenders (such approval not to be unreasonably withheld or delayed) and in the plural means all of them;

"**Approved Charterer**" means the Tesoro Charterer and any other charterer acceptable in all respects to the Lenders such acceptance not to be unreasonably withheld or delayed;

"**Approved Flag**" means the Republic of the Marshall Islands flag or such flag as the Facility Agent may, with the authorisation of all the Lenders, approve as the flag on which a Ship shall be registered, such approval not to be unreasonably withheld or delayed (Liberia, Malta, Panama and Singapore shall be considered acceptable);

"**Approved Flag State**" means the Republic of the Marshall Islands or any other country in which the Facility Agent may with the authorisation of all the Lenders, approve that a Ship be registered, such approval not to be unreasonably withheld or delayed);

"**Approved Manager**" means, in relation to a Ship, Capital Ship Management Corp., a company incorporated in Panama having its registered office at Hong Kong Bank Building, 6th floor, Samuel Lewis Avenue, Panama, Republic of Panama, or any other company which the Lenders may approve (such approval not to be unreasonably withheld or delayed) from time to time as the commercial, technical and/or operational manager of that Ship;

"**Approved Manager's Undertaking**" means, in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Security Trustee in the terms required by the Security Trustee agreeing certain matters in relation to the Approved Manager serving as the manager of the Ship and subordinating the rights of the Approved Manager against such Ship and the Borrower which is the owner thereof to the rights of the Creditor Parties under the Finance Documents, in the Agreed Form and in the plural means all of them;

"**Availability Period**" means the period commencing on the date of this Agreement and ending on the earlier of:

(a) the latest delivery date permitted under the Shipbuilding Contract to which that Advance relates (being the earliest date on which the Borrower which is a party to that Shipbuilding Contract may cancel, rescind or terminate the Shipbuilding Contract for delay);

(b) the date on which the Tesoro Charterer is entitled to cancel the applicable Tesoro Charter if the relevant Ship has not been delivered to the Tesoro Charterer for operation under the applicable Tesoro Charter by that date (unless the Tesoro Charterer has agreed to extend such date); and

(c) 30 September 2017;

"**Bail-In Action**" means the exercise of any Write-down and Conversion Powers.

"**Bail-In Legislation**" means, in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time.

“**Balloon Instalment**” has the meaning given to that term in Clause 8.1(b);

“**Basel III**” means:

(a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

(b) the rules for global systemically important banks contained in “Global systemically important banks: assessment methodology and the additional loss absorbency requirement - Rules text” published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

(c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”;

“**Borrower**” means each of Borrower A and Borrower B and in the plural, means both of them;

“**Borrower A**” means Asterias Crude Carrier S.A., a corporation incorporated in the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

“**Borrower B**” means Scorpio Crude Carrier S.A., a corporation incorporated in the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

“**Builder**” means Daehan Shipbuilding Co., a corporation organised and existing under the laws of the Republic of South Korea whose principal office is at 887 Gurimri Hwawonmyun Haenam-Gun, Gurimri, 536-881, the Republic of South Korea;

“**Break Costs**” has the meaning given in Clause 21.2;

“**Business Day**” means a day on which banks are open in London, Paris, Athens and Piraeus and in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

“**Charterparty**” means each Tesoro Charter and any bareboat charterparty or any time charterparty in respect of a Ship having a duration of at least 12 months or more (excluding options to extend contained therein), made with an Approved Charterer and in all other respects on terms acceptable in all respects to the Lenders, such acceptance not to be unreasonably withheld or delayed **Provided that** if any such charterparty requires entry into a letter of quiet enjoyment with the financiers of a Ship, such letter of quiet enjoyment shall be in a form acceptable to the Facility Agent and include, without limitation, step-in rights for the Creditor Parties;

“**Charterparty Assignment**” means, in relation to a Ship, an assignment of the rights of the Borrower which is the owner of that Ship under the Charterparty relative to that Ship executed or to be executed by the relevant Borrower in favour of the Security Trustee and notified to and acknowledged (on a best efforts basis) by an Approved Charterer in the Agreed Form and, in the plural, means all of them;

“**CMTC Group**” means the Guarantor and its consolidated or wholly owned subsidiaries (whether direct or indirect and including but not limited to, each Borrower (other than an Affected Borrower)) from time to time during the Security Period.

"**Code**" means the US Internal Revenue Code of 1986;

"**Commitment**" means, in relation to a Lender, the amount set opposite its name in Schedule 1, or, as the case may require, the amount specified in the relevant Transfer Certificate as that amount may be reduced, cancelled or terminated in accordance with this Agreement (and "**Total Commitments**" means the aggregate of the Commitments of all the Lenders);

"**Confidential Information**" means all information relating to a Borrower, any Security Party, any Group, the Finance Documents or the Loan of which a Creditor Party becomes aware in its capacity as, or for the purpose of becoming, a Creditor Party or which is received by a Creditor Party in relation to, or for the purpose of becoming a Creditor Party under, the Finance Documents or the Loan from either:

(a) any member of any Group or any of its advisers; or

(b) another Creditor Party, if the information was obtained by that Creditor Party directly or indirectly from any member of any Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes:

(i) information that:

(A) is or becomes public information other than as a direct or indirect result of any breach by that Creditor Party of Clause 30; or

(B) is identified in writing at the time of delivery as non-confidential by any member of a Group or any of its advisers; or

(C) is known by that Creditor Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Creditor Party after that date, from a source which is, as far as that Creditor Party is aware, unconnected with the Group(s) and which, in either case, as far as that Creditor Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality; and

(ii) the Reference Bank Rate or any rate determined pursuant to Clauses 5.10 and 5.12;

"**Confirmation**" and "**Early Termination Date**", in relation to any continuing Designated Transaction, have the meanings given in the relevant Master Agreement;

"**Contractual Currency**" has the meaning given in Clause 21.5;

"**Contribution**" means in relation to a Lender, the part of the Loan which is owing to that Lender;

"**Control**" means the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

(a) cast, or control the casting of, more than 50 per cent. of the maximum number of votes that might be cast at a general meeting of the Guarantor and/or following a Dropdown, the Substitute Guarantor; or

(b) appoint or remove all of the directors or other equivalent officers of the Guarantor and/or following a Dropdown, the Substitute Guarantor; or

(c) give directions with respect to the operating and financial policies of the Guarantor and/or following a Dropdown, the Substitute Guarantor with which the directors or other equivalent officers of the Guarantor and/or following a Dropdown, the Substitute Guarantor are obliged to comply.

"**CPLP Group**" means the Substitute Guarantor and its subsidiaries (whether direct or indirect and including any Affected Borrower) from time to time during the Security Period;

"**CRD IV**" means Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directive 2006/48/EC and 2006/29/EC.

"**Creditor Party**" means the Facility Agent, the Security Trustee, the Mandated Lead Arrangers, the Swap Bank, the Account Bank or any Lender, whether as at the date of this Agreement or at any later time;

"**CRR**" means Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending regulation (EU) No. 648/2012.

"**Deed of Covenant**" means, in relation to a Ship registered or to be registered under Cyprus or Malta flag, a deed of covenant collateral to the Mortgage of that Ship creating charges over the Ship, executed or to be executed by the Borrower which is the owner of that Ship in favour of the Security Trustee, in the Agreed Form, and in the plural means all of them;

"**Defaulting Lender**" means any Lender:

(a) which has failed to make available the relevant proportion of its Commitment or has given notice to the Facility Agent that it will not make such amount available by the relevant Drawdown Date pursuant to Clause 4.6; or

(b) which has otherwise rescinded or repudiated a Finance Document; or

(c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of paragraph (a) above:

(i) its failure to pay is caused by:

(A) an administrative or technical error; or

(B) a Disruption Event; and

payment is made within 5 Business Days of its due date; or

(ii) the Lender is disputing in good faith whether it is contractually obliged to make the relevant payment;

"**Delivery Date**" means, in relation to each Ship, the date on which title to and possession of that Ship is transferred from the Builder to the relevant Borrower pursuant to the Shipbuilding Contract to which that Borrower is a party;

"**Designated Person**" means a person:

(a) that is, or is owned or controlled by one or more persons that are listed on a Sanctions List, or is otherwise the target of any Sanctions;

(b) located in or organized under the laws of any jurisdiction that is, or whose government is, targeted by Sanctions, including, as of the date of this Agreement, Cuba, the Crimea Region of the Ukraine, Iran, North Korea, Sudan and Syria;

(c) acting or purporting to act on behalf of any of the persons listed in paragraphs (a) and (b) above; or

(d) with which any relevant Creditor Party is prohibited from (i) dealing or (ii) otherwise engaging in any transaction pursuant to any Sanctions;

"**Designated Transaction**" means a Transaction which fulfils the following requirements:

(a) it is entered into by a Borrower pursuant to the Master Agreement to which it is a party with the Swap Bank which, at the time the Transaction is entered into, is also a Lender (or an affiliate of a Lender);

(b) its purpose is the hedging of that Borrower's exposure under this Agreement to fluctuations in LIBOR arising from the funding of the Loan (or any part thereof) for a period expiring no later than the final Repayment Date; and

(c) it is designated by delivery by the Swap Bank to the Facility Agent and the Borrowers of a notice of designation in the form set out in Schedule 5, as a Designated Transaction for the purposes of the Finance Documents;

"**Disruption Event**" means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Loan (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, a party to this Agreement (a "**Party**"); or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other, Party:

  (i) from performing its payment obligations under the Finance Documents; or

  (ii) from communicating with other parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted;

"**Dollars**" and "**$**" means the lawful currency for the time being of the United States of America;

"**Drawdown Date**" means, in relation to either Advance, the date requested by the Borrowers for the Advance to be made, or (as the context requires) the date on which the Advance is actually made;

"**Drawdown Notice**" means a notice in the form set out in Schedule 2 (or in any other form which the Facility Agent, acting with the authorisation of all the Lenders, approves or reasonably requires);

"**Dropdown**" has the meaning given in Clause 4.9;

"**Dropdown Date**" means the date on which a Dropdown occurs;

"**EEA Member Country**" means any member state of the European Union, Iceland, Liechtenstein and Norway.

"**Earnings**" means, in relation to a Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Borrower which is the owner of that Ship or the Security Trustee and which arise out of the use or operation of the Ship, including (but not limited to):

(a) all freight, hire and passage moneys, compensation payable to that Borrower or the Security Trustee in the event of requisition of the Ship for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of the Ship;

(b) all moneys which are at any time payable under any Insurances in respect of loss of hire; and

(c) if and whenever the Ship is employed on terms whereby any moneys falling within paragraphs (a) or (b) above are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to the Ship;

"**Emma**" means a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 which holds 25 shares out of a total of 100 shares in each Borrower;

"**Environmental Claim**" means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and "**claim**" means a claim for damages, compensation, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

"**Environmental Incident**" means:

(a) any release of Environmentally Sensitive Material from a Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between a Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or a Ship or a Borrower and/or any operator or manager is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where a Borrower and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

"**Environmental Law**" means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

"**Environmentally Sensitive Material**" means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

"**EU Bail-In Legislation Schedule**" means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

"**Event of Default**" means any of the events or circumstances described in Clause 19.1;

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code and any Treasury regulations thereunder:

(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

(c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

"**FATCA Application Date**" means:

(a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014;:

(b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the US), 1 January 2019; or

(c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2019,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement;

"**FATCA Deduction**" means a deduction or withholding from a payment under any Finance Document required by or under FATCA;

"**FATCA Exempt Party**" means a party to a Finance Document that is entitled under FATCA to receive payments free from any FATCA Deduction;

"**Fee Letter**" means a letter issued or to be issued by the Borrowers to the Facility Agent in which the Borrowers agree to pay certain fees to the Facility Agent in connection with this Agreement;

"**Finance Documents**" means:

(a) this Agreement;

(b) the Master Agreements;

(c) the Master Agreement Assignments;

(d) the Master Agreement Guarantees;

(e) the Agency and Trust Agreement;

(f) the Guarantee;

(g) the Shares Pledges;

(h) the General Assignments;

(i) the Mortgages;

(j) any Deeds of Covenant;

(k) the Accounts Pledges;

(l) the Fee Letter;

(m) the Charterparty Assignments;

(n) the Approved Manager's Undertakings;

(o) any New Shares Pledge; and

(p) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrowers or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lenders under this Agreement or any of the documents referred to in this definition and, in the singular, means any of them;

"**Final Maturity Date**" means, in relation to each Advance, the earlier of the date falling on the seventh anniversary of the Drawdown Date of the Advance and by 30 September 2024;

"**Financial Indebtedness**" means, in relation to a person (the "**debtor**"), any liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor;

(e) under any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount;

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within (a) to (e) if the references to the debtor referred to the other person;

“**General Assignment**” means, in relation to a Ship, a general assignment of the Earnings, the Insurances and any Requisition Compensation of such Ship, in the Agreed Form and in the plural means all of them;

“**Group**” means:

(a) in relation to the period from the date of this Agreement until the date of the first Dropdown, the CMTC Group; or

(b) thereafter, the CMTC Group and/or the CPLP Group, and in the plural means both of them,

and “**member of a Group**” shall be construed accordingly;

“**Guarantee**” means, the guarantee of the obligations of certain Borrowers under this Agreement and the Finance Documents to which each such Borrower is a party to be given by the Guarantor in favour of the Security Trustee in the Agreed Form;

“**Guarantor**” means Capital Maritime & Trading Corp., a corporation incorporated under the laws of the Republic of the Marshall Islands and having its registered office at Trust Company House, Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960 the Marshall Islands;

“**Impaired Agent**” means the Facility Agent at any time when:

(a) it has failed to make (or has notified a party to a Finance Document that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;

(b) the Facility Agent otherwise rescinds or repudiates a Finance Document;

(c) (if the Facility Agent is also a Lender), it is a Defaulting Lender under paragraph (a) or (b) of the definition of “Defaulting Lender”; or

(d) an Insolvency Event has occurred and is continuing with respect to the Facility Agent,

unless, in the case of paragraph (a) above:

(i) its failure to pay is caused by:

(A) an administrative or technical error; or

(B) a Disruption Event; and

(ii) payment is made within 10 Business Days of its due date; or

(iii) the Facility Agent is disputing in good faith whether it is contractually obliged to make the payment in question;

“**Initial Market Value**” means, in relation to each Ship, the Market Value thereof determined by taking the average of the valuations of that Ship referred to in paragraph 4 of Schedule 3, Part B;

“**Insolvency Event**” in relation to a Creditor Party means that that Creditor Party:

(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

(b) becomes insolvent or that Creditor Party admits in writing that it is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

(c) makes a general assignment, arrangement, or composition with or for the benefit of its creditors;

(d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;

(e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:

(i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or

(ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;

(f) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (other than, for so long as it is required by law or regulation not to be publicly disclosed, any such appointment which is to be made, or is made, by a person or entity described in paragraph (d) above);

(h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;

(i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above; or

(j) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

"**Insurances**" means, in relation to a Ship:

(a) all policies and contracts of insurance or reinsurance, including entries of such Ship in any protection and indemnity or war risks association, which are effected in respect of such Ship, her Earnings or otherwise in relation to her; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium or under any cut-through clause;

"**Instalments**" has the meaning given in Clause 8.1(a);

"**Interest Period**" means a period determined in accordance with Clause 6;

"**Intermediate Shareholder**" means Capital Product Operating LLC, a limited liability company formed in the Republic of the Marshall Islands whose registered office is at Trust Company Complex Ajeltake Road, Ajeltake Island, Majuro MH 96960, the Marshall Islands;

"**Interpolated Screen Rate**" means, in relation to LIBOR for an Interest Period, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

(a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than that Interest Period; and

(b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds that Interest Period,

each as of 11.00 a.m. (London time) on the Quotation Day for the currency of the Loan;

"**ISM Code**" means the International Safety Management Code (including the guidelines on its implementation), adopted by the International Maritime Organisation as the same may be amended or supplemented from time to time (and the terms "**safety management system**", "**Safety Management Certificate**" and "**Document of Compliance**" have the same meanings as are given to them in the ISM Code);

"**ISPS Code**" means the International Ship and Port Facility Security Code as adopted by the International Maritime Organisation, as the same may be amended or supplemented from time to time;

"**ISSC**" means a valid and current International Ship Security Certificate issued under the ISPS Code;

"**Lender**" means, subject to Clause 26.6, a bank or financial institution listed in Schedule 1 and acting through its branch indicated in Schedule 1 (or through another branch notified to the Borrowers under Clause 26.14) or its transferee, successor or assign;

"**LIBOR**" means, for an Interest Period:

(a) the applicable Screen Rate;

(b) (if no Screen Rate is available for that Interest Period) the Interpolated Screen Rate; or

(c) if:

(i) no Screen Rate is available for the currency of the Loan; or

(ii) no Screen Rate is available for that Interest Period and it is not possible to calculate an Interpolated Screen Rate,

the Reference Bank Rate,

as of, in the case of paragraphs (a) and (c) above, 11.00 a.m. (London time) on the Quotation Day for the currency of the Loan and for a period equal in length to that Interest Period and, if any such rate is below zero, LIBOR will be deemed to be zero;

"**Loan**" means the principal amount for the time being outstanding under this Agreement;

“**Major Casualty**” means, in relation to a Ship, any casualty to the Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $1,000,000 or the equivalent in any other currency;

“**Majority Lenders**” means:

(a) at any time when no Advances are outstanding, Lenders whose Commitments exceed in total 66 2/3 per cent. of the Total Commitments; and

(b) at any other time, Lenders whose Contributions exceed in total 66 2/3 per cent. of the Loan;

“**Management Agreement**” means, in relation to each Ship, an agreement made or to be made between (i) the Borrower which is the owner of that Ship, or, in the case of a Ship owned by an Affected Borrower, the Substitute Guarantor and (ii) the Approved Manager in respect of the commercial and technical management of that Ship to be in form and substance in all respects reasonably acceptable to the Lenders (it being agreed that the form and substance of the management agreement which has been entered into by the Substitute Guarantor as at the date of this Agreement and to which further Ships may become subject is deemed to be acceptable) and, in the plural, means all of them;

“**Margin**” means 2.85 per cent. per annum;

“**Market Value**” means, in respect of each Ship, the market value thereof determined from time to time in accordance with Clause 15.4;

“**Master Agreement**” means any master agreement (on the 1992 or, as the case may be, 2002 ISDA (Multicurrency - Crossborder) form) made between each Borrower and the Swap Bank and includes all Designated Transactions from time to time entered into and Confirmations from time to time exchanged under that master agreement and, in the plural, means all of them;

“**Master Agreement Assignment**” means, in relation to a Master Agreement, the assignment of that Master Agreement in favour of the Security Trustee executed or to be executed by the Borrower which is a party to that Master Agreement, in the Agreed Form and, in the plural, means all of them;

“**Master Agreement Guarantee**” means a guarantee to be given by each Borrower in favour of the Security Trustee, guaranteeing the obligations of the other Borrower (which is a member of the same Group as the Borrower executing the Master Agreement Guarantee) under the Master Agreement to which that Borrower is a party in the Agreed Form and, in the plural, means all of them;

“**Master Agreement Prepayment Proceeds**” means any amount payable to a Borrower as a result of termination or closing out under a Master Agreement.

“**Material Adverse Change**” means any event or series of events which, in the reasonable opinion of the Majority Lenders, is likely to have a Material Adverse Effect;

“**Material Adverse Effect**” means a material adverse effect on:

(a) the business, property, assets, liabilities, operations or condition (financial or otherwise) of a Borrower and/or any Security Party taken as a whole;

(b) the ability of a Borrower and/or any Security Party to (i) perform any of its obligations or (ii) discharge any of its liabilities, under any Finance Document as they fall due; or

(c) the validity or enforceability of any Finance Document;

"**Minimum Working Capital Account**" means, with respect to a Borrower, an account in the name of that Borrower with the Account Bank which is designated by the Facility Agent in writing as the Minimum Working Capital Account with respect to that Borrower for the purposes of this Agreement and in the plural means both of them;

"**Mortgage**" means, in relation to a Ship, the first preferred or, as the case may be, priority ship mortgage on that Ship under the relevant Approved Flag executed by the Borrower which is the owner of that Ship in favour of the Security Trustee, in the Agreed Form;

"**Negotiation Period**" has the meaning given in Clause 5.9;

"**New Shares Pledge**" means, in relation to an Affected Borrower, a pledge agreement executed by the Intermediate Shareholder in favour of the Security Trustee each creating a Security Interest over the share capital of that Borrower in substantially the same form as the Shares Pledge (with logical modifications) and in the plural means all of them;

"**Notifying Lender**" has the meaning given in Clause 23.1 or Clause 24.1 as the context requires;

"**Operating Account**" means, with respect to a Borrower, an account in the name of that Borrower with the Account Bank which is designated by the Facility Agent in writing as the Operating Account with respect to that Borrower for the purposes of this Agreement and in the plural means both of them;

"**Option**" has the meaning given in Clause 4.9;

"**Payment Currency**" has the meaning given in Clause 21.6;

"**Permitted Security Interests**" means:

(a) Security Interests created by the Finance Documents;

(b) liens for unpaid crew's wages in accordance with usual maritime practice;

(c) liens for salvage;

(d) liens arising by operation of law for not more than 2 months' prepaid hire under any charter in relation to a Ship not prohibited by this Agreement;

(e) liens for master's disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of a Ship, provided such liens do not secure amounts more than 45 days overdue (unless the overdue amount is being contested by the relevant Borrower in good faith by appropriate steps) and subject, in the case of liens for repair or maintenance, to Clause 14.13(e);

(f) any Security Interest created in favour of a plaintiff or defendant in any action of the court or tribunal before whom such action is brought as security for costs and expenses where a Borrower is prosecuting or defending such action in good faith by appropriate steps; and

(g) Security Interests arising by operation of law in respect of taxes which are not overdue for payment other than taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

"**Pertinent Document**" means:

(a) any Finance Document;

(b) any policy or contract of insurance contemplated by or referred to in Clause 13 or any other provision of this Agreement or another Finance Document;

(c) any other document contemplated by or referred to in any Finance Document; and

(d) any document which has been or is at any time sent by or to a Servicing Bank in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

"**Pertinent Jurisdiction**", in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company has the centre of its main interests or which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a branch or permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company, whether as a main or territorial or ancillary proceedings, or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c) above;

"**Pertinent Matter**" means:

(a) any transaction or matter contemplated by, arising out of, or in connection with a Pertinent Document; or

(b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a),

and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

"**Potential Event of Default**" means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Majority Lenders and/or the satisfaction of any other condition, would constitute an Event of Default;

"**Quotation Date**" means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document), the day on which quotations would ordinarily be given by leading banks in the London interbank market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that Interest Period or other period;

"**Reference Bank Rate**" means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request by each Reference Bank as the rate at which the relevant Reference Bank could borrow funds in the London interbank market in Dollars for the relevant period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in that currency and for that period;

"**Reference Banks**" means, subject to Clause 26.17 the head office of Crédit Agricole Corporate and Investment Bank and the London branch of any other bank or financial institution selected by the Facility Agent and in the singular means any of them;

"**Related Fund**" in relation to a fund (the "**first fund**"), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an affiliate of the investment manager or investment adviser of the first fund;

"**Relevant Person**" has the meaning given in Clause 19.9;

"**Relevant Proportion**" means at the time the same falls to be determined, the ratio that the Advance or, as applicable, Advances owing by any Affected Borrower bear to the Loan at the time;

"**Repayment Date**" means a date on which a repayment is required to be made under Clause 8;

"**Representative**" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian;

"**Requisition Compensation**" includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss";

"**Resolution Authority**" means any body which has authority to exercise any Write-down and Conversion Powers.

"**Restricted Party**" means a person that:

(a) is listed on any Sanctions List;

(b) is located in or incorporated under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions;

(c) is directly or indirectly owned or controlled by, or acting on behalf of, a person referred to in (a) and/or (b) above; or

(d) with whom a subject of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities.

**"Retention Account**" means, with respect to a Borrower, an account in the name of that Borrower with the Account Bank which is designated by the Facility Agent in writing as the Retention Account with respect to that Borrower for the purposes of this Agreement and in the plural means both of them;

"**Sanctions**" means :

(a) any trade, economic or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctions Authority

(b) any law or regulation enacted, promulgated or issued by any Sanctions Authority after the date of this Agreement;

(c) any other law, enabling legislation, executive order, or regulation promulgated under or based under the authorities of any of the foregoing;

"**Sanctions Authority**" means (i) the United States of America, (ii) the United Nations, (iii) the European Union, including its member states or (iv) include jurisdictions relevant to transaction or (v) the governments and official institutions or agencies of any of these countries or organisations, including without limitation OFAC and the United States Department of State and Her Majesty's Treasury;

"**Sanctions List**" means any of the lists of specifically designated persons or entities (or equivalent) held by a Sanctions Authority, each as amended, supplemented or substituted from time to time;

"**Screen Rate**" means the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate or on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters). If such page or service ceases to be available, the Facility Agent may specify another page or service displaying the relevant rate after consultation with the Borrowers;

"**Secured Liabilities**" means all liabilities which the Borrowers, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or by virtue of the Finance Documents or any judgment relating to the Finance Documents; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

"**Security Cover Ratio**" means the ratio in respect of a Ship which is determined at any time by comparing:

(a) the Market Value of that Ship and is subject to a Mortgage at the relevant time; plus

(b) any amounts standing to the account of the Minimum Working Capital Account of the Borrower owning that Ship pursuant to Clause 11.21; plus

(c) the net realisable value of any additional security previously provided under Clause 15 securing the Advance financing that Ship and any amounts owing in connection thereto or, if it secures more than one Advance, a share of the net value which bears to the aggregate net value of additional security the same proportion as the Advance used to finance that Ship bears to the aggregate Advances secured by that security in connection with that Ship,

against the aggregate of:

(a) the Advance in respect of that Ship; plus

(b) the aggregate Swap Exposure relating to such Advance;

"**Security Interest**" means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the rights of the plaintiff under an action *in rem* in which the vessel concerned has been arrested or a writ has been issued or similar step taken; and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

"**Security Party**" means, for the purposes of Clauses 9.1(c), 10.11, 10.12, 10.18, 10.20, 11.9, 11.19, 11.20, 14.11, 14.19, 19 and 21 alone, Emma, and each of the Guarantor and, after the Option has been exercised, the Substitute Guarantor and any other person (except a Creditor Party and any Approved Charterer, other than the Guarantor, of any Ship, any other charterer or the Approved Manager (in case it is not Capital Ship Management Corp. (or an affiliate or successor of Capital Ship Management Corp.)) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the final paragraph of the definition of "Finance Documents";

"**Security Period**" means the period commencing on the date of this Agreement and ending on the date on which the Facility Agent notifies the Borrowers, the Security Parties and the Lenders that:

(a) all amounts which have become due for payment by a Borrower or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;

(c) neither a Borrower nor any Security Party has any future or contingent liability under Clause 20, 21 or 22 below or any other provision of this Agreement or another Finance Document; and

(d) the Facility Agent, the Security Trustee and the Majority Lenders do not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of a Borrower or a Security Party or in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

"**Security Trustee**" means Crédit Agricole Corporate and Investment Bank, acting in such capacity through its office at 12, place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, or any successor of it appointed under clause 5 of the Agency and Trust Agreement;

"**Servicing Bank**" means the Facility Agent or the Security Trustee;

"**Shares Pledge**" means, in relation to a Borrower, a pledge agreement executed by the Guarantor and Emma in favour of the Security Trustee creating a Security Interest over the share capital of that Borrower, in the Agreed Form and in the plural means all of them;

"**Ship A**" means the Aframax tanker with shallow draft design, having Builder's hull number 5011 of approximately 112,800 deadweight with Ice Class 1C and enhanced specifications for universal trading, which is to be constructed by the Builder for, and purchased by, Borrower A under Shipbuilding Contract A for a contract price of $53,927,000 inclusive of extra specifications and which, on delivery, is to be named "ARISTAIOS" and registered in the name of Borrower A under an Approved Flag;

“**Ship B**” means the Aframax tanker with shallow draft design, having Builder’s hull number 5012 of approximately 112,800 deadweight with Ice Class 1C and enhanced specifications for universal trading, which is to be constructed by the Builder for, and purchased by, Borrower B under Shipbuilding Contract B for a contract price of $53,927,000 inclusive of extra specifications and which, on delivery, is to be named “ARISTOKLIS” and to be registered in the name of Borrower B under an Approved Flag;

“**Ship Commitment**” means, in relation to a Ship and a Lender, half of that Lender’s Commitment;

“**Shipbuilding Contract**” means each of Shipbuilding Contract A and Shipbuilding Contract B, and, in the plural, means all of them;

“**Shipbuilding Contract A**” means the shipbuilding contract dated 20 May 2015, as amended by a first amendment dated 27 May 2015 and a second amendment dated 18 June 2015 and made between (i) the Builder and (ii) Sea Lord Tankers and subsequently assigned to Borrower A pursuant to a letter of nomination dated 2 January 2017 for the construction by the Builder of Ship A and its purchase by Borrower A (as amended and supplemented from time to time);

“**Shipbuilding Contract B**” means the shipbuilding contract dated 20 May 2015, as amended by a first amendment dated 24 June 2015 and a second amendment dated 18 June 2015 and made between (i) the Builder and (ii) Sea Lord Tankers and subsequently assigned to Borrower B pursuant to a letter of nomination dated 2 January 2017 for the construction by the Builder of Ship B and its purchase by Borrower B (as amended and supplemented from time to time);

“**Ships**” means, together, Ship A and Ship B and in the singular means any of them;

“**Substitute Guarantor**” means Capital Product Partners L.P., a limited partnership formed in the Republic of the Marshall Islands whose registered office is at Trust Company Complex Ajeltake Road, Ajeltake Island, Majuro MH 96960, the Marshall Islands;

“**Substitute Guarantor Guarantee**” means the guarantee of the obligations of an Affected Borrower under this Agreement and the Finance Documents to which such Affected Borrower is a party to be given by the Substitute Guarantor in substantially the same form as the Guarantee (with all logical modifications and including an express restriction on the Substitute Guarantor pledging any of its shares in the Intermediate Shareholder) executed by the Substitute Guarantor in favour of the Security Trustee in the Agreed Form;

“**Swap Bank**” means each of:

(a) Crédit Agricole Corporate and Investment Bank acting through its office at 12, place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France;

(b) ING Bank N.V., acting through its office at Treasury Building, Foppingadreef 7, 1102 BD Amsterdam, The Netherlands; and

(c) any Transferee Lender that has become a Lender in accordance with Clause 26.7 that may wish to enter into a master agreement with any of the Borrowers,

and, in the plural, means all of them.

“**Swap Exposure**” means, as at any relevant date, the amount certified by the Swap Bank to the Facility Agent to be the aggregate net amount in Dollars which would be payable by a Borrower to the Swap Bank under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the relevant Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Designated Transactions in respect of the Master Agreement entered into between that Borrower and the Swap Bank;

“**Tesoro Charter**” means each of the Tesoro Ship A Charter and the Tesoro Ship B Charter and, in the plural, means both of them;

“**Tesoro Charterer**” means Tesoro Far East Maritime Company, a company incorporated in the US and having its registered office at 19100 Ridgewood Parkway, San Antonio, Texas 78259, US and its successors in title;

“**Tesoro Ship A Charter**” means the time charterparty entered into by Borrower A with the Tesoro Charterer dated 2 October 2015 for a minimum term of five years plus or minus forty five (45) days outright and at a minimum gross daily hire rate of $26,400 and in other respects acceptable to the Lenders;

“**Tesoro Ship B Charter**” means the time charterparty entered into by Borrower B with the Tesoro Charterer dated 2 October 2015 for a minimum term of five years plus or minus forty five (45) days outright and at a minimum gross daily hire rate of $26,400 and in other respects acceptable to the Lenders;

“**Total Loss**” means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of that Ship;

(b) any expropriation, confiscation, requisition or acquisition of that Ship, whether for full consideration, a consideration less than her proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority, unless it is within 1 month from the date of such occurrence redelivered to the full control of the Borrower owning that Ship, excluding a requisition for hire for a fixed period not exceeding 360 days without any right to an extension;

(c) any condemnation of the Ship by any tribunal or by any person or persons claiming to be a tribunal; and

(d) any arrest, capture, seizure, confiscation or detention of the Ship (including any hijacking (piracy) or theft) unless she is within 90 days redelivered to the full control of the Borrower owning the Ship;

“**Total Loss Date**” means, in relation to a Ship:

(a) in the case of an actual loss of that Ship, the date on which it occurred or, if that is unknown, the date when the Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of the Ship, the earliest of:

(i) 30 days after the date on which a notice of abandonment is given to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the Borrower owning the Ship, with that Ship’s insurers in which the insurers agree to treat the Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Facility Agent that the event constituting the total loss occurred;

“**Transaction”** has the meaning given in the relevant Master Agreement;

“**Transfer Certificate**” has the meaning given in Clause 26.2;

“**Trust Property**” has the meaning given in clause 3.1 of the Agency and Trust Agreement;

“**UHRC**” means Cuba, Iran, North Korea, Sudan and/or Syria;

“**Underlying Documents**” means, together, the Shipbuilding Contracts and the Tesoro Charters and, in the singular, means any of them;

“**Unscheduled Amount**” has the meaning given in Clause 29.2;

“**US**” means the United States of America;

“**US Tax Obligor**” means:

(a) a Borrower which is resident for tax purposes in the US; or

(b) a Borrower or any Security Party, in each case, some or all of whose payments under the Finance Documents are from sources within the United States for United States federal income tax purposes; and

“**Write-down and Conversion Powers**” means:

(a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule; and

(b) in relation to any other applicable Bail-In Legislation:

(i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and

(ii) any similar or analogous powers under that Bail-In Legislation.

**1.2 Construction of certain terms**

In this Agreement:

“**approved**” means, for the purposes of Clause 13, approved in writing by the Facility Agent;

“**asset**” includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

“**company**” includes any partnership, joint venture and unincorporated association;

“**consent**” includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

"**contingent liability**" means a liability which is not certain to arise and/or the amount of which remains unascertained;

"**document**" includes a deed; also a letter or fax;

"**excess risks**" means, in relation to a Ship, the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of the Ship in consequence of her insured value being less than the value at which the Ship is assessed for the purpose of such claims;

"**expense**" means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

"**gross negligence**" means a form of negligence which is distinct from ordinary negligence, in which the due diligence and care which are generally to be exercised have been disregarded to a particularly high degree, in which the plainest deliberations have not been made and that which should be most obvious to everybody has not been followed;

"**law**" includes any form of delegated legislation, any order or decree, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

"**legal or administrative action**" means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

"**liability**" includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

"**months**" shall be construed in accordance with Clause 1.3;

"**obligatory insurances**" means, in relation to a Ship, all insurances effected, or which the Borrower owning the Ship is obliged to effect, under Clause 13 below or any other provision of this Agreement or another Finance Document;

"**parent company**" has the meaning given in Clause 1.4;

"**person**" includes any individual, any partnership, any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

"**policy**", in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

"**protection and indemnity risks**" means the usual risks covered by a protection and indemnity association managed in London, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 6 of the International Hull Clauses (1/11/02 or 1/11/03), clause 8 of the Institute Time Clauses (Hulls)(1/11/95) or clause 8 of the Institute Time Clauses (Hulls) (1/10/183) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

"**regulation**" includes any regulation, rule, official directive, request or guideline (either having the force of law or compliance with which is reasonable in the ordinary course of business of the party concerned) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

"**subsidiary**" has the meaning given in Clause 1.4;

"**successor**" includes any person who is entitled (by assignment, novation, merger or otherwise) to any other person's rights under this Agreement or any other Finance Document (or any interest in those rights) or who, as administrator, liquidator or otherwise, is entitled to exercise those rights; and in particular references to a successor include a person to whom those rights (or any interest in those rights) are transferred or pass as a result of a merger, division, reconstruction or other reorganisation of it or any other person;

"**tax**" includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

"**war risks**" includes the risk of mines and all risks excluded by clause 29 of the International Hull Clauses (1/11/02 or 1/11/03), clause 24 of the Institute Time Clauses (Hulls)(1/11/1995) or clause 23 of the Institute Time Clauses (Hulls) (1/10/83).

**1.3 Meaning of "month"**

A period of one or more "months" ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started ("**the numerically corresponding day**"), but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day,

and "**month**" and "**monthly**" shall be construed accordingly.

**1.4 Meaning of "subsidiary"**

A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attached to the issued shares of S; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of S,

and any company of which S is a subsidiary is a parent company of S.

**1.5 General Interpretation**

(a) In this Agreement:

(i) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(ii) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise; and

(iii) words denoting the singular number shall include the plural and vice versa.

(b) Clauses 1.1 to 1.4 and paragraph (a) of this Clause 1.5 apply unless the contrary intention appears.

(c) References in Clause 1.1 to a document being in the form of a particular Appendix include references to that form with any modifications to that form which the Facility Agent (with the authorisation of the Majority Lenders in the case of substantial modifications) approves or reasonably requires.

(d) The clause headings shall not affect the interpretation of this Agreement.

(e) A Potential Event of Default is "**continuing**" if it has not been remedied or waived and an Event of Default is "**continuing**" if it has not been waived.

## 2 FACILITY

### 2.1 Amount of facility

Subject to the terms of this Agreement, the Lenders shall make available to the Borrowers, or, following a Dropdown, to the Borrower that is a member of the relevant Group, a post- delivery secured term loan facility in two Advances which shall each be available for drawing in one advance to finance or refinance the delivery instalment or as the case refinance certain pre-delivery instalments paid in connection with the acquisition of that Ship, **Provided that** Advances A and B shall be in an aggregate amount not exceeding $70,200,000.

### 2.2 Lenders' participations in an Advance

Subject to the other provisions of this Agreement, each Lender shall participate in an Advance in the proportion which, as at the Drawdown Date applicable to that Advance, its Commitment bears to the Total Commitments.

### 2.3 Purpose of Loan

Each Borrower undertakes with each Creditor Party to use each Advance only for the purpose stated in the preamble to this Agreement.

### 2.4 Monitoring

No Creditor Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

### 2.5 Designated Transactions under each Master Agreement

At any time during the Security Period, any Borrower may request the Swap Bank or any other Lender to conclude Designated Transactions for the purpose of hedging exposure to interest rate fluctuations in the context of their interest payment obligations under this Agreement **provided that** the Lenders who were Swap Bank on the date of this Agreement shall have the right of first refusal to conclude such Designated Transactions. The entry by the Swap Bank into each Master Agreement does not commit the Swap Bank to conclude Designated Transactions, or even to offer terms for doing so, but does provide a contractual framework within which Designated Transactions may be concluded and secured, assuming that the Swap Bank is willing to conclude any Designated Transaction at the relevant time and that, if that is the case, mutually acceptable terms can be agreed at the relevant time. The Swap Bank may, with the prior consent of the Borrower which is a party to the relevant Master Agreement (such consent not to be unreasonably withheld and/or delayed), syndicate its exposure under that Master Agreement at any time.

## 3 POSITION OF THE LENDERS, THE SWAP BANK AND THE MAJORITY LENDERS

### 3.1 Interests of Lenders and Swap Bank several

The rights of the Lenders and the Swap Bank under this Agreement and each Master Agreement are several; accordingly:

(a) each Lender shall be entitled to sue for any amount which has become due and payable by the Borrowers to it under this Agreement; and

(b) the Swap Bank shall be entitled to sue for any amount which has become due and payable by the Borrowers to it under a Master Agreement to which it is a party,

without joining the Facility Agent, the Security Trustee, any other Lender or the Swap Bank as additional parties in the proceedings.

### 3.2 Proceedings by individual Lender or the Swap Bank

However, without the prior consent of the Majority Lenders, no Lender nor the Swap Bank may bring proceedings in respect of:

(a) any other liability or obligation of a Borrower or a Security Party under or connected with a Finance Document or a Master Agreement; or

(b) any misrepresentation or breach of warranty by a Borrower or a Security Party in or connected with a Finance Document or the Master Agreement to which that Borrower is a party without the prior consent of the Majority Lenders.

### 3.3 Obligations several

The obligations of the Lenders under this Agreement and of the Swap Bank under the Master Agreements are several; and a failure of a Lender to perform its obligations under this Agreement or a failure of the Swap Bank to perform its obligations under a Master Agreement shall not result in:

(a) the obligations of the other Lenders or the Swap Bank being increased; nor

(b) the Borrowers, any Security Party or any other Creditor Party being discharged (in whole or in part) from its obligations under any Finance Document,

and in no circumstances shall a Lender or the Swap Bank have any responsibility for a failure of another Lender or the Swap Bank to perform its obligations under this Agreement or a Master Agreement.

### 3.4 Parties bound by certain actions of Majority Lenders

Every Lender, the Swap Bank, Borrower and Security Party shall be bound by:

(a) any determination made, or action taken, by the Majority Lenders under any provision of a Finance Document;

(b) any instruction or authorisation given by the Majority Lenders to the Facility Agent or the Security Trustee under or in connection with any Finance Document;

(c) any action taken (or in good faith purportedly taken) by the Facility Agent or the Security Trustee in accordance with such an instruction or authorisation.

### 3.5 Reliance on action of Facility Agent

However, the Borrowers and each Security Party:

(a) shall be entitled to assume that the Majority Lenders have duly given any instruction or authorisation which, under any provision of a Finance Document, is required in relation to any action which the Facility Agent has taken or is about to take; and

(b) shall not be entitled to require any evidence that such an instruction or authorisation has been given.

### 3.6 Construction

In Clauses 3.4 and 3.5 references to action taken include (without limitation) the granting of any waiver or consent, an approval of any document and an agreement to any matter.

## 4 DRAWDOWN AND DROPDOWN OPTION

### 4.1 Request for Advance

Subject to the following conditions, the Borrowers may request an Advance to be made by ensuring that the Facility Agent receives a completed Drawdown Notice not later than 11.00 a.m. (Paris time) 3 Business Days prior to the intended Drawdown Date.

### 4.2 Availability

The conditions referred to in Clause 4.1 are that:

(a) a Drawdown Date has to be a Business Day during the Availability Period;

(b) each of Advances shall be available for drawing in one advance and will be used to part finance or as the case may be part refinance part of the acquisition cost of each Ship; and

(c) if any part of the aggregated Lenders’ Ship Commitments relative to a Ship has not been borrowed before the end of the Availability Period applying to that Ship’s Advance, those Ship Commitments shall on that date be permanently cancelled in equal shares by an amount equal to such undrawn amount and the Total Commitments shall be cancelled by the same amount.

### 4.3 Purpose of Advances

Each Borrower undertakes with each Creditor Party to use each Advance only for the purposes stated in the recitals to this Agreement.

### 4.4 Notification to Lenders of receipt of a Drawdown Notice

The Facility Agent shall promptly notify the Lenders that it has received a Drawdown Notice and the Facility Agent shall inform each Lender of:

(a) the amount of each Advance and the Drawdown Date;

(b) the amount of that Lender’s participation in that Advance; and

(c) the duration of the first Interest Period.

**4.5 Drawdown Notice irrevocable**

A Drawdown Notice must be duly signed by a director or other authorised person of the Borrowers; and once served, a Drawdown Notice cannot be revoked without the prior consent of the Facility Agent, acting on the authority of the Majority Lenders.

**4.6 Lenders to make available Contributions**

Subject to the provisions of this Agreement, each Lender shall, on and with value on each Drawdown Date, make available to the Facility Agent for the account of the Borrowers, or, following a Dropdown, to the Borrowers that are members of the relevant Group, the amount due from that Lender on that Drawdown Date under Clause 2.1.

**4.7 Disbursement of Advance**

Subject to the provisions of this Agreement, the Facility Agent shall on each Drawdown Date pay to the relevant Borrowers the relevant Advance for the purposes specified in the Drawdown Notice relative to such Advance the amounts which the Facility Agent receives from the Lenders under Clause 4.6; and that payment to such Borrowers shall be made:

(a) to such account which the Borrowers specify in the Drawdown Notice; and

(b) in the like funds as the Facility Agent received the payments from the Lenders.

**4.8 Disbursement of Advance to third party**

The payment by the Facility Agent under Clause 4.7 to the Builder or any other third party shall constitute the making of that Advance and the Borrowers, or, following a Dropdown, the Borrowers that are members of the relevant Group, shall thereupon become indebted, as principal and direct obligors, to each Lender in an amount equal to that Lender's Contribution.

**4.9 Dropdown Option**

The Guarantor may elect to transfer (the "**Option**") ownership of the entire share capital of either Borrower so that such Borrower becomes an indirect subsidiary of the Substitute Guarantor and a direct subsidiary of the Intermediate Shareholder (the "**Dropdown**") subject to:

(a) the Borrowers serving a written notice on the Facility Agent of the Guarantor's intention to exercise the Option not later than 5 Business Days prior to the date of the Dropdown;

(b) not later than the Dropdown Date, the Facility Agent receives the documents described in Part C of Schedule 3 in a form and substance satisfactory to the Facility Agent and its lawyers;

(c) no Event of Default or Potential Event of Default has occurred and is continuing or would result from the Dropdown;

(d) there is no Material Adverse Change in existence; and

(e) the parties to this Agreement entering into such documentation amending and supplementing this Agreement and any other Finance Documents as may be required to be in a form reasonably acceptable to the Facility Agent by no later than the relevant Dropdown Date and any other document as may be required by the Facility Agent to effect the same in a manner acceptable to the Facility Agent.

## 5 INTEREST

### 5.1 Payment of normal interest

Subject to the provisions of this Agreement, interest on each Advance or Advance(s) in respect of each Interest Period shall be paid by the Borrowers (or, subject to Clause 29.2, each Affected Borrower), in arrears on the last day of that Interest Period.

### 5.2 Normal rate of interest

Subject to the provisions of this Agreement, the rate of interest on each Advance in respect of an Interest Period shall be the aggregate of:

(a) the Margin; and

(b) LIBOR.

### 5.3 Payment of accrued interest

In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

### 5.4 Notification of Interest Periods and rates of normal interest

The Facility Agent shall notify the Borrowers and each Lender of:

(a) each rate of interest; and

(b) the duration of each Interest Period,

as soon as reasonably practicable after each is determined.

### 5.5 Unavailability of Screen Rate

(a) *Interpolated Screen Rate*: If no Screen Rate is available for LIBOR for the Interest Period of the Loan or any part of the Loan, the applicable LIBOR shall be the Interpolated Screen Rate for a period equal in length to the Interest Period of the Loan or that part of the Loan.

(b) *Reference Bank Rate*: If no Screen Rate is available for:

(i) Dollars; or

(ii) the Interest Period of the Loan or any part of the Loan and it is not possible to calculate the Interpolated Screen Rate,

the applicable LIBOR shall be the Reference Bank Rate as of on or about noon on the Quotation Date and for a period equal in length to the Interest Period of the Loan or that part of the Loan.

(c) *Cost of funds*: If paragraph (b) above applies but no Reference Bank Rate is available for Dollars or the relevant Interest Period, there shall be no LIBOR for the Loan or that part thereof and Clause 5.8 shall apply to the Loan or that part thereof for that Interest Period.

### 5.6 Calculation of Reference Bank Rate

(a) Subject to paragraph (b) below, if LIBOR is to be determined on the basis of a Reference Bank Rate but a Reference Bank does not supply a quotation by 11:00 am London time on the Quotation Date, the Reference Bank Rate shall be calculated on the basis of the quotations of the remaining Reference Bank(s).

(b) If at or about noon on the Quotation Date none or only one of the Reference Banks supplies a quotation, there shall be no Reference Bank Rate for the relevant Interest Period.

**5.7 Market disruption**

If before close of business in London on the Quotation Date for the relevant Interest Period the Facility Agent receives notification from a Lender or Lenders (whose participations in the Loan or the relevant part of the Loan exceed 35 per cent. of the Loan or the relevant part of the Loan as appropriate) (the "**Relevant Lender**") that the cost to it of funding its participation in the Loan or that part of the Loan from the wholesale market for dollars would be in excess of LIBOR then Clause 5.8 shall apply to the Loan or that part of the Loan (as applicable) for the relevant Interest Period.

**5.8 Cost of funds**

(a) If this Clause 5.8 applies, the rate of interest on the Loan or the relevant part of the Loan for the relevant Interest Period shall be the percentage rate per annum which is the sum of:

(i) the Margin; and

(ii) the rate notified to the Facility Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period to be that which expresses as a percentage rate per annum the cost to the relevant Lender of funding its Contribution from whatever source it may reasonably select.

(b) If this Clause 5.8 applies and the Facility Agent or the Borrower so requires, the Facility Agent and the Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest or (as the case may be) an alternative basis for funding.

(c) Subject to Clause 27.4, any substitute or alternative basis agreed pursuant to paragraph (b) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.

(d) If this Clause 5.8 applies but any Lender does not supply a quotation by the time specified in sub-paragraph (ii) of paragraph (a) above the rate of interest shall be calculated on the basis of the quotations of the remaining Lenders.

**5.9 Suspension of drawdown**

If Clauses 5.5 or 5.7 apply before any Advance(s) is made the Lenders' obligations to make the Advance or Advances shall be suspended while the circumstances referred to in the Facility Agent's notice continue.

**6 INTEREST PERIODS**

**6.1 Commencement of Interest Periods**

The first Interest Period applicable to an Advance shall commence on the relevant Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

**6.2 Duration of normal Interest Periods**

Subject to Clauses 6.3 and 6.4, each Interest Period in respect of each Advance shall be:

(a) 3 or 6 months as notified by the Borrowers to the Facility Agent not later than 11.00 a.m. (London time) 3 Business Days before the commencement of the Interest Period;

(b) in the case of the first Interest Period applicable to the second Advance, a period ending on the last day of the then current Interest Period applicable to the first Advance, whereupon all of the Advances shall be consolidated and treated as a single advance;

(c) 3 months, if the Borrowers fail to notify the Facility Agent by the time specified in paragraph (a) above; or

(d) such other period as the Borrowers may request from the Facility Agent, which may be agreed by the Lenders in their sole discretion.

**6.3 Duration of Interest Periods for Instalments**

In respect of an amount due to be repaid under Clause 8 on a particular Repayment Date, an Interest Period in relation to the relevant Advance shall end on that Repayment Date.

**6.4 Non-availability of matching deposits for Interest Period selected**

If, after the Borrowers have selected and the Lenders have agreed an Interest Period longer than 3 months, any Lender notifies the Facility Agent by 11.00 a.m. (Paris time) on the second Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London interbank market when the Interest Period commences, the Interest Period shall be of 3 months.

**7 DEFAULT INTEREST**

**7.1 Payment of default interest on overdue amounts**

The Borrowers shall pay interest in accordance with the following provisions of this Clause 7 on any amount payable by the Borrowers (or any of them) under any Finance Document which the Facility Agent, the Security Trustee or the other designated payee does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 19.4, the date on which it became immediately due and payable.

**7.2 Default rate of interest**

Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Facility Agent to be 2 per cent. above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at paragraphs (a) and (b) of Clause 7.3; or

(b) in the case of any other overdue amount, the rate set out at paragraph (b) of Clause 7.3.

**7.3 Calculation of default rate of interest**

The rates referred to in Clause 7.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);

(b) the Margin plus, in respect of successive periods of any duration up to 3 months which the Facility Agent may select from time to time:

(i) LIBOR; or

(ii) if the Facility Agent determines that Dollar deposits for any such period are not being made available to a Lender or (as the case may be) Lenders by leading banks in the London interbank market in the ordinary course of business, the average rate from time to time determined by the Facility Agent by reference to the cost of funds to all Lenders for such period notified by the Lenders to the Facility Agent by no later than 1 Business Day after the Facility Agent makes such a determination.

**7.4 Notification of interest periods and default rates**

The Facility Agent shall promptly notify the Lenders and the Borrowers of each interest rate determined by the Facility Agent under Clause 7.3 and of each period selected by the Facility Agent for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrowers are liable to pay such interest only with effect from the date of the Facility Agent’s notification.

**7.5 Payment of accrued default interest**

Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined; and the payment shall be made to the Facility Agent for the account of the Creditor Party to which the overdue amount is due.

**7.6 Compounding of default interest**

Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

**7.7 Application to Master Agreements**

For the avoidance of doubt, this Clause 7 does not apply to any amount payable under a Master Agreement in respect of any continuing Designated Transaction as to which section 2(e) (Default Interest; Other Amounts) of a Master Agreement shall apply.

**8 REPAYMENT AND PREPAYMENT**

**8.1 Repayment Instalments**

The Borrowers shall repay each Advance, by:

(a) 14 equal consecutive semi-annual repayments instalments (each an “**Instalment**” and together, the “**Instalments**”), each in an amount of $1,170,000; and

(b) a balloon instalment (in respect of each Advance, a “**Balloon Instalment**”, and together, the “**Balloon Instalments**”) in the amount of $18,720,000

**provided that** in case the maximum amount of each Advance is not drawndown, the Instalments and Balloon Instalments shall be reduced pro rata.

**8.2 Repayment Dates**

The first Instalment in respect of each Advance shall be repaid on the date falling 6 months after the Drawdown Date of the Advance and each subsequent Instalment shall be repaid at 6-monthly intervals thereafter and the last Instalment shall be repaid on the Final Maturity Date in respect of the Advance together with the Balloon Instalment.

**8.3 Final Repayment Date**

On the final Repayment Date, the Borrowers shall additionally pay to the Facility Agent for the account of the Creditor Parties all other sums then accrued or owing under any Finance Document.

**8.4 Optional facility cancellation**

The Borrowers shall be entitled, upon giving to the Facility Agent not less than 3 Business Days prior written notice (which notice shall be irrevocable), to cancel, in whole or in part, and, if in part, by an amount that reduces the undrawn balance of the Total Commitments in a minimum amount of $1,000,000 or an integral multiple thereof. Upon such cancellation taking effect on expiry of such notice the several obligations of the Lenders to make their respective Commitments available in relation to the portion of the Total Commitments to which such notice relates shall terminate and the commitment fee referred to in Clause 20.1) on such portion shall cease to accrue.

**8.5 Voluntary prepayment**

Subject to the following conditions, the Borrowers may prepay the whole or any part of the Loan on the last day of an Interest Period in respect thereof.

**8.6 Conditions for voluntary prepayment**

The conditions referred to in Clause 8.5 are that:

(a) a partial prepayment shall be in an amount of $1,000,000 or an integral multiple thereof;

(b) the Facility Agent has received from the Borrowers at least 3 Business Days' prior written notice specifying:

(i) the amount to be prepaid and the date on which the prepayment is to be made; and

(ii) whether such prepayment will be applied against an Advance, in which case the Borrowers will specify the Advance against which that prepayment should be applied. A failure by the Borrowers to make such a designation shall result in the prepayment being applied against each Advance in accordance with Clause 8.11(a); and

(c) the Borrowers have provided evidence satisfactory to the Facility Agent that any consent required by the Borrowers or any Security Party in connection with the prepayment has been obtained and remains in force, and that any requirement relevant to this Agreement which affects the Borrowers or any Security Party has been complied with.

**8.7 Effect of notice of prepayment**

A prepayment notice may not be withdrawn or amended without the consent of the Facility Agent, given with the authority of the Majority Lenders, and the amount specified in the prepayment notice shall become due and payable by the Borrowers on the date for prepayment specified in the prepayment notice.

**8.8 Notification of notice of prepayment**

The Facility Agent shall notify the Lenders promptly upon receiving a prepayment notice, and shall provide any Lender which so requests with a copy of any document delivered by the Borrowers under Clause 8.6(c).

**8.9 Mandatory prepayment**

The Borrowers (or, subject to Clause 29.2, each Affected Borrower) shall be obliged to prepay the Relevant Amount:

(a) in the case of a sale at any time after the Delivery Date relative to that Ship, on or before the date on which the sale is completed by delivery of that Ship to the buyer; or

(b) in the case of a Total Loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss;

(c) if any of the following occurs, unless otherwise instructed by the Facility Agent (acting on the instructions of the Lenders):

(i) without their prior consent and other than as the result of a Dropdown, a change has occurred after the date of this Agreement in the legal ownership of the Intermediate Shareholder or in the legal and beneficial ownership of any of the shares in any Borrower or the ultimate beneficial ownership of the Guarantor or any of them, in the control of the voting rights attaching to any of those shares unless such change results in the ultimate beneficial owners (or their immediate family members including their descendants) of any Borrower, the Intermediate Shareholder or the Guarantor (the identity of which has been disclosed to the Facility Agent in writing on the date of this Agreement) owning more shares in the capital of the Guarantor than any other person (save for any passive institutional investor)) and holding executive power in any Borrower, the Intermediate Shareholder or the Guarantor **provided that** the above shall only apply to the Intermediate Shareholder following a Dropdown; and/or

(ii) the ultimate beneficial owners (or their immediate family members including their descendants) of the largest number of common units in the Substitute Guarantor as at the date of this Agreement, whose identities have been disclosed to the Facility Agent in writing on the date of this Agreement, ceases to own more common units in the Substitute Guarantor than any other person (save for any passive institutional investor); and/or

(iii) any person or group of persons acting in concert gains directly or indirectly Control of the Guarantor or the Substitute Guarantor, and for the purpose this paragraph "**acting in concert**" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition (directly or indirectly) of shares in the Guarantor or the Substitute Guarantor, by any of them, either directly or indirectly, to obtain or consolidate Control of the Guarantor or the Substitute Guarantor; and/or

(iv) following a Dropdown, (A) Capital GP LLC has ceased to be the Substitute Guarantor's general partner or (B) the Guarantor has ceased to hold legal ownership of the common units of Capital GP LLC; and

(v) following a Dropdown, the Substitute Guarantor ceases to wholly own or control any of the Affected Borrowers.

In this Clause 8.9, "**Relevant Amount**" means:

(a) in the cases of sub-paragraphs (a) and (b), an amount equal to the higher of (A) the outstanding amount of the Advance which has been used in part-financing the Ship which has become subject to any of the events referred to in such sub-paragraphs and (B) an amount, which after giving credit to the prepayment required to be made pursuant to this Clause 8.9, results in the applicable Security Cover Ratio being equal to the minimum Security Cover Ratio; and

(b) in the case of Clause 8.9(c), the Loan; and

(c) in the case of Clause 8.9(c)(i), the Advance owing by any Affected Borrower.

**8.10 Amounts payable on prepayment**

A prepayment shall be made together with accrued interest (and any other amount payable under Clause 21 below or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period together with any sums payable under Clause 21.1(b) but without premium or penalty.

**8.11 Application of partial prepayment**

Each partial prepayment shall be applied:

(a) if made pursuant to Clause 8.5 pro rata between the then outstanding Advances and thereafter in respect of each Advance, pro rata against the Instalments in respect of that Advance which are at the time being outstanding and the relevant Balloon Instalment **Provided that** the Borrowers may, at their option, request that a prepayment made in accordance with Clause 8.5 be applied against one Advance only in which case such prepayment shall be applied pro rata against the Instalments in respect of that Advance which are at the time being outstanding and the relevant Balloon Instalment or in any other manner of application requested by the Borrowers and agreed by the Lenders (in the Lenders' absolute discretion);

(b) if made pursuant to Clauses 8.9 or 15.2, in the cases of sub-paragraphs (a), (b) and (c), first against the Balloon Instalment in respect of the Advance related to the Ship being sold or which has become a Total Loss, secondly towards reduction of the outstanding Instalments in respect of that Advance in inverse order of maturity, thirdly against the then outstanding Balloon Instalment in respect of the remaining Advance in inverse order of maturity and fourthly towards reduction of the Instalments in respect of the remaining advances; and

(c) if made pursuant to any other clause of this Agreement, pro-rata between the Advances, first against reduction of the Balloon Instalments of the Advances and secondly against the outstanding Instalments in respect of such Advances.

**8.12 No reborrowing**

No amount prepaid or cancelled may be reborrowed.

**8.13 Unwinding of Designated Transactions**

On or prior to any repayment or prepayment of the Loan under this Clause 8 or any other provision of this Agreement, the Borrowers shall wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Designated Transactions to the extent necessary to ensure that the notional principal amount of the continuing Designated Transactions thereafter remaining does not and will not in the future (taking into account the scheduled amortisation) exceed the amount of the Loan as reducing from time to time thereafter pursuant to Clause 8.1.

**8.14 Prepayment of swap benefit**

If a Designated Transaction is terminated in circumstances where the Swap Bank would be obliged to pay an amount to any Borrower under a Master Agreement, each Borrower hereby agrees that such payment shall be applied in prepayment of the Loan in accordance with Clause 8.11 and authorises the Swap Bank to pay such amount to the Facility Agent for such purpose.

**8.15 Right of cancellation in relation to a Defaulting Lender**

(a) If any Lender becomes a Defaulting Lender, the Borrowers may, at any time whilst the Lender continues to be a Defaulting Lender, give the Facility Agent 5 Business Days' notice of cancellation of the undrawn Commitment of that Lender;

(b) on the notice referred to in paragraph (a) above becoming effective, the undrawn Commitment of the Defaulting Lender shall immediately be reduced to zero; and

(c) the Facility Agent shall as soon as practicable after receipt of a notice referred to in paragraph (a) above, notify all the Lenders.

**8.16 Right of repayment and cancellation in relation to a single Lender**

(a) If:

(i) any sum payable to any Lender by a Borrower is required to be increased under paragraph (c) of Clause 22.2 or under that clause as incorporated by reference or in full in any other Finance Document; or

(ii) any Lender claims indemnification from a Borrower under Clause 22.3 or Clause 24,

the Borrowers may whilst in the case of sub-paragraphs (i) and (ii) above the circumstance giving rise to the requirement for that increase or indemnification continues, give the Facility Agent notice of cancellation of the Commitment of that Lender and its intention to procure the repayment of that Lender's participation in the Loan.

(b) On receipt of a notice of cancellation referred to in paragraph (a) above, the Commitment of that Lender shall immediately be reduced to zero.

(c) On the last day of each Interest Period which ends after the Borrowers have given notice of cancellation under paragraph (a) above in relation to a Lender (or, if earlier, the date specified by the Borrowers in that notice), the Borrowers shall repay that Lender's participation in the Loan.

(d) Any partial prepayment under this Clause 8.16 shall reduce *pro rata* the amount of each Instalment falling after that prepayment by the amount prepaid.

**9 CONDITIONS PRECEDENT**

**9.1 Documents, fees and no default**

Each Lender's obligation to contribute to an Advance is subject to the following conditions precedent:

(a) that on or before the date of this Agreement, the Facility Agent receives:

(i) the documents described in Part A of Schedule 3 in a form and substance satisfactory to the Facility Agent and its lawyers; and

(ii) payment in full of any expenses payable pursuant to Clause 20.2;

(b) that, on the Drawdown Date in respect of each Advance, the Facility Agent receives:

(i) the documents described in Part B of Schedule 3 in form and substance satisfactory to it and its lawyers; and

(ii) all accrued commitment fee due and payable pursuant to Clause 20.1; and

(iii) payment in full of any expenses payable pursuant to Clause 20.2 which are due and payable on that Drawdown Date;

(c) that both at the date of each Drawdown Notice and at each Drawdown Date:

(i) no Event of Default or Potential Event of Default has occurred and is continuing or would result from the borrowing of the relevant Advance; and

(ii) the representations and warranties in Clause 10 and those of any Borrower or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing; and

(iii) none of the circumstances contemplated by Clause 5.6 has occurred and is continuing; and

(iv) there is no Material Adverse Change in existence; and

(v) the Facility Agent receives any fees referred to in Clause 20.1 which are due and payable at that time;

(d) that, if the applicable Security Cover Ratio were applied immediately following the making of the relevant Advance, the Borrowers would not be obliged to provide additional security or prepay part of the Loan under that Clause; and

(e) that the Facility Agent has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Facility Agent may, with the authorisation of the Majority Lenders, request by notice to the Borrowers prior to the relevant Drawdown Date.

### 9.2 Waiver of conditions precedent

If the Majority Lenders, at their discretion, permit an Advance to be borrowed before certain of the conditions referred to in Clause 9.1 are satisfied, the Facility Agent will, acting on the instructions of the Majority Lenders, issue a conditions precedent waiver letter and the Borrowers shall ensure that those conditions are satisfied within 5 Business Days of the date of such letter (or such longer period as the Facility Agent may, with the authorisation of the Majority Lenders, specify).

## 10 REPRESENTATIONS AND WARRANTIES

### 10.1 General

Each Borrower represents and warrants to each Creditor Party as follows.

### 10.2 Status

Each Corporation is a company duly incorporated, validly existing and in good standing under the laws of the Republic of the Marshall Islands.

**10.3 Capital**

Each Borrower has an authorised share capital divided into 100 registered and/or bearer shares, each of no par value, all of which shares have been fully paid issued in registered form and the legal title and beneficial ownership of all shares is held free of any Security Interests (except for Permitted Security Interests) or any other claim by the person or persons disclosed by the Borrowers to the Facility Agent in writing on or prior to the date of this Agreement.

**10.4 Corporate power**

Each Borrower has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to enter into, and perform its obligations under, any Charterparty (including, without limitation, the applicable Tesoro Charter) to which it is or, as the case may be, is to become a party;

(b) to execute the Finance Documents to which that Borrower is a party; and

(c) to borrow under this Agreement, to enter into Designated Transactions under a Master Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents to which that Borrower is a party.

**10.5 Consents in force**

All the consents referred to in Clause 10.4 remain in force and nothing has occurred which makes any of them liable to revocation.

**10.6 Legal validity; effective Security Interests**

The Finance Documents to which each Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute that Borrower’s legal, valid and binding obligations enforceable against that Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate,

subject to any relevant insolvency laws affecting creditors’ rights generally.

**10.7 No third party Security Interests**

Without limiting the generality of Clause 10.6, at the time of the execution and delivery of each Finance Document to which that Borrower is a party:

(a) that Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

**10.8 No conflicts**

The execution by each Borrower of each Finance Document to which it is a party, and the borrowing by that Borrower of the Loan, and its compliance with each Finance Document to which it is a party will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of that Borrower; or

(c) any contractual or other obligation or restriction which is binding on that Borrower or any of its assets,

and will not have a Material Adverse Effect.

**10.9 No withholding taxes**

All payments which each Borrower is liable to make under the Finance Documents may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

**10.10 No default**

No Event of Default or Potential Event of Default has occurred and is continuing.

**10.11 Information**

All information which has been provided in writing by or on behalf of each Borrower or any Security Party to any Creditor Party in connection with any Finance Document satisfied the requirements of Clause 11.5; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 11.7; and there has been no material adverse change in the financial position or state of affairs of any Borrower from that disclosed in the latest of those accounts which is likely to have a Material Adverse Effect.

**10.12 No litigation**

No legal or administrative action involving any Borrower or any Security Party (including action relating to any alleged or actual breach of the ISM Code or the ISPC Code) has been commenced or taken or, to any Borrower's knowledge, is likely to be commenced or taken which would, in either case, be likely to have a Material Adverse Effect.

**10.13 Validity and completeness of Underlying Documents**

Each of the Underlying Documents constitutes valid, binding and enforceable obligations of the parties thereto in accordance with its terms; and:

(a) the copies of each Underlying Document delivered to the Facility Agent before the date of this Agreement is a true and complete copy thereof; and

(b) no amendments or additions to any Underlying Document have been agreed nor has any of the parties thereto waived any of their respective rights thereunder

**Provided that** these representations shall only be made in connection with each Tesoro Charter from the date of service of a Drawdown Notice in respect of the Tesoro Charter relative to the Ship which is the subject of the Advance referred to in that Drawdown Notice.

### 10.14 No rebates etc.

There is no agreement or understanding to allow or pay any rebate, premium, commission, discount or other benefit or payment (howsoever described) to any Borrower, any other member of a Group or any affiliate thereof (including, without limitation, the Substitute Guarantor or any subsidiary of the Substitute Guarantor) in connection with the acquisition of any of the Ships other than any brokerage commissions disclosed to the Lenders in writing on or prior to the date of this Agreement.

### 10.15 Compliance with certain undertakings

At the date of this Agreement, each Borrower is in compliance with Clauses 11.2, 11.4, 11.7 and 11.12.

### 10.16 Taxes paid

Each Borrower has paid all taxes applicable to, or imposed on or in relation to that Borrower and its business.

### 10.17 ISM and ISPS Code compliance

All requirements of (i) the ISM Code as they relate to the Approved Manager have been complied with and (ii) the ISM Code and the ISPS Code as they relate to each Borrower and each Ship will be complied with by no later than the actual Delivery Date relative thereto.

### 10.18 No Money laundering

It is acting for its own account in relation to the Loan and in relation to the performance and the discharge of its obligations and liabilities under the Finance Documents and the transactions and other arrangements effected or contemplated by the Finance Documents to which a Security Party is a party, and the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat money laundering (as defined in Article 1 of the Directive (2001/97EC of the European Parliament and of 4 December 2001) including, but not limited to Directive 2005/60 amending Council Directive 91/308).

### 10.19 No Immunity

Each Borrower is subject to suit and to commercial law and neither it nor any of its properties have any right of immunity from suit, execution, attachment or other legal process in the Republic of the Marshall Islands.

### 10.20 Sanctions

No Borrower, no Security Party nor any of their Affiliates and no member of the Group nor any of their joint ventures nor any of their respective directors, officers or agent or representatives or any other persons acting on any of their behalf:

(a) has violated or is violating any applicable Sanctions;

(b) is a Designated Person;

(c) is using or will use, directly or indirectly, the proceeds of the Loan, or lend, contribute or otherwise make available such proceeds to any person, (i) to fund any activities or business of or with any person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions or is an UHRC, or (ii) in any other manner that would result in a violation of Sanctions by any person (including any person participating in the Loan, whether as underwriter, advisor, investor, or otherwise).

### 10.21 Corrupt Practices

It has observed and, to the best of its knowledge and belief, parties acting on its behalf have observed in the course of acting for it, all applicable laws and regulations relating to bribery and corrupt practices.

### 10.22 Choice of law

The choice of the laws of England to govern the Loan Agreement and those other Finance Documents which are expressed to be governed by the laws of England constitutes a valid choice of law and the submission by each Borrower thereunder to the non-exclusive jurisdiction of the Courts of England is a valid submission and does not contravene the laws of the Marshall Islands and the laws of England will be applied by the Courts of the Marshall Islands if the Loan Agreement or those other Finance Documents or any claim thereunder comes under their jurisdiction upon proof of the relevant provisions of the laws of England.

### 10.23 Repetition

The representations and warranties in this Clause 10 shall be deemed to be repeated by each Borrower:

(a) on the date of service of each Drawdown Notice;

(b) on each Drawdown Date; and

(c) with the exception of Clauses 10.9 and 10.12, on the first day of each Interest Period,

as if made with reference to the facts and circumstances existing on each such day.

## 11 GENERAL UNDERTAKINGS

### 11.1 General

Each Borrower undertakes with each Creditor Party to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Facility Agent may, with the authorisation of the Majority Lenders, or, where specified, all Lenders, otherwise permit (which permission shall not be unreasonably withheld or delayed in connection with Clause 11.11).

### 11.2 Title; negative pledge and pari passu ranking

Each Borrower will:

(a) as from the Delivery Date of its Ship, hold the legal title to, and own the entire beneficial interest in its Ship free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents and the effect of assignments contained in the Finance Documents and except for Permitted Security Interests;

(b) not create or permit to arise any Security Interest over any other asset, present or future other than in the normal course of its business of owning and operating of the Ship owned by it; and

(c) procure that its liabilities under the Finance Documents to which it is a party do and will rank at least pari passu with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law.

**11.3 No disposal of assets**

No Borrower will transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not if such transfer, lease or disposal results or in the occurrence of an Event of Default; or

(b) any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation,

but paragraph (a) does not apply to any charter of a Ship as to which Clause 14.14 applies.

**11.4 Information provided to be accurate**

All financial and other information, including, but not limited to factual information, exhibits and reports, which is provided in writing by or on behalf of a Borrower under or in connection with any Finance Document will be true and not misleading and will not omit any material fact or consideration.

**11.5 No other liabilities or obligations to be incurred**

No Borrower will incur any liability or obligation (including, without limitation, any Financial Indebtedness) except (a) liabilities and obligations under the Underlying Documents and the Finance Documents to which it is a party and (b) liabilities or obligations reasonably incurred in the ordinary course of operating and chartering its Ship and, should the Lenders consent to the incurrence by a Borrower of any such obligations and/or liabilities (other than those referred to in paragraphs (a) and (b), then that Borrower shall ensure that any such obligations and/or liabilities shall at all times be subordinated in priority to the obligations and liabilities of such Borrower under this Agreement and the other Finance Documents.

**11.6 Creditor notices**

Each Borrower will send to the Facility Agent, at the same time as they are despatched, copies of all communications which are despatched to all of its creditors or to the whole or any class of them for any claim which exceeds, on an individual basis, $25,000.

**11.7 Consents**

Each Borrower will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Facility Agent of, all consents required:

(a) for that Borrower to perform its obligations under any Finance Document and any Underlying Document to which that Borrower is party (in respect of the applicable Tesoro Charter, from the Delivery Date of its Ship);

(b) for the validity or enforceability of any Finance Document and any Underlying Document (in respect of the applicable Tesoro Charter, from the Delivery Date of its Ship) to which that Borrower is party; and

(c) after the Delivery Date of its Ship, for that Borrower to own and operate that Ship,

and that Borrower will comply (or procure compliance as the case may be) with the terms of all such consents.

**11.8 Maintenance of Security Interests**

Each Borrower will:

(a) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a) above, at its own cost, promptly register, file, record or enrol any Finance Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which, in the opinion of the Majority Lenders, is or has become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

**11.9 Notification of litigation**

Each Borrower will provide the Facility Agent with:

(a) details of any legal or administrative action involving that Borrower, any Security Party, any Underlying Document to which it is a party, its Ship, its Earnings or its Insurances as soon as such action is instituted unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

(b) promptly upon becoming aware of them, the details of any claim, action, suit, proceeding or investigation with respect to Sanctions against it, any of its direct or indirect owners, subsidiaries, any of their joint ventures or any of their respective directors, officers, employees, agents or representatives.

**11.10 No amendment to Master Agreements; Transactions**

No Borrower will:

(a) agree to any amendment or supplement to, or waive or fail to enforce, a Master Agreement or any of its provisions; or

(b) enter into any Transaction pursuant to a Master Agreement except Designated Transactions.

**11.11 No amendment to any Underlying Document (other than the Tesoro Charters)**

No Borrower will agree to any amendment or supplement to, or waive or fail to enforce, any Underlying Document (other than the Tesoro Charters) or any of its provisions without the prior written consent of the Lenders such consent not to be unreasonably withheld or delayed.

**11.12 Principal place of business**

Each Borrower will maintain its place of business, and keep its corporate documents and records, at the address stated at Clause 28.2(a) and that Borrower will not establish nor do anything as a result of which it would be deemed to have, a place of business in England or the United States of America.

**11.13 Confirmation of no default**

Each Borrower will, within 2 Business Days after service by the Facility Agent of a written request, serve on the Facility Agent a notice which is signed by an officer of that Borrower and which:

(a) states that no Event of Default has occurred; or

(b) states that no Event of Default has occurred, except for a specified event or matter, of which all material details are given, the Facility Agent may serve requests under this Clause 11.13 from time to time but only if asked to do so by a Lender or Lenders having Contributions exceeding 10 per cent. of the Loan or Commitments exceeding 10 per cent. of the Total Commitments; this Clause 11.13 does not affect that Borrower's obligations under Clause 11.14.

**11.14 Notification of default**

Each Borrower will notify the Facility Agent as soon as that Borrower becomes aware of:

(a) the occurrence of a Potential Event of Default and/or an Event of Default (and the steps, if any, being taken to remedy such Potential Event of Default and/or Event of Default); or

(b) any matter which indicates that an Event of Default may have occurred,

and will thereafter keep the Facility Agent fully up-to-date with all developments.

**11.15 Provision of further information**

(a) Each Borrower will provide the Facility Agent with annual budgets in respect of operated expenses and accruals of the Ships which, in the case of accruals, are due and payable within 6 months.

(b) Each Borrower will, as soon as practicable after receiving the request, provide the Facility Agent with any additional financial or other information relating:

(i) to it, the Ship owned by it, its Insurances and its Earnings; or

(ii) to any other matter relevant to, or to any provision of, a Finance Document,

which may be requested by the Facility Agent, the Security Trustee or any Lender at any time.

**11.16 General and administrative costs**

Each Borrower shall ensure that the payment of all its general and administrative costs in connection with the ownership and operation of the Ship owned by it (including, without limitation, the payment of the management fees pursuant to the Management Agreements) shall be fully subordinated to its payment obligations under this Agreement and the other Finance Documents throughout the Security Period.

**11.17 Provision of copies and translation of documents**

Each Borrower will supply the Facility Agent with a sufficient number of copies of the documents referred to above to provide one copy for each Creditor Party; and if the Facility Agent so requires in respect of any of those documents, the Borrowers will provide a certified English translation prepared by a translator approved by the Facility Agent.

**11.18 Hedging of interest rate risks**

Each Borrower may from time to time enter into Designated Transactions with the Swap Bank in order to hedge all or part of the interest rate risk under this Agreement.

**11.19 "Know your customer" checks**

If:

(a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

(b) any change in the status of that Borrower or any Security Party after the date of this Agreement (including a situation where a shareholder's share in a Borrower or any Security Party rises above 10% of the total number of shares); or

(c) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Facility Agent or any Lender (or, in the case of paragraph (c), any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrowers shall promptly upon the request of the Facility Agent or the Lender concerned supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender) or the Lender concerned (for itself or, in the case of the event described in paragraph (c), on behalf of any prospective new Lender) in order for the Facility Agent, the Lender concerned or, in the case of the event described in paragraph (c), any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

**11.20 Sanctions**

(a) Each Borrower shall and shall procure that Security Party and each member of the Group and Security Party:

(i) will comply in all respects with Sanctions;

(ii) will not, directly or indirectly, use the proceeds of the Loan, or lend, contribute or otherwise make available such proceeds to any person, (i) to fund any activities or business of or with any person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions or is an UHRC, or (ii) in any other manner that would result in a violation of Sanctions by any person (including any person participating in the Loan, whether as underwriter, advisor, investor, or otherwise); and

(iii) shall not fund all or part of any payment under a Finance Document out of proceeds derived from business or transactions with a Designated Person or from any action which would be prohibited by Sanctions or would otherwise cause any person to be in breach of Sanctions;

(b) No Borrower nor any member of the Group shall be a Designated Person;

(c) No shareholder (or shareholders acting in concert) owning 5% or more of the shares of the Borrower, and (y) no shareholder (or shareholders acting in concert) of any of the Borrower's Subsidiaries owning 5% or more of shares in such Subsidiary (other than the Borrower), is/are a Designated Person(s);

(d) Neither the Borrower nor any member of the Group is a Designated Person or is deemed as such on the basis of ownership or control (as such terms are interpreted in the relevant regulations in respect of the Sanctions or in any guidance in relation to such regulations) by a Designated Person;

(e) A Designated Person has not been involved in the negotiation or execution of the Finance Documents on behalf of the Borrower nor in the performance by the Borrower of its obligations under this Agreement nor in the use by the Borrower of the proceeds of the Loan;

(f) A Designated Person does not own or control (as such terms are interpreted in the relevant regulations in respect of the Sanctions or in any guidance in relation to such regulations) the Borrower or any of its Subsidiaries and, to the best of the Borrower's knowledge after due and careful inquiry, has no legal or beneficial interest, whether directly or indirectly, in any shares of the Borrower or any of its Subsidiaries; and

(g) A Designated Person is not the subject of Sanctions other than the Sanctions by the United States of America, including OFAC, the European Union, including its Member States and the United Nations.

**11.21 Minimum Working Capital**

Each Borrower shall maintain standing to the credit of its Minimum Working Capital Account the aggregate of:

(a) throughout the Security Period, a cash buffer representing the estimated cost of all regulatory surveys included in that Borrower's budget prior to the fifth anniversary from the relevant Drawdown Date and thereafter, the estimated cost of all regulatory surveys included in that Borrowers' budget until the end of the Security Period; and

(b)

(i) from the Drawdown Date until the date falling one day prior to the date falling on the second anniversary of the Drawdown Date of the relevant Ship's Advance (the "**Second Anniversary Date**") of the relevant Ship's Advance, $300,000;

(ii) from the Second Anniversary Date until the date falling one day prior to the date falling on the fourth anniversary of the Drawdown Date of the relevant Ship's Advance (the "**Fourth Anniversary Date**"), $500,000; and

(iii) after the Fourth Anniversary and until the end of the Security Period, $700,000.

**12 CORPORATE UNDERTAKINGS**

**12.1 General**

Each Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Facility Agent may, with the authorisation of the Majority Lenders, otherwise permit or as otherwise provided below.

**12.2 Maintenance of status**

Each Borrower will maintain its separate existence as a company and remain in good standing under the laws of the Marshall Islands.

**12.3 Negative Undertakings**

(a) No Borrower will:

(i) carry on any business other than the ownership, chartering and operation of its Ship; or

(ii) effect any form of redemption, purchase or return of share capital; or

(iii) pay any dividend or make any other form of distribution or:

(A) unless at the relevant time:

(1) it is in compliance with Clause 11.21; and

(2) the applicable Security Cover Ratio which is required to be maintained under Clause 15.1 is maintained other than as a result of a reduction of such Security Cover Ratio being agreed between the Parties; or

(B) if an Event of Default has occurred and is continuing or would result from such payment or distribution; or

(iv) provide any form of credit or financial assistance to:

(A) a person who is directly or indirectly interested in any Borrower's share or loan capital; or

(B) any company in or with which such a person is directly or indirectly interested or connected,

enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to any Borrower than those which it could obtain in a bargain made at arms' length;

(v) open or maintain any account with any bank or financial institution except accounts with the Creditor Parties for the purposes of the Finance Documents including, without limitation, its Operating Account;

(vi) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital except to existing beneficial owners as already disclosed to the Majority Lenders;

(vii) acquire any shares or other securities other than US or UK Treasury bills and certificates of deposit issued by major North American or European banks, or enter into any transaction in a derivative excluding Designated Transactions and any transactions made with any other Lender pursuant to Clause 2.5;

(viii) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation; or

(ix) acquire any vessel other than its Ship.

## 13 INSURANCE

### 13.1 General

Each Borrower undertakes with each Creditor Party to comply with the following provisions of this Clause 13 at all times during the Security Period (as from the Delivery Date of the Ship owned by that Borrower and at all times thereafter) except as the Facility Agent may, with the authorisation of the Majority Lenders, otherwise permit.

### 13.2 Maintenance of obligatory insurances

Each Borrower shall keep the Ship owned by it insured at the expense of that Borrower against:

(a) fire and usual marine risks (including hull and machinery and excess risks); and

(b) war risks (including protection and indemnity war risks with a separate limit not less than hull value);

(c) protection and indemnity risks (including, without limitation, pollution risks and protection and indemnity war risks in excess of the amount of war risks (hull) each in the highest amount available in the international insurance market); and

(d) any other risks against which the Facility Agent acting on the instructions of the Majority Lenders, having regard to practices, recommendations and other circumstances prevailing at the relevant time may from time to time require by notice to that Borrower.

**13.3 Terms of obligatory insurances**

Each Borrower shall effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks (including, blocking and trapping), on an agreed value basis in approved amounts but not in any event and at any time less than (i) the higher of (i) the amount which when aggregated with the insured amounts for the other Ship which is then subject to a Mortgage is equal to 120 per cent. of the aggregate of (a) Loan and (b) the Swap Exposure as determined on the date on which such insurances are effected or renewed, as the case may be and (ii) the Market Value of the Ship owned by that Borrower;

(c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry (with the international group of protection and indemnity clubs) and the international marine insurance market (currently $1,000,000,000);

(d) in relation to protection and indemnity risks in respect of the full value and tonnage of the Ship owned by that Borrower;

(e) in relation to war risks insurance, extended to cover piracy and terrorism where piracy or, as the case may be, terrorism, are excluded under the fire and usual marine risks insurance;

(f) on approved terms; and

(g) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations which are members of the International Group of Protection and Indemnity Associations, and have a Standard & Poor’s rating of at least BBB or a comparable rating by any other rating agency reasonably acceptable to the Facility Agent (acting with the authorisation of the Majority Lenders).

**13.4 Further protections for the Creditor Parties**

In addition to the terms set out in Clause 13.3, each Borrower shall procure that:

(a) it and any and all third parties who are named assured or co-assured under any obligatory insurance shall assign their interest in any and all obligatory insurances and other Insurances if so required by the Facility Agent;

(b) whenever the Security Trustee requires, the obligatory insurances name (or be amended to name) the Security Trustee as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Security Trustee, but without the Security Trustee thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurances;

(c) the interest of the Security Trustee as assignee and as loss payee shall be duly endorsed on all slips, cover notes, policies, certificates of entry or other instruments of insurance in respect of the obligatory insurances;

(d) the obligatory insurances shall name the Security Trustee as sole loss payee with such directions for payment as the Security Trustee may specify;

(e) the obligatory insurances shall provide that all payments by or on behalf of the insurers under the obligatory insurances to the Security Trustee shall be made without set-off, counterclaim or deductions or condition whatsoever;

(f) the obligatory insurances shall provide that the insurers shall waive, to the fullest extent permitted by English law, their entitlement (if any) (whether by statute, common law, equity, or otherwise) to be subrogated to the rights and remedies of the Security Trustee in respect of any rights or interests (secured or not) held by or available to the Security Trustee in respect of the Secured Liabilities, until the Secured Liabilities shall have been fully repaid and discharged, except that the insurers shall not be restricted by the terms of this paragraph (f) from making personal claims against persons (other than the Borrowers or any other Creditor Party) in circumstances where the insurers have fully discharged their liabilities and obligations under the relevant obligatory insurances;

(g) the obligatory insurances shall provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Security Trustee;

(h) the obligatory insurances shall provide that the Security Trustee may make proof of loss if that Borrower fails to do so; and

(i) the obligatory insurances shall provide that if any obligatory insurance is cancelled, or if any substantial change is made in the coverage which adversely affects the interest of the Security Trustee, or if any obligatory insurance is allowed to lapse for non-payment of premium, such cancellation, charge or lapse shall not be effective with respect to the Security Trustee for 30 days (or 7 days in the case of war risks) after receipt by the Security Trustee of prior written notice from the insurers of such cancellation, change or lapse.

**13.5 Renewal of obligatory insurances**

Each Borrower shall:

(a) at least 21 days before the expiry of any obligatory insurance:

(i) notify the Security Trustee of the brokers, underwriters, insurance companies and any protection and indemnity or war risks association through or with whom that Borrower proposes to renew that insurance and of the proposed terms of renewal; and

(ii) in case of any substantial change in insurance cover, obtain the Majority Lenders' approval to the matters referred to in paragraph (i) above;

(b) at least 14 days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Majority Lenders' approval pursuant to paragraph (a); and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Security Trustee in writing of the terms and conditions of the renewal.

**13.6 Copies of policies; letters of undertaking**

Each Borrower shall ensure that all approved brokers provide the Security Trustee with copies of all policies relating to the obligatory insurances which they effect or renew and of a letter or letters of undertaking in a form required by the Majority Lenders and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 13.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Security Trustee in accordance with the said loss payable clause;

(c) they will advise the Security Trustee immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Security Trustee, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from that Borrower or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Security Trustee of the terms of the instructions; and

(e) they will not set off against any sum recoverable in respect of a claim relating to the Ship owned by that Borrower under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of that Ship or otherwise, they waive any lien on the policies or, any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of that Ship forthwith upon being so requested by the Security Trustee.

**13.7 Copies of certificates of entry**

Each Borrower shall ensure that any protection and indemnity and/or war risks associations in which the Ship owned by that Borrower is entered provides the Security Trustee with:

(a) a certified copy of the certificate of entry for that Ship; and

(b) a letter or letters of undertaking in the Agreed Form; and

(c) where required to be issued under the terms of insurance/indemnity provided by that Borrower’s protection and indemnity association, a certified copy of each United States of America voyage quarterly declaration (or other similar document or documents) made by that Borrower in relation to its Ship in accordance with the requirements of such protections and indemnity association; and

(d) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to that Ship.

**13.8 Deposit of original policies**

Each Borrower shall ensure that all policies relating to obligatory insurances are deposited with the approved brokers through which the insurances are effected or renewed.

**13.9 Payment of premiums**

Each Borrower shall punctually pay all premiums or other sums payable in respect of the obligatory insurances and produce all relevant receipts when so required by the Security Trustee.

**13.10 Guarantees**

Each Borrower shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

**13.11 Restrictions on employment**

No Borrower shall employ the Ship owned by it, nor shall permit her to be employed, outside the cover provided by any obligatory insurances.

**13.12 Compliance with terms of insurances**

No Borrower shall do or omit to do (or permits to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable thereunder repayable in whole or in part; and in particular:

(a) each Borrower shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 13.6(c) above) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Security Trustee has not given its prior approval;

(b) no Borrower shall make any changes relating to the classification or classification society or manager or operator of the Ship owned by it approved by the underwriters of the obligatory insurances;

(c) each Borrower shall make (and promptly supply copies to the Facility Agent (upon its request)) of all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation) and, if applicable, shall procure that the Approved Manager complies with this requirement; and

(d) no Borrower shall employ the Ship owned by it, nor shall allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

**13.13 Alteration to terms of insurances**

No Borrower shall either make or agree to any alteration to the terms of any obligatory insurance or waive any right relating to any obligatory insurance other than where the alternatives are mandatory to comply with international conventions or Sanctions without the prior written consent of the Security Trustee.

**13.14 Settlement of claims**

No Borrower shall settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

### 13.15 Provision of copies of communications

Each Borrower shall provide the Security Trustee, upon its request, copies of all written communications between that Borrower and:

(a) the approved brokers; and

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters, which relate directly or indirectly to:

(i) that Borrower's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between that Borrower and any of the persons referred to in paragraphs (a) or (b) above relating wholly or partly to the effecting or maintenance of the obligatory insurances.

### 13.16 Provision of information and further undertakings

In addition, each Borrower shall promptly provide the Security Trustee (or any persons which it may designate) with any information which the Security Trustee (or any such designated person) requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 13.17 below or dealing with or considering any matters relating to any such insurances,

and shall:

(i) do all things necessary and provide the Facility Agent and the Security Trustee with all documents and information to enable the Security Trustee to collect or recover any moneys in respect of the Insurances which are payable to the Security Trustee pursuant to the Finance Documents; and

(ii) promptly provide the Facility Agent with full information regarding any Major Casualty or in consequence whereof the Ship owned by that Borrower has become or may become a Total Loss and agree to any settlement of such casualty or other accident or damage to that Ship only with the Facility Agent's prior written consent,

and that each Borrower shall, forthwith upon demand, indemnify the Security Trustee in respect of all reasonable fees and other expenses incurred by or for the account of the Security Trustee in connection with any such report as is referred to in paragraph (a) above.

### 13.17 Mortgagee's interest, additional perils

The Security Trustee shall be entitled from time to time to effect, maintain and renew all or any of the following insurances in an amount equal to either (a) 120 per cent. of the Loan or (b) the aggregate of (i) 110 per cent of the Loan and (ii) the Swap Exposure as determined on the date on which such insurances are effected or renewed, as the case may be at any time, on such terms, through such insurers and generally in such manner as the Majority Lenders may from time to time consider appropriate:

(a) a mortgagee's interest marine insurance in relation to each Ship, providing for the indemnification of the Security Trustee for any losses under or in connection with any Finance Document which directly or indirectly result from loss of or damage to any Ship or a liability of any Ship or of any Borrower, being a loss or damage which is prima facie covered by an obligatory insurance but in respect of which there is a non-payment (or reduced payment) by the underwriters by reason of, or on the basis of an allegation concerning:

   (i) any act or omission on the part of a Borrower, of any operator, charterer, manager or sub-manager of the Ship owned by it or of any officer, employee or agent of that Borrower or of any such person, including any breach of warranty or condition or any non-disclosure relating to such obligatory insurance;

   (ii) any act or omission, whether deliberate, negligent or accidental, or any knowledge or privity of a Borrower, any other person referred to in paragraph (i) above, or of any officer, employee or agent of that Borrower or of such a person, including the casting away or damaging of the Ship owned by it and/or the Ship owned by it being unseaworthy; and/or

   (iii) any other matter capable of being insured against under a mortgagee's interest marine insurance whether or not similar to the foregoing;

(b) a mortgagee's interest additional perils insurance in relation to each Ship, providing for the indemnification of the Security Trustee against, among other things, any possible losses or other consequences of any Environmental Claim, including the risk of expropriation, arrest or any form of detention of a Ship, the imposition of any Security Interest over a Ship and/or any other matter capable of being insured against under a mortgagee's interest additional perils insurance whether or not similar to the foregoing,

and that Borrower shall upon demand fully indemnify the Security Trustee in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance under this Clause 13.17.

**13.18 Review of insurance requirements**

The Majority Lenders shall be entitled to review the requirements of this Clause 13 from time to time in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Majority Lenders, significant and capable of affecting any Borrower or the Ship owned by it and its or their insurance (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which that Borrower may be subject), and may appoint insurance consultants in relation to this review at the cost of that Borrower and that Borrower shall upon demand fully indemnify the Facility Agent in respect of all fees and other expenses incurred by or for the account of the Facility Agent in appointing an independent marine insurance broker or adviser to conduct such review.

**13.19 Modification of insurance requirements**

The Security Trustee shall notify each Borrower of any proposed modification under Clause 13.18 to the requirements of this Clause 13 which the Majority Lenders reasonably consider appropriate in the circumstances, and such modification shall take effect on and from the date it is notified in writing to the Borrowers as an amendment to this Clause 13 and shall bind the Borrowers accordingly.

**13.20 Compliance with mortgagee's instructions**

The Security Trustee shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require a Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Security Trustee until the relevant Borrower implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 13.19.

## 14 SHIP COVENANTS

### 14.1 General

Each Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 14 at all times during the Security Period (after the Ship owned by it has been delivered to it under the relevant Shipbuilding Contract) except as the Facility Agent, with the authorisation of the Majority Lenders, may otherwise permit (in the case of the Clauses 14.2, 14.3(b), 14.13(e) and 14.14, such permission not to be unreasonably withheld).

### 14.2 Ship's name and registration

Each Borrower shall keep the Ship owned by it registered in its name under the relevant Approved Flag; shall not do, omit to do or allow to be done anything as a result of which such registration might be cancelled or imperilled and shall not change the name or port of registry of that Ship.

### 14.3 Repair and classification

Each Borrower shall keep the Ship owned by it in a good and safe condition and state of repair, sea and cargo worthy in all respects:

(a) consistent with first-class ship ownership and management practice;

(b) so as to maintain the highest class with a classification society acceptable to the Majority Lenders (it being agreed that Lloyd's Register and the American Bureau of Shipping shall be deemed acceptable) free of overdue recommendations and conditions and, upon the Security Trustee's request, such classification society shall provide the Security Trustee with any information and documentation required in respect of that Ship as the same is maintained in the records of such classification society; and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports in the relevant Approved Flag State or to vessels trading to any jurisdiction to which that Ship may trade from time to time, including but not limited to the ISM Code, the ISM Code Documentation and the ISPS Code,

and the Facility Agent shall be given power of attorney in the form attached as Schedule 6 to act on behalf of that Borrower in order to, inspect the class records and any files held by the classification society and to require the classification society to provide the Facility Agent or any of its nominees with any information, document or file, it might reasonably request and the classification society shall be fully entitled to rely hereon without any further inquiry.

### 14.4 Classification society undertaking

Each Borrower shall instruct the classification society referred to in Clause 14.3 (and shall use its best endeavours to procure that the classification society undertakes with the Security Trustee) in relation to the Ship owned by it:

(a) to send to the Security Trustee, following receipt of a written request from the Security Trustee, certified true copies of all original class records and any other related records held by the classification society in relation to that Ship;

(b) to allow the Security Trustee (or its agents), at any time and from time to time, to inspect the original class and related records of that Ship at the offices of the classification society and to take copies of them;

(c) to notify the Security Trustee immediately in writing if the classification society:

(i) receives notification from that Borrower or any person that that Ship's classification society is to be changed;

(ii) becomes aware of any facts or matters which may result in or have resulted in a change, suspension, discontinuance, withdrawal or expiry of that Ship's class under the rules or terms and conditions of that Ship's membership of the classification society;

(d) following receipt of a written request from the Security Trustee:

(i) to confirm that that Borrower is not in default of any of its contractual obligations or liabilities to the classification society and, without limiting the foregoing, that it has paid in full all fees or other charges due and payable to the classification society; or

(ii) if that Borrower is in default of any of its contractual obligations or liabilities to the classification society, to specify to the Security Trustee in reasonable detail the facts and circumstances of such default, the consequences thereof, and any remedy period agreed or allowed by the classification society.

**14.5 Modification**

No Borrower shall make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on her which would or might materially alter the structure, type or performance characteristics of that Ship or materially reduce her value.

**14.6 Removal of parts**

No Borrower shall remove any material part of the Ship owned by it, or any item of equipment installed on, that Ship unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Security Trustee and becomes on installation on the relevant Ship the property of the relevant Borrower and subject to the security constituted by the Mortgage and any Deed of Covenant **Provided that** a Borrower may install equipment owned by a third party if the equipment can be removed without any risk of damage to the Ship owned by it.

**14.7 Surveys**

Each Borrower shall submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Majority Lenders provide the Security Trustee, with copies of all survey reports.

**14.8 Technical Survey**

The Borrowers shall promptly following the request of the Facility Agent (acting on the instructions of the Lenders) (to be made within 6 months of the Drawdown Date relative to the Advance) and at any time thereafter submit the Ship owned by it for a technical survey by an independent surveyor or surveyors appointed by the Facility Agent. All fees and expenses incurred in relation to the appointment of the surveyor or surveyors and the preparation and issue of all technical reports pursuant to this Clause 14.8 shall be for the account of the Borrowers.

## 14.9 Inspection

Each Borrower shall permit the Security Trustee (by surveyors or other persons appointed by it for that purpose) to board the Ship owned by it at all reasonable times to inspect her condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections **Provided that** so long as a Ship is found to be in a satisfactory condition to the Facility Agent (acting reasonably) and no continuing Event of Default or Potential Event of Default shall be in existence, the Borrowers shall not be obliged to pay the fees and expenses incurred in connection with the inspection of the relevant Ship more than once in any twelve-month period.

## 14.10 Prevention of and release from arrest

Each Borrower shall promptly discharge:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, its Earnings or Insurances;

(b) all taxes, dues and other amounts charged in respect of that Ship, its Earnings or Insurances; and

(c) all other outgoings whatsoever in respect of that Ship, its Earnings or Insurances,

and, forthwith upon receiving notice of the arrest of that Ship, or of her detention in exercise or purported exercise of any lien or claim, the Borrower which is the owner of that Ship shall procure her release by providing bail or otherwise as the circumstances may require.

## 14.11 Compliance with laws etc.

Each Borrower shall and shall procure that each Security Party shall:

(a) comply with the ISM Code, all Environmental Laws, all Sanctions, and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of that Borrower;

(b) not employ the Ship owned by it nor allow her employment in any manner contrary to any law or regulation in any relevant jurisdiction including, but not limited to, the ISM Code and the ISPS Code; and

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Ship owned by it to enter or trade to any zone which is declared a war zone by any government or by that Ship’s war risks insurers unless the prior written consent of the Majority Lenders has been given and that Borrower has (at its expense) effected any special, additional or modified insurance cover which the Majority Lenders may require.

## 14.12 Provision of information

Each Borrower shall promptly provide the Security Trustee with any information which the Majority Lenders request regarding:

(a) the Ship owned by it, her employment, position and engagements;

(b) the Earnings and payments and amounts due to the master and crew of the Ship owned by it;

(c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of the Ship owned by it and any payments made in respect of that Ship;

(d) any towages and salvages; and

(e) its compliance, and the compliance of the Ship owned by it with the ISM Code and the ISPS Code,

and, upon the Security Trustee's request, provide copies of any current charter relating to the Ship owned by it and of any current charter guarantee, and copies of the ISM Code Documentation and the ISCC.

**14.13 Notification of certain events**

Each Borrower shall immediately notify the Security Trustee by letter of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement, overdue condition or recommendation made by any insurer or classification society or by any competent authority which is not immediately complied with;

(d) any arrest or detention of the Ship owned by it, any exercise or purported exercise of any lien on that Ship or her Earnings or any requisition of that Ship for hire,

(e) any intended dry docking of the Ship owned by it where the cost of the dry docking will, or is likely to, exceed $1,500,000 (or the equivalent in any other currency) in aggregate;

(f) any Environmental Claim made against that Borrower or in connection with the Ship owned by it or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against that Borrower, the Approved Manager or otherwise in connection with the Ship owned by it; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with,

and that Borrower shall keep the Security Trustee advised in writing on a regular basis and in such detail as the Security Trustee shall require of that Borrower's, the Approved Manager's or any other person's response to any of those events or matters.

**14.14 Restrictions on, appointment of managers etc.**

No Borrower shall:

(a) let either Ship on bareboat or demise charter for any period;

(b) enter into any time charter (including, without limitation, any Charterparty) in relation to the Ship owned by it under which more than 2 months' hire (or the equivalent) is payable in advance;

(c) enter into any Charterparty other than with the prior written consent of the Majority Lenders and subject to compliance with Clause 14.18;

(d) charter the Ship owned by it otherwise than on bona fide arm's length terms at the time when the Ship is fixed;

(e) appoint a manager of the Ship owned by it other than the Approved Manager;

(f) de-activate or lay up the Ship owned by it; or

(g) put the Ship owned by it into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed $1,000,000 (or the equivalent in any other currency) unless that person has first given to the Security Trustee and in terms satisfactory to it a written undertaking not to exercise any lien on that Ship or her Earnings for the cost of such work or otherwise.

**14.15 Notice of Mortgage**

Each Borrower shall keep the Mortgage registered against the Ship owned by it as a valid first priority or, as the case may be, preferred mortgage, carry on board that Ship a certified copy of the relevant Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of that Ship a framed printed notice stating that Ship is mortgaged by that Borrower to the Security Trustee.

**14.16 Sharing of Earnings**

No Borrower shall:

(a) enter into any agreement or arrangement for the sharing of any Earnings;

(b) enter into any agreement or arrangement for the postponement of any date on which any Earnings are due; the reduction of the amount of any Earnings or otherwise for the release or adverse alteration of any right of that Borrower to any Earnings; or

(c) enter into any agreement or arrangement for the release of, or adverse alteration to, any guarantee or Security Interest relating to any Earnings.

**14.17 ISPS Code**

Each Borrower shall comply with the ISPS Code and in particular, without limitation, shall:

(a) procure that the Ship and the company responsible for that Ship's compliance with the ISPS Code comply with the ISPS Code; and

(b) maintain for that Ship an ISSC; and

(c) notify the Facility Agent immediately in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC.

**14.18 Time Charter Assignment**

If any Borrower enters into any Charterparty (other than the Tesoro Charters) in respect of its Ship, the relevant Borrower shall execute a Charterparty Assignment in respect of that Charterparty, and shall deliver to the Facility Agent such other documents equivalent to those referred to at paragraphs 3, 4, 6, 7 and 10 of Part A of Schedule 3 hereof as the Facility Agent may require.

### 14.19 Sanctions Provisions

(a) Each Borrower shall, and shall procure that the Guarantor and each other Security Party shall, in respect of any charterer of any of the Ships (including any Approved Charterer), shall use all reasonable endeavours to procure that the charterer shall, comply in all respects with all laws to which it may be subject, including, without limitation, all national and international laws, directives, regulations, decrees, rulings and such analogous rules, including, but not limited to, rules relating to Sanctions.

(b) Each Borrower undertakes to make the Approved Charterer and all other charterers and operators of each Ship aware of the requirements of this Clause 14.19 and of Clause 10.20 and shall procure that they act in accordance with these requirements.

### 14.20 No variation to Tesoro Charters

Except as the Facility Agent, acting with the authorisation of the Majority Lenders (or, where specified, all the Lenders) may otherwise permit, there shall be no material amendment to the terms of the Tesoro Charters or either of them. For the purpose of this Clause, a change shall be deemed "**material**" if it reduces the daily charter gross hire rate or the duration of the Tesoro Charters or if it results in a change in the identity of the Tesoro Charterer.

## 15 SECURITY COVER

### 15.1 Minimum required security cover

Clause 15.2 applies if the Facility Agent notifies the Borrowers that either Security Cover Ratio is below:

(a) at all times when either Ship is operating under a Tesoro Charter, 125 per cent.; or

(b) at all other times, 140 per cent.

### 15.2 Provision of additional security; prepayment

If the Facility Agent serves a notice on the Borrowers under Clause 15.1, the Borrowers shall prepay such part (at least) of the outstanding amount of the Loan as will eliminate the shortfall on or before the date falling 30 days after the date on which the Facility Agent's notice is served under Clause 15.1 (the "**Prepayment Date**") unless at least 1 Business Day before the Prepayment Date they have provided, or ensured that a third party has provided, additional security acceptable to the Majority Lenders and which, in the opinion of the Majority Lenders, has a net realisable value at least equal to the shortfall and is documented in such terms and securing such part of the Loan and such Swap Exposure as the Facility Agent may, with authorisation from the Majority Lenders, approve or require.

### 15.3 Requirement for additional documents

The Borrowers shall not be deemed to have complied with Clause 15.2 above until the Facility Agent has received in connection with the additional security certified copies of documents of the kinds referred to in paragraphs 3, 4 and 5 of Schedule 3, Part A and such legal opinions in terms acceptable to the Majority Lenders from such lawyers as they may select.

### 15.4 Valuation of Ships

The Market Value of a Ship at any date is that shown by the arithmetic average of two valuations each prepared:

(a) as at a date not more than 15 days previously and, for the purposes of Clause 15.9, each Compliance Date and each Dropdown Date;

(b) by an Approved Broker selected, obtained by, and addressed to the Facility Agent;

(c) with or without physical inspection of the relevant Ship (as the Facility Agent may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment; and

(e) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale,

**Provided that** if the difference between the 2 valuations obtained at any one time pursuant to this Clause 15.4 is greater than 15 per cent. of the lower valuation of such valuations, a valuation shall be commissioned from a third Approved Broker appointed by the Facility Agent. Such valuation shall be conducted in accordance with this Clause 15.4 and the Market Value of that Ship in such circumstances shall be the average of the initial 2 valuations and the valuation provided by the third Approved Broker.

In this Clause 15.4 "**Compliance Date**" means 30 June and 31 December in each financial year of the Borrowers.

**15.5 Value of additional security**

The net realisable value of any additional security which is provided under Clause 15.2 and which consists of a Security Interest over a vessel shall be that shown by a valuation complying with the requirements of Clause 15.4.

**15.6 Valuations binding**

Any valuation under Clause 15.2, 15.4 or 15.5 shall be binding and conclusive as regards the Borrowers, as shall be any valuation which the Majority Lenders make of a security which does not consist of or include a Security Interest.

**15.7 Provision of information**

The Borrowers shall promptly provide the Facility Agent and any Approved Broker or expert acting under Clause 15.4 or 15.5 with any information which the Facility Agent or the Approved Broker or expert may request for the purposes of the valuation; and, if the Borrowers fail to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which the Approved Broker or the Majority Lenders (or the expert appointed by them) consider prudent.

**15.8 Payment of valuation expenses**

Without prejudice to the generality of the Borrowers' obligations under Clauses 20.2, 20.3 and 21.4, the Borrowers shall, on demand, pay the Facility Agent the amount of the reasonable fees and expenses of any Approved Broker or expert instructed by the Facility Agent under this Clause and all reasonable legal and other expenses incurred by any Creditor Party in connection with any matter arising out of this Clause.

**15.9 Frequency of valuations**

The Borrowers shall provide the Facility Agent with valuations of the Ships at such times as the Majority Lenders shall reasonably deem necessary and, in any event, on the dates on which the Guarantor or Substitute Guarantor as may be relevant provides a Compliance Certificate (as such term is defined in the Guarantee or New Guarantee, as the case may be) in accordance with Clause 12.5 of the Guarantee or, as the case may be, the corresponding clause of the New Guarantee and on each date of a Dropdown **Provided that** so long as no Event of Default has occurred, the Borrowers shall not be obliged to pay for more than two sets of valuations of each Ship during each calendar year unless a breach in the applicable Security Cover Ratio is identified by any set of valuation obtained by the Facility Agent, in which case the Borrowers shall pay for all sets of valuations identifying such breach.

## 16 PAYMENTS AND CALCULATIONS

### 16.1 Currency and method of payments

All payments to be made:

(a) by the Lenders to the Facility Agent; or

(b) by the Borrowers to the Facility Agent, the Security Trustee or any Lender,

under a Finance Document shall be made to the Facility Agent or to the Security Trustee, in the case of an amount payable to it:

(i) by not later than 11.00 a.m. (New York City time) on the due date;

(ii) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Facility Agent shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement);

(iii) in the case of an amount payable by a Lender to the Facility Agent or by the Borrowers to the Facility Agent or any Lender, to the account of the Facility Agent with the following payment instructions:

| | |
|---|---|
| US$ Correspondent Account | JP Morgan Chase Bank NY |
| Swift code | CHASUS33 |
| Beneficiary Bank | Crédit Agricole Corporate and Investment Bank |
| Swift code | BSUIFRPP |
| Account Number | 786419036 |
| Reference | Middle Office Instance Shipping Account 00 117 313 255 |
| IBAN | FR76 3148 9000 1000 1173 1325 547 |
| Attention | C. Costil - Shipping Dept. Asterias and Scorpio |

or to such other account with such other bank as the Facility Agent may from time to time notify to the Borrowers and the other Creditor Parties; and

(iv) in the case of an amount payable to the Security Trustee, to such account as it may from time to time notify to the Borrowers and the other Creditor Parties.

### 16.2 Payment on non-Business Day

If any payment by a Borrower under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

**16.3 Basis for calculation of periodic payments**

All interest and commitment fee and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

**16.4 Distribution of payments to Creditor Parties**

Subject to Clauses 16.5, 16.6 and 16.7:

(a) any amount received by the Facility Agent under a Finance Document for distribution or remittance to a Lender, the Swap Bank or the Security Trustee shall be made available by the Facility Agent to that Lender, the Swap Bank or, as the case may be or the Security Trustee by payment, with funds having the same value as the funds received, to such account as the Lender, the Swap Bank or the Security Trustee may have notified to the Facility Agent not less than 5 Business Days previously; and

(b) amounts to be applied in satisfying amounts of a particular category which are due to the Lenders and/or the Swap Bank generally shall be distributed by the Facility Agent to each Lender and the Swap Bank pro rata to the amount in that category which is due to it.

**16.5 Permitted deductions by Facility Agent**

Notwithstanding any other provision of this Agreement or any other Finance Document, the Facility Agent may, before making an amount available to a Lender or the Swap Bank, deduct and withhold from that amount (i) any sum which is then due and payable to the Facility Agent from that Lender or the Swap Bank under any Finance Document or any sum which the Facility Agent is then entitled under any Finance Document to require that Lender or the Swap Bank to pay on demand and (ii) any amount the Facility Agent determines is required to be deducted and withheld under FATCA.

**16.6 Facility Agent only obliged to pay when monies received**

Notwithstanding any other provision of this Agreement or any other Finance Document, the Facility Agent shall not be obliged to make available to the Borrowers or, following a Dropdown, to the Borrowers that are members of the relevant Group, or any Lender or Swap Bank any sum which the Facility Agent is expecting to receive for remittance or distribution to the Borrowers or that Lender or the Swap Bank until the Facility Agent has satisfied itself that it has received that sum.

**16.7 Refund to Facility Agent of monies not received**

If and to the extent that the Facility Agent makes available a sum to the Borrowers or a Lender or the Swap Bank, without first having received that sum, the Borrowers or (as the case may be) the Lender or the Swap Bank concerned shall, on demand:

(a) refund the sum in full to the Facility Agent; and

(b) pay to the Facility Agent the amount (as certified by the Facility Agent) which will indemnify the Facility Agent against any funding or other loss, liability or expense incurred by the Facility Agent as a result of making the sum available before receiving it.

**16.8 Facility Agent may assume receipt**

Clause 16.7 shall not affect any claim which the Facility Agent has under the law of restitution and applies irrespective of whether the Facility Agent had any form of notice that it had not received the sum which it made available.

**16.9 Creditor Party accounts**

Each Creditor Party shall maintain accounts showing the amounts owing to it by the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

**16.10 Facility Agent's memorandum account**

The Facility Agent shall maintain a memorandum account showing the amounts advanced by the Lenders and all other sums owing to the Facility Agent and the Security Trustee and each Lender from the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

**16.11 Accounts prima facie evidence**

If any accounts maintained under Clauses 16.9 and 16.10 show an amount to be owing by a Borrower or a Security Party to a Creditor Party, those accounts shall, absent manifest error, be prima facie evidence that that amount is owing to that Creditor Party.

**16.12 Impaired Agent**

(a) If, at any time, the Facility Agent becomes an Impaired Agent, the Borrowers or a Lender which is required to make a payment under the Finance Documents to the Facility Agent in accordance with Clause 16.1 may instead either:

(i) pay that amount direct to the required recipient(s); or

(ii) if in its absolute discretion it considers that it is not reasonably practicable to pay that amount direct to the required recipient(s), pay the relevant part of that amount to an interest-bearing account held with an Acceptable Bank and in relation to which no Insolvency Event has occurred and is continuing, in the name of the Borrowers or the Facility Agent making the payment (the "**Paying Party**") and designated as a trust account for the benefit of the party or parties under this Agreement beneficially entitled to that payment under the Finance Documents (the "**Recipient Party**" or "**Recipient Parties**"),

in each case such payments must be made on the due date for payment under the Finance Documents;

(b) all interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the Recipient Party or the Recipient Parties pro rata to their respective entitlements;

(c) a party to this Agreement which has made a payment in accordance with paragraphs (a) and (b) shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account;

(d) promptly upon the appointment of a successor Agent in accordance with the Finance Documents, each Paying Party shall (other than to the extent that that party has given an instruction pursuant to paragraph (e) below) give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the successor Agent for distribution to the relevant Recipient Party or Recipient Parties in accordance with Clause 16.4; and

(e) a Paying Party shall, promptly upon request by a Recipient Party and to the extent:

(i) that it has not given an instruction pursuant to paragraph (d) above; and

(ii) that it has been provided with the necessary information by that Recipient Party,

give all requisite instructions to the bank with whom the trust account is held to transfer the relevant amount (together with any accrued interest) to that Recipient Party.

## 17 APPLICATION OF RECEIPTS

### 17.1 Normal order of application

Except as any Finance Document may otherwise provide, any sums which are received or recovered by any Creditor Party under or by virtue of any Finance Document shall be applied:

(a) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents (other than under a Master Agreement) in the following order and proportions:

(i) first, in or towards satisfaction of any budgeted operating expenses and accruals of the Ships which, in the case of accruals, are due and payable within 6 months of the applicable date;

(ii) secondly, towards establishing, building-up and maintaining the applicable minimum working capital amount of each Borrower to be maintained under Clause 11.21(b);

(iii) thirdly, in or towards satisfaction pro rata of all amounts then due and payable to the Creditor Parties under the Finance Documents (other than a Master Agreement) other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrowers under Clauses 20, 21 and 22 of this Agreement or by the Borrowers or any Security Party under any corresponding or similar provision in any other Finance Document (other than a Master Agreement));

(iv) fourthly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Creditor Parties under the Finance Documents (other than under a Master Agreement); and

(v) fifthly, in or towards satisfaction of the Loan;

(vi) sixthly, towards establishing, building-up and maintaining the cash buffer to be maintained under Clause 11.21(a) covering the estimated cost of all regulatory surveys included in the Borrowers' budgets provided pursuant to Clause 11.15(a) during the end of the Security Period;

(b) SECONDLY: in or towards satisfaction of any amounts then due and payable under a Master Agreement in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Swap Bank under a Master Agreement other than those amounts referred to at paragraphs (ii) and (iii);

(ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Swap Bank under a Master Agreement (and, for this purpose, the expression "**interest**" shall include any net amount which that Borrower shall have become liable to pay or deliver under section 2(e) (Obligations) of a Master Agreement but shall have failed to pay or deliver to the Swap Bank at the time of application or distribution under this Clause 17); and

(iii) thirdly, in or towards satisfaction of the aggregate Swap Exposure of the Swap Bank calculated as at the actual Early Termination Date applying to each particular Designated Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);

(c) THIRDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document (other than a Master Agreement) but which the Facility Agent, by notice to the Borrowers, the Security Parties and the other Creditor Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause;

(d) FOURTHLY: in retention of an amount equal to any amount not then due under and payable under a Master Agreement but which the Swap Bank, by notice to the Borrowers, the Security Parties and the other Creditor Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause; and

(e) FIFTHLY: any surplus shall be paid to the Borrowers or to any other person appearing to be entitled to it.

**17.2 Variation of order of application**

The Facility Agent may, with the authorisation of the Majority Lenders, by notice to the Borrowers, the Security Parties and the other Creditor Parties provide for a different manner of application from that set out in Clause 17.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

**17.3 Notice of variation of order of application**

The Facility Agent may give notices under Clause 17.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

**17.4 Appropriation rights overridden**

This Clause 17 and any notice which the Facility Agent gives under Clause 17.2 shall override any right of appropriation possessed, and any appropriation made, by any Borrower or any Security Party.

## 18 APPLICATION OF EARNINGS

**18.1 Payment of Earnings**

Each Borrower undertakes with each Creditor Party to ensure that, throughout the Security Period (subject only to the provisions of the General Assignments), all the Earnings of each Ship (including without limitation the Earnings under the Tesoro Charters) are paid to the Operating Account for that Ship. Any monies standing to the credit of the Operating Accounts shall be freely available to the Borrowers subject to there not being any Event of Default or Potential Event of Default in existence at the relevant time.

## 18.2 Monthly retentions

In relation to each Advance, the Borrowers shall ensure that, in each calendar month after the Drawdown Date of the Advance, on such dates as the Facility Agent may from time to time specify, there is transferred to the applicable Retention Account out of the aggregate Earnings received in the applicable Operating Account during the preceding calendar month:

(a) one-sixth of the amount of the Instalment for that Advance falling due under Clause 8.1 on the next Repayment Date for that Advance; and

(b) the relevant fraction of the aggregate amount of interest on that Advance which is payable on the next due date for payment of interest on that Advance under this Agreement, reduced by the amount of any corresponding payment which relates to that Advance from the Facility Agent due to either Borrower under any Master Agreement; and

(c) the relevant fraction of the aggregate of the net amount which relates to that Advance and which is payable by either Borrower to the Swap Bank under any Master Agreement on the next due date for payment of such amount under the relevant Master Agreement.

The "**relevant fraction**" in relation to an Advance is a fraction of which:

(i) the numerator is one; and

(ii) the denominator is:

(A) the number of months comprised in the then current Interest Period for that Advance; or

(B) if the period is shorter, the number of months from the later of the commencement of the current Interest Period for that Advance or the last due date for payment of interest on that Advance to the next due date for payment of interest on that Advance under this Agreement.

## 18.3 Shortfall in Earnings

(a) If the credit balance on an Operating Account is insufficient in any calendar month for the required amount in relation to the applicable Advance to be transferred to the applicable Retention Account under Clause 18.2 the Borrowers shall make up the amount of the insufficiency on demand from the Facility Agent.

(b) Without prejudicing the Facility Agent's right to make such demand at any time, the Facility Agent may permit the Borrowers to make up all or part of the insufficiency by increasing the amount of any transfer under Clause 18.2 from the Earnings received in the next or subsequent calendar months.

## 18.4 Application of retentions

Until an Event of Default occurs and is continuing and in relation to each Advance, the Facility Agent shall, on each Repayment Date for that Advance and on each due date for the payment of interest under this Agreement in relation to that Advance, apply so much of the then balance on the applicable Retention Account as equals:

(a) the Instalment for that Advance due on that date;

(b) the amount of interest payable on that date in relation to that Advance;

(c) the amount payable in relation to that Advance by either Borrower to the Swap Bank under any Master Agreement on that date; and

(d) the amount of any Master Agreement Prepayment Proceeds in relation to that Advance paid into the applicable Retention Account during the Interest Period ending on that date,

in discharge of the Borrowers' liability for that Instalment, the amount then due and payable under a Master Agreement or (as the case may be) their prepayment obligation under Clause 8.14.

**18.5 Interest accrued on Retention Accounts**

Any credit balance on each Retention Account shall bear interest at the rate from time to time offered by the Account Bank to its customers for Dollar deposits of similar amounts and for periods similar to those for which such balances appear to the Account Bank likely to remain on that Retention Account.

**18.6 Retention Accounts**

No Borrower shall withdraw or otherwise dispose of any amounts standing to the credit of a Retention Account without the Facility Agent's prior written consent (acting with the authorisation of the Majority Lenders).

**18.7 Minimum Working Capital Accounts**

No Borrower shall withdraw or otherwise dispose of any amounts standing to the credit of a Minimum Working Capital Account without the Facility Agent's prior written consent (acting with the authorisation of the Majority Lenders) and **Provided that** no Event of Default or Potential Event of Default has occurred and is continuing at the relevant time and no shortfall in the Security Cover Ratio to be maintained pursuant to Clause 15.1 would be be caused by such withdrawal.

**18.8 Release of accrued interest - Retention Accounts**

Interest accruing under Clause 18.5 shall be credited to the applicable Retention Account and, to the extent not applied previously pursuant to Clause 18.4, shall be released to the Borrowers at the end of the Security Period.

**18.9 Release of accrued interest - Operating Accounts**

Interest accruing on each Operating Account under Clause 18.1 shall be released to the Borrowers on each Repayment Date unless an Event of Default or a Potential Event of Default has occurred.

**18.10 Location of accounts**

Each Borrower shall promptly:

(a) comply with any requirement of the Facility Agent as to the location or re-location of the Accounts (or any of them); and

(b) execute any documents which the Facility Agent specifies to create or maintain in favour of the Security Trustee a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) the Accounts (or any of them).

**18.11 Debits for expenses etc.**

The Facility Agent shall be entitled (but not obliged) from time to time to debit any Operating Account, with no later than 10 Business Days prior notice to the Borrowers, in order to discharge any amount due and payable under Clause 19.2, 20.1 or 21 to a Creditor Party or payment of which any Creditor Party has become entitled to demand under these Clauses.

## 19 EVENT OF DEFAULT

### 19.1 Events of Default

An Event of Default occurs if:

(a) any Borrower or any Security Party fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document unless its failure to pay is caused by (i) administrative or technical error or (ii) a Disruption Event and payment is made within 3 Business Days of its due date; or

(b) any breach occurs of Clause 8.9(c), 9.2, 10.18, 10.20, 11.2, 11.3, 11.20, 11.21, 12.2, 12.3, 13.2, 13.3, 14.9, 15.2, 18.1 or 18.2; or

(c) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a) or (b) above) if, in the reasonable opinion of the Majority Lenders, such default is capable of remedy, and such default continues unremedied 14 days after written notice from the Facility Agent requesting action to remedy the same; or

(d) (subject to any applicable grace period specified in the Finance Documents) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a), (b) or (c) above); or

(e) any representation, warranty or statement made or repeated by, or by an officer of, any Borrower or a Security Party in a Finance Document or in a Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made or repeated; or

(f) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person (in the case of the Guarantor and, after exercise of an Option, the Substitute Guarantor, in an amount exceeding, in aggregate, $5,000,000 or the equivalent in any other currency), in aggregate:

- (i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or
- (ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or
- (iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is terminated by the lessor or owner or becomes capable of being terminated as a consequence of any termination event; or
- (iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or
- (v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

(g) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes, in the reasonable opinion of the Majority Lenders, unable to pay its debts as they fall due; or

(ii) any assets of a Relevant Person are subject to any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums (in the case of a Borrower, in respect of an amount exceeding, $5,000,000 or the equivalent in another currency unless such execution, attachment, arrest, sequestration or distress is dismissed, withdrawn, released or lifted within 15 Business Days of the occurrence of such event; or

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) an administrator is appointed (whether by the court or otherwise) in respect of a Relevant Person; or

(v) any formal declaration of bankruptcy or any formal statement to the effect that a Relevant Person is insolvent or likely to become insolvent is made by a Relevant Person or by the directors of a Relevant Person or, in any proceedings, by a lawyer acting for a Relevant Person; or

(vi) a provisional liquidator is appointed in respect of a Relevant Person, a winding up order is made in relation to a Relevant Person or a winding up resolution is passed by a Relevant Person; or

(vii) a resolution is passed, an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by (aa) a Relevant Person, (bb) the members or directors of a Relevant Person, (cc) a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person, or (dd) a government minister or public or regulatory authority of a Pertinent Jurisdiction for or with a view to the winding up of that or another Relevant Person or the appointment of a provisional liquidator or administrator in respect of that or another Relevant Person, or that or another Relevant Person ceasing or suspending business operations or payments to creditors, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Guarantor or any Borrower which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Majority Lenders and effected not later than 3 months after the commencement of the winding up; or

(viii) an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by a creditor of a Relevant Person (other than a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person) for the winding up of a Relevant Person or the appointment of a provisional liquidator or administrator in respect of a Relevant Person in any Pertinent Jurisdiction, unless the proposed winding up, appointment of a provisional liquidator or administration is being contested in good faith, on substantial grounds and not with a view to some other insolvency law procedure being implemented instead and either (aa) the application or petition is dismissed or withdrawn within 30 days of being made or presented, or (bb) within 30 days of the administration notice being given or filed, or the other relevant steps being taken, other action is taken which will ensure that there will be no administration and (in both cases (aa) or (bb)) the Relevant Person will continue to carry on business in the ordinary way and without being the subject of any actual, interim or pending insolvency law procedure; or

(ix) a Relevant Person or its directors take any steps (whether by making or presenting an application or petition to a court, or submitting or presenting a document setting out a proposal or proposed terms, or otherwise) with a view to obtaining, in relation to that or another Relevant Person, any form of moratorium, suspension or deferral of payments, reorganisation of debt (or certain debt) or arrangement with all or a substantial proportion (by number or value) of creditors or of any class of them or any such moratorium, suspension or deferral of payments, reorganisation or arrangement is effected by court order, by the filing of documents with a court, by means of a contract or in any other way at all; or

(x) any meeting of the members or directors, or of any committee of the board or senior management, of a Relevant Person is held or summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iv) to (ix) or a step preparatory to such action, or (with or without such a meeting) the members, directors or such a committee resolve or agree that such an action or step should be taken or should be taken if certain conditions materialise or fail to materialise; or

(xi) in a country other than England, any event occurs, any proceedings are opened or commenced or any step is taken which, in the opinion of the Majority Lenders is similar to any of the foregoing; or

(xii) a Relevant Person makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to a Relevant Person, or the members or directors of a Relevant Person pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on business, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than a Borrower which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Majority Lenders and effected not later than 3 months after the commencement of the winding up; or

(xiii) a petition is presented in any Pertinent Jurisdiction for the winding up or administration, or the appointment of a provisional liquidator, of a Relevant Person unless the petition is being contested in good faith and on substantial grounds and is dismissed or withdrawn within 30 days of the presentation of the petition; or

(xiv) a Relevant Person petitions a court, or presents any proposal for, any form of judicial or non-judicial suspension or deferral of payments, reorganisation of its debt (or certain of its debt) or arrangement with all or a substantial proportion (by number or value) of its creditors or of any class of them or any such suspension or deferral of payments, reorganisation or arrangement is effected by court order, contract or otherwise; or

(xv) any meeting of the members or directors of a Relevant Person is summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iii), (iv), (v) or (vi) above; or

(xvi) in a Pertinent Jurisdiction other than England, any event occurs or any procedure is commenced which, in the opinion of the Majority Lenders, is similar to any of the foregoing; or

(h) a Borrower, the Guarantor and, after exercise of the Option in respect of any Ship, the Substitute Guarantor, ceases or suspends carrying on its business or a part of its business which, in the reasonable opinion of the Majority Lenders, is material in the context of this Agreement; or

(i) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for any Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Majority Lenders consider material under a Finance Document; or

(ii) for the Facility Agent, the Security Trustee or the Lenders to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(j) any official consent necessary to enable any Borrower to own, operate or charter the Ship owned by it or to enable any Borrower or any Security Party to comply with any of the provision which the Majority Lenders consider material of a Finance Document or any Underlying Document is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled; or

(k) if, after exercising an Option, the common units of the Substitute Guarantor cease to be quoted on the Nasdaq National Market in New York or any other internationally recognised stock exchange acceptable to the Lenders or if the whole of the issued share capital of any Borrower whose Ship is at the relevant time subject to a Mortgage is not wholly-owned by the Guarantor or, after exercise of the Option in respect of the Ship owned by that Borrower, the Substitute Guarantor; or

(l) any provision which the Majority Lenders reasonably consider material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(m) the security constituted by a Finance Document is in any way imperilled or in jeopardy; or

(n) any of the following occurs in relation to a Master Agreement:

(i) notice of an Early Termination Date is given by the Swap Bank under Section 6(a) of a Master Agreement; or

(ii) a person entitled to do so gives notice of Early Termination Date under Section (b) of a Master Agreement; or

(iii) an Event of Default (as defined in Section 14 of a Master Agreement) occurs; or

(iv) a Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Swap Bank; or

(o) any other event occurs or any other circumstances arise or develop including, without limitation:

(i) a change in the financial position, state of affairs or prospects of a Borrower, the Guarantor or, after exercising an Option, the Substitute Guarantor; or

(ii) any accident or other event involving a Ship or another vessel owned, chartered or operated by a Relevant Person; or

(iii) the commencement of legal or administrative action involving the Borrower, the Ship owned by it, or any Security Party,

which in the reasonable opinion of the Lenders constitutes a Material Adverse Change.

## 19.2 Actions following an Event of Default

On, or at any time after, the occurrence of an Event of Default in relation to a Group:

(a) the Facility Agent may, and if so instructed by the Majority Lenders, the Facility Agent shall:

(i) serve on the Borrowers a notice stating that the Commitments and all other obligations of each Lender to the Borrowers under this Agreement are terminated; and/or

(ii) serve on the Borrowers a notice stating that the Advance or Advances (or part thereof) owing by any Borrower which is a member of that Group, all accrued interest and all other amounts accrued or owing in respect of that or those Advances under this Agreement are immediately due and payable or are due and payable on demand; and/or

(iii) take any other action which, as a result of the Event of Default or any notice served under paragraph (i) or (ii) above, the Facility Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law; and/or

(b) the Security Trustee may, and if so instructed by the Facility Agent, acting with the authorisation of the Majority Lenders, the Security Trustee shall take any action which, as a result of the Event of Default or any notice served under paragraph (a) (i) or (ii) above, the Security Trustee, the Facility Agent, the Lenders and/or the Swap Bank are entitled to take under any Finance Document or any applicable law.

## 19.3 Termination of Commitments

On the service of a notice under paragraph (a)(i) of Clause 19.2, the Commitments and all other obligations of each Lender to the Borrowers under this Agreement shall terminate.

## 19.4 Acceleration of Loan

On the service of a notice under paragraph (a)(ii) of Clause 19.2, either Advance (or part thereof) referred to therein, all accrued interest and all other amounts accrued or owing from any Borrower which is a member of the Group to which the Event of Default relates or any other Security Party under this Agreement and every other Finance Document securing any of those Advances shall become immediately due and payable or, as the case may be, payable on demand.

## 19.5 Multiple notices; action without notice

The Facility Agent may serve notices under paragraphs (a) (i) and (ii) of Clause 19.2 simultaneously or on different dates and it and/or the Security Trustee may take any action referred to in that Clause if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

## 19.6 Notification of Creditor Parties and Security Parties

The Facility Agent shall send to each Lender, the Swap Bank, the Security Trustee and each Security Party a copy or the text of any notice which the Facility Agent serves on the Borrowers under Clause 19.2; but the notice shall become effective when it is served on the Borrowers, and no failure or delay by the Facility Agent to send a copy or the text of the notice to any other person shall invalidate the notice or provide the Borrowers or any Security Party with any form of claim or defence.

**19.7 Lender's rights unimpaired**

Nothing in this Clause shall be taken to impair or restrict the exercise of any right given to individual Lenders or the Swap Bank under a Finance Document or the general law; and, in particular, this Clause is without prejudice to Clause 3.1.

**19.8 Exclusion of Creditor Party Liability**

No Creditor Party, and no receiver or manager appointed by the Security Trustee, shall have any liability to any Borrower or a Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt a Creditor Party or a receiver or manager from liability for losses shown to have been directly or mainly caused by the gross negligence, the dishonesty or the wilful misconduct of such Creditor Party's own officers and employees or ( as the case may be) such receiver's or manager's own partners or employees.

**19.9 Relevant Persons**

In this Clause 19, "**a Relevant Person**" means a Borrower, the Guarantor and any other Security Party or member of the CMTC Group and, after exercising the Option, any member of the CPLP Group.

**19.10 Interpretation**

An Event of Default shall be deemed to have occurred under this Clause 19 in relation to a Group if it relates to:

(a) a Borrower which is a member of that Group;

(b) a Ship owned or to be owned by a member of that Group;

(c) a Finance Document that is executed as security for, or to establish any kind of priorities arrangement in relation to, any amount payable by a member of that Group;

(d) a Security Party executing such a Finance Document; or

(e) generally, that Group or the members of that Group,

it being agreed that on the occurrence of an Event of Default in relation to a Group, no rights whatsoever shall accrue to the Creditor Parties as a result thereof to take action under the Loan Agreement or any other Finance Document in relation to any other Borrower which is a member of the other Group or its Ship (provided always that no Event of Default has occurred and is continuing at the time in relation to such other Borrower or Ship,

and in Clause 19.1(f) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 19.1(g) "**petition**" includes an application.

## 19.11 Position of the Swap Bank

Neither the Facility Agent nor the Security Trustee shall be obliged, in connection with any action taken or proposed to be taken under or pursuant to the foregoing provisions of this Clause 19, to have any regard to the requirements of the Swap Bank except to the extent that the Swap Bank is also a Lender.

# 20 FEES AND EXPENSES

## 20.1 Commitment and upfront fees

Each Borrower shall pay to the Facility Agent the fees, each in the amounts, at the rates, and on the dates and to the Creditor Parties referred to in the Fee Letter **Provided that** no commitment fee shall be payable to the Facility Agent (for the account of a Lender) on the Commitment of that Lender for any day on which that Lender is a Defaulting Lender.

## 20.2 Costs of negotiation, preparation etc.

Each Borrower shall pay to the Facility Agent on its demand the amount of all expenses incurred by the Facility Agent or the Security Trustee in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document (including, for the avoidance of doubt, any expenses incurred by the Lenders in obtaining the legal opinions referred to in Schedule 3) or with any transaction contemplated by a Finance Document or a related document.

## 20.3 Costs of variations, amendments, enforcement etc.

Each Borrower shall pay to the Facility Agent, on the Facility Agent's demand, for the account of the Creditor Party concerned, the amount of all expenses incurred by a Lender in connection with:

(a) any amendment or supplement (or any proposal for such an amendment or supplement) requested (or, in the case of a proposal, made) by or on behalf of any Borrower and relating to a Finance Document or any other Pertinent Document;

(b) any consent, waiver or suspension of rights by the Lenders, the Swap Bank, the Majority Lenders or the Creditor Party concerned or any proposal for any of the foregoing requested (or, in the case of a proposal, made) by or on behalf of a Borrower under or in connection with a Finance Document or any other Pertinent Document;

(c) the valuation of any security provided or offered under Clause 15 or any other matter relating to such security; or

(d) any step taken by the Lender or the Swap Bank concerned with a view to the preservation, protection, exercise or enforcement of any rights or Security Interest created by a Finance Document or for any similar purpose including, without limitation, any proceedings to recover or retain proceeds of enforcement or any other proceedings following enforcement proceedings until the date all outstanding indebtedness to the Creditor Parties under the Finance Documents, a Master Agreement and any other Pertinent Document is repaid in full.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

## 20.4 Documentary taxes

The Borrowers shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Facility Agent's demand, fully indemnify each Creditor Party against any claims, expenses, liabilities and losses resulting from any failure or delay by the Borrowers to pay such a tax.

### 20.5 Certification of amounts

A notice which is signed by two officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 20 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

## 21 INDEMNITIES

### 21.1 Indemnities regarding borrowing and repayment of Loan

The Borrowers shall fully indemnify the Facility Agent and each Lender on the Facility Agent's demand and the Security Trustee on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by that Creditor Party, or which that Creditor Party reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) an Advance not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender claiming the indemnity after the Drawdown Notice has been served in accordance with the provisions of this Agreement;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;

(c) any failure (for whatever reason) by any Borrower to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by any Borrower on the amount concerned under Clause 7); and

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 19,

and in respect of any tax (other than tax on its overall net income or a FATCA Deduction) for which a Creditor Party is liable in connection with any amount paid or payable to that Creditor Party (whether for its own account or otherwise) under any Finance Document **Provided that**, other than in the case of paragraph (d), to the extent that such losses are attributable to a specific Advance, each Borrower who was an Affected Borrower at the time such losses were incurred shall only be required to indemnify the Creditor Parties for losses attributable to the Advance relative to the Ship owned by it and the other Borrower shall be required to indemnify the Creditor Parties for losses attributable to the Advance which was not at the relevant time an Advance relating to such Ship.

### 21.2 Break Costs

If a Lender (the "**Notifying Lender**") notifies the Facility Agent that as a consequence of receipt or recovery of all or any part of the Loan (a "**Payment**") on a day other than the last day of an Interest Period applicable to the sum received or recovered the Notifying Lender has or will, with effect from a specified date, incur Break Costs:

(a) the Facility Agent shall promptly notify the Borrowers of a notice it receives from a Notifying Lender under this Clause 21.2;

(b) the Borrowers (or, subject to Clause 29.2, each Affected Borrower with respect to each Advance in respect of which the Dropdown Option has been exercised), shall, within 3 Business Days of the Facility Agent's demand, pay to the Facility Agent for the account of the Notifying Lender the amount of such Break Costs; and

(c) the Notifying Lender shall, as soon as reasonably practicable, following a request by the Borrowers, provide a certificate confirming the amount of the Notifying Lender's Break Costs for the Interest Period in which they accrue, such certificate to be, in the absence of manifest error, conclusive and binding on the Borrower.

In this Clause 21.2, "**Break Costs**" means, in relation to a Payment the amount (if any) by which:

(i) the interest which the Notifying Lender, should have received in respect of the sum received or recovered from the date of receipt or recovery of such Payment to the last day of the then current Interest Period applicable to the sum received or recovered had such Payment been made on the last day of such Interest Period;

exceeds

(ii) the amount which the Notifying Lender, would be able to obtain by placing an amount equal to such Payment on deposit with a leading bank in the London interbank market for a period commencing on the Business Day following receipt or recovery of such Payment (as the case may be) and ending on the last day of the then current Interest Period applicable to the sum received or recovered.

**21.3 Other breakage costs**

Without limiting its generality, Clause 21.1 covers any claim, expense, liability or loss, including a loss of prospective profit, incurred by a Lender in borrowing, liquidating or re-employing deposits from third parties acquired, contracted for or arranged to fund, effect or maintain all or any part of its Contribution and/or any overdue amount (or an aggregate amount which includes its Contribution or any overdue amount) other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the gross negligence or wilful misconduct of the officers or employees of the Creditor Party concerned.

**21.4 Miscellaneous indemnities**

The Borrowers shall fully indemnify each Creditor Party severally on their respective demands, without prejudice to any of their other rights under any of the Finance Documents, in respect of all claims, proceedings, liabilities, taxes, losses and expenses of every kind which may be made or brought against or sustained or incurred by a Creditor Party, in any country, as a result of or in connection with:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Facility Agent, the Security Trustee or any other Creditor Party or by any receiver appointed under a Finance Document (each an "**Indemnified Party**");

(b) any claim, action, civil penalty or fine against, any settlement, and any other kind of loss or liability, and all reasonable costs and expenses (including reasonable counsel fees and disbursements) incurred by any Indemnified Party as a result of negligent conduct of any Borrower, any Security Party, any member of the Group(s), or any of their partners, directors, officers, employees, agents or advisors, that violates any Sanctions;

(c) investigating any event which the Creditor Party concerned reasonably believes constitutes an Event of Default or Potential Event of Default;

(d) acting or relying on any notice, request or instruction which the Creditor Party concerned reasonably believes to be genuine, correct and appropriately authorised; or

(e) any other Pertinent Matter,

other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the dishonesty, gross negligence or wilful misconduct of the officers or employees of the Creditor Party concerned.

Without prejudice to its generality, Clause 21.1 and this Clause 21.4 cover any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code, any Environmental Law or Sanctions.

**21.5 Environmental Indemnity**

Without prejudice to its generality, Clause 21.3 covers any claims, demands, proceedings, liabilities, taxes, losses or expenses of every kind which arise, or are asserted, under or in connection with any law relating to safety at sea, pollution or the protection of the environment, the ISM Code or the ISPS Code.

**21.6 Currency indemnity**

If any sum due from any Borrower or any Security Party to a Creditor Party under a Finance Document or under any order, award or judgment relating to a Finance Document (a "**Sum**") has to be converted from the currency in which the Finance Document provided for the Sum to be paid (the "**Contractual Currency**") into another currency (the "**Payment Currency**") for the purpose of:

(a) making, filing or lodging any claim or proof against any Borrower or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order, judgment or award from any court or other tribunal in relation to any litigation or arbitration proceedings; or

(c) enforcing any such order, judgment or award,

the Borrowers shall as an independent obligation, within 3 Business Days of demand, indemnify the Creditor Party to whom that Sum is due against any cost, loss or liability arising when the payment actually received by that Creditor Party is converted at the available rate of exchange back into the Contractual Currency including any discrepancy between (A) the rate of exchange actually used to convert the Sum from the Payment Currency into the Contractual Currency and (B) the available rate of exchange.

In this Clause 21.6, the "**available rate of exchange**" means the rate at which the Creditor Party concerned is able at the opening of business (London time) on the Business Day after it receives the Sum to purchase the Contractual Currency with the Payment Currency.

The Borrowers waive any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency other than that in which it is expressed to be payable.

If any Creditor Party receives any Sum in a currency other than the Contractual Currency, the Borrowers shall indemnify the Creditor Party concerned against any cost, loss or liability arising directly or indirectly from any conversion of such Sum to the Contractual Currency.

This Clause 21.6 creates a separate liability of each Borrower which is distinct from its other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

### 21.7 Application to Master Agreements

For the avoidance of doubt, Clause 21.4 does not apply in respect of sums due from a Borrower to the Swap Bank under or in connection with any Master Agreement as to which sums the provisions of section 8 (Contractual Currency) of that Master Agreement shall apply.

### 21.8 Certification of amounts

A notice which is signed by 2 officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 21 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

### 21.9 Sums deemed due to a Lender

For the purposes of this Clause 21, a sum payable by a Borrower to the Facility Agent or the Security Trustee for distribution to a Lender shall be treated as a sum due to that Lender.

## 22 NO SET-OFF OR TAX DEDUCTION

### 22.1 No deductions

All payments to be made by any Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for set-off or counterclaim).

### 22.2 Grossing-up for taxes

If any Borrower, the Guarantor, or the Substitute Guarantor is required by law, regulation or regulatory requirement to make a tax deduction from any payment due under a Finance Document:

(a) that Borrower shall and shall procure that the Guarantor, or the Substitute Guarantor shall notify the Facility Agent as soon as it becomes aware of the requirement;

(b) the amount due in respect of the payment shall be increased by the amount necessary to ensure that, after the making of such tax deduction, each Creditor Party receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would have received had no such tax deduction been required to be made; and

(c) the Borrowers, the Guarantor, or the Substitute Guarantor shall pay the full amount of the tax required to be deducted to the appropriate taxation authority promptly in accordance with the relevant law, regulation or regulatory requirement, and in any event before any fine or penalty arises,

**Provided that** if a payment from a Borrower which is not an Affected Borrower is required to be increased under this Clause 22.2, such increase shall not constitute an obligation of any Affected Borrower and **Provided further that** if a payment from an Affected Borrower is required to be increased under this Clause 22.2, such increase shall not constitute an obligation of any Borrower which is not an Affected Borrower.

### 22.3 Indemnity and evidence of payment of taxes

The Borrowers shall fully indemnify each Creditor Party on the Facility Agent’s demand in respect of all claims, expenses, liabilities and losses incurred by any Creditor Party by reason of:

(a) any failure of a Borrower to make any tax deduction; or

(b) any increased payment not being made on the due date for such payment in accordance with Clause 22.2; or

(c) without prejudice to the provisions of Clause 22.2, any payment on account of tax required to be made by a Creditor Party solely as a result of that Creditor Party's entry into any Finance Document (not being a tax imposed on the net income of that Creditor Party by the jurisdiction in which it is incorporated, or the jurisdiction in which it is located or on the capital of that Creditor Party employed in such jurisdiction or jurisdictions) on any sum received or receivable under the Finance Documents (including, without limitation, any sum received or receivable under this Clause 22.3) or any liability in respect of any such payment is asserted, imposed, levied or assessed against that Creditor Party.

Within 30 days after making any tax deduction, the Borrowers shall deliver to the Facility Agent any receipts, certificates or other documentary evidence satisfactory to the Facility Agent that the tax had been paid to the appropriate taxation authority.

**22.4 Exclusion of tax on overall net income**

In this Clause 22 "**tax deduction**" means any deduction or withholding from any payment due under a Finance Document for or on account of any present or future tax except tax on a Creditor Party's overall net income.

**22.5 Application to Master Agreements**

For the avoidance of doubt, Clause 22 does not apply in respect of sums due from any Borrower to the Swap Bank under or in connection with a Master Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of a Master Agreement shall apply.

**22.6 FATCA**

(a) FATCA Information:

(i) Subject to paragraph (iii) below, each party to a Finance Document shall, within 10 Business Days of a reasonable request by another party to the Finance Documents:

(A) confirm to that other party whether it is a FATCA Exempt Party or is not a FATCA Exempt Party;

(B) supply to the requesting party such forms, documentation and other information relating to its status under FATCA (including information required under the Treasury regulations or other official guidance including intergovernmental agreements) as the requesting party reasonably requests for the purposes of such requesting party's compliance with FATCA; and

(C) supply to that other party such forms, documentation and other information relating to its status as that other party reasonably requests for the purposes of that other party's compliance with any other law, regulation, or exchange of information regime.

(ii) If a party to any Finance Document confirms to another party pursuant to Clause 22.6(a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that party shall notify that other party reasonably promptly.

(iii) Sub-clause (i) above shall not oblige any Creditor Party to do anything which would or might in its reasonable opinion constitute a breach of any law or regulation, any policy of that party, any fiduciary duty or any duty of confidentiality, or to disclose any confidential information (including, without limitation, its tax returns and calculations).

(iv) If any Borrower is a US Tax Obligor, or where the Facility Agent reasonably believes that its obligations under FATCA or any other applicable law or regulation require it, each Lender shall, within ten Business Days of:

(A) where that Borrower is a US Tax Obligor and the relevant Lender was a lender on the date of this Agreement, the date of this Agreement;

(B) where that Borrower is a US Tax Obligor and the relevant Lender was not a lender on the date of this Agreement, the later of:

(1) the proposed transfer date specified in the relevant assignment agreement or Transfer Certificate; and

(2) the date on which the Facility Agent executes the relevant assignment agreement or Transfer Certificate; or

(C) the date of a request from the Facility Agent,

supply to the Facility Agent:

(1) a withholding certificate on Form W-8 or Form W-9 (or any successor form) (as applicable); or

(2) any withholding statement and other documentation, authorisations and waivers as the Facility Agent may require to certify or establish the status of such Lender under FATCA or that other law or regulation.

The Facility Agent shall provide any withholding certificate, withholding statement, documentation, authorisations and waivers it receives from a Lender pursuant to this paragraph (iv) to the Borrowers and shall be entitled to rely on any such withholding certificate, withholding statement, documentation, authorisations and waivers provided without further verification. The Facility Agent shall not be liable for any action taken by it under or in connection with this paragraph (iv).

(v) If a party to any Finance Document fails to confirm its status or to supply forms, documentation or other information requested in accordance with sub-clause (i) above (including, for the avoidance of doubt, where sub-clause (iii) above applies), then such party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the party in question provides the requested confirmation, forms, documentation or other information.

(b) FATCA Deduction:

(i) Each party to a Finance Document may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no such party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

(ii) Each party to a Finance Document shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the party to whom it is making the payment and, in addition, shall notify the Borrowers and the Facility Agent and the Facility Agent shall notify the other Creditor Parties.

**22.7 Stamp taxes**

The Borrowers must pay and indemnify each Creditor Party against any stamp duty, registration or other similar Tax payable by that Creditor Party in connection with the entry into, performance or enforcement of any Finance Document.

**22.8 Value added taxes**

Any amount (including costs and expenses) payable under a Finance Document by the Borrowers is exclusive of any value added tax or any other tax of a similar nature which might be chargeable in connection with that amount. If any such tax is chargeable, the Borrowers must pay to the Facility Agent (in addition to and at the same time as paying that amount) an amount equal to the amount of that tax.

**23 ILLEGALITY, ETC**

**23.1 Illegality**

If it becomes unlawful and/or contrary to, or declared by any Sanctions Authority to be contrary to, Sanctions, in any applicable jurisdiction for a Lender (the "**Notifying Lender**") to perform any of its obligations as contemplated by this Agreement or to fund, issue or maintain its participation in the Loan or it becomes unlawful and/or contrary to, or declared by any Sanctions Authority to be contrary to, Sanctions for any Affiliate of a Lender for that Lender to do so:

(a) that Notifying Lender shall promptly notify the Facility Agent upon becoming aware of that event;

(b) upon the Facility Agent notifying the Borrowers, the Commitment of that Notifying Lender will be immediately cancelled; and

(c) to the extent that the Notifying Lender's participation has not been transferred pursuant to clause 8 each Borrower shall repay that Notifying Lender's participation in the Loan made to the Borrower(s) on the last day of the Interest Period for each Loan occurring after the Facility Agent has notified the Borrowers or, if earlier, the date specified by the Notifying Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law) and that Notifying Lender's corresponding Commitment(s) shall be cancelled in the amount of the participations repaid.

**24 INCREASED COSTS**

**24.1 Increased costs**

This Clause 24 applies if a Lender or any affiliate of a Lender (the "**Notifying Lender**") notifies the Facility Agent that the Notifying Lender considers that as a result of:

(a) the introduction or change after the date of this Agreement of a law or regulation or a change after the date of this Agreement in the manner in which a law or regulation is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on a Lender's overall net income); or

(b) complying with any law or regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Notifying Lender allocates capital resources to its obligations under this Agreement) which is made, introduced, or changed, or the interpretation or application of which is changed, after the date of this Agreement; or

(c) the implementation or application of or compliance with Basel III, CRD IV or CRR or any law or regulation that implements or applies Basel III, CRD IV or CRR (whether such implementation, application or compliance is by a government, regulator or the Notifying Lender or a parent company or an affiliate of it) to the extent such increased costs were not capable of being calculated with sufficient accuracy prior to the date of this Agreement due to a lack of clarity or detail in Basel III, CRD IV, CRR and/or any related information from a banking regulator available on the date of this Agreement.

(d) in each case when compared to the cost of complying with such regulations as determined by the Notifying Lender (or parent company or affiliate of it) on the date of this Agreement (whether such implementation, application or compliance is by a government, regulator, supervisory authority, the Notifying Lender or its holding company),

the Notifying Lender (or a parent company or affiliate of it) has incurred or will incur an "**increased cost**".

**24.2 Meaning of "increased costs"**

In this Clause 24, "**increased costs**" means, in relation to a Notifying Lender:

(a) an additional or increased cost;

(b) a reduction of any amount due and payable to the Notifying Lender under this Agreement or in the effective rate of return which such a payment represents to the Notifying Lender or on its overall capital;

(c) an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Notifying Lender's Contribution,

(and in the case of paragraphs (a) to (c) inclusive, which increased costs is incurred or suffered the Notifying Lender to the extent that it is attributable to the it having entered into its Commitment or funding or performing its obligations under any Finance Document); or

(d) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Notifying Lender under this Agreement,

but not an item attributable to a change in the rate of tax on the overall net income of the Notifying Lender (or a parent company or affiliate of it), or an item covered by the indemnity for tax in Clause 21.1, or by Clause 22, or attributable to a FATCA Deduction required to be made by a Party, or attributable to the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (but excluding any amendment arising out of Basel III) ("**Basel II**") or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, a Creditor Party or any of its Affiliates);.

For the purposes of this Clause 24.2 the Notifying Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class of its assets and liabilities) on such basis as it considers appropriate.

**24.3 Notification to Borrowers of claim for increased costs**

The Facility Agent shall promptly notify the Borrowers and the Security Parties of the notice which the Facility Agent received from the Notifying Lender under Clause 24.1.

**24.4 Payment of increased costs**

The Borrowers (or, subject to Clause 29.2, each applicable Affected Borrower), shall pay to the Facility Agent, on the Facility Agent's demand, for the account of the Notifying Lender the amounts which the Facility Agent from time to time notifies the Borrowers (or each relevant Affected Borrower), that the Notifying Lender has specified to be necessary to compensate the Notifying Lender for the increased cost.

**24.5 Notice of prepayment**

If the Borrowers are (or, subject to Clause 29.2, each applicable Affected Borrower is) not willing to continue to compensate the Notifying Lender for the increased cost under Clause 24.4, the Borrowers (or each Affected Borrower) may give the Facility Agent not less than 15 days' notice of its intention to prepay the Notifying Lender's Contribution at the end of an Interest Period.

**24.6 Prepayment; termination of Commitment**

A notice under Clause 24.5 shall be irrevocable; the Facility Agent shall promptly notify the Notifying Lender of the Borrowers' (or each relevant Affected Borrower's) notice of intended prepayment; and:

(a) on the date on which the Facility Agent serves that notice, the Commitment of the Notifying Lender shall be cancelled; and

(b) on the date specified in its notice of intended prepayment, the Borrowers (or each relevant Affected Borrower) shall prepay (without premium or penalty) the Notifying Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin.

**24.7 Application of prepayment**

Clause 8 shall apply in relation to the prepayment.

**25 SET-OFF**

**25.1 Application of credit balances**

Each Creditor Party may without prior notice:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrowers at any office in any country of that Creditor Party in or towards satisfaction of any sum then due from the Borrowers to that Creditor Party under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of the Borrowers;

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars; and

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Creditor Party concerned considers appropriate.

## 25.2 Existing rights unaffected

No Creditor Party shall be obliged to exercise any of its rights under Clause 25.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which a Creditor Party is entitled (whether under the general law or any document).

## 25.3 Sums deemed due to a Lender

For the purposes of this Clause 25, a sum payable by the Borrowers to the Facility Agent or the Security Trustee for distribution to, or for the account of, a Lender shall be treated as a sum due to that Lender; and each Lender's proportion of a sum so payable for distribution to, or for the account of, the Lenders shall be treated as a sum due to such Lender.

## 25.4 No Security Interest

This Clause 25 gives the Creditor Parties a contractual right of set-off only, and does not create any equitable charge or other Security Interest over any credit balance of the Borrowers.

# 26 TRANSFERS AND CHANGES IN LENDING OFFICES

## 26.1 Transfer by the Borrowers

The Borrowers may not assign or transfer any of their rights, liabilities or obligations under any Finance Document.

## 26.2 Transfer by a Lender

Subject to Clause 26.4, a Lender (the "**Transferor Lender**") may, at any time, cause:

(a) its rights in respect of all or part of its Contribution; or

(b) its obligations in respect of all or part of its Commitment; or

(c) a combination of (a) and (b); or

(d) all or part of its credit risk under this Agreement and the other Finance Documents,

to be syndicated to or, (in the case of its rights) assigned, pledged or transferred to, or (in the case of its obligations) pledged or assumed by, any third party (a "**Transferee Lender**") by delivering to the Facility Agent a completed certificate in the form set out in Schedule 4 with any modifications approved or required by the Facility Agent (a "**Transfer Certificate**") executed by the Transferor Lender and the Transferee Lender.

Prior to exercising its rights pursuant to this Clause 26.2, the Transferor Lender may, other than in the case of a transfer contemplated in subparagraphs (i)(A) or (B) below, shall first give each other Lender the option (through a notice in writing) to receive the benefit of a syndication or any assignment, pledge, transfer or assumption of its Contribution (or the relevant thereof), its Commitment (or the relevant part thereof) or a combination of both and, **Provided that** there is no Event of Default in existence at the relevant time, the Borrowers the right to propose a Transferee Lender to the Transferor Lender. Each Lender shall have 5 Business Days from the date of the Transferor Lender's notice to advise the Transferor Lender in writing if it shall exercise such option. If any Lender(s) exercise(s) such option within the aforementioned 5-Business Day period, the Transferor Lender(s) and the Transferee Lender(s) shall execute and deliver to the Facility Agent a completed certificate(s) in the form set out in Schedule 4 with any modifications approved or required by the Facility Agent.

However any rights and obligations of the Transferor Lender in its capacity as Facility Agent or Security Trustee will have to be dealt with separately in accordance with the Agency and Trust Agreement. All costs and expenses relating to a transfer effected pursuant to this Clause 26.2 shall be borne by the Transferee Lender.

A transfer pursuant to this Clause 26.2 shall:

(i) be effected without the consent of the Borrowers;

(A) following the occurrence of an Event of Default;

(B) if such transfer is to a subsidiary or any other company or financial institution which is in the same ownership or control as one of the Lenders; and

(ii) if:

(A) a Transferor Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its facility office; and

(B) as a result of circumstances existing at the date the assignment, transfer or change occurs, a Security Party would be obliged to make a payment to the Transferee Lender or Lender acting through its new facility office under Clause 21 or Clause 24

then the Transferee Lender or Lender acting through its new facility office is only entitled to receive payment under those Clauses to the same extent as the Transferor Lender or Lender acting through its previous facility office would have been if the assignment, transfer or change had not occurred. This paragraph (i) shall not apply:

(iii) in all other circumstances, including without limitation in the case of a transfer to any other bank or financial institution regularly engaged in providing shipping loans, shipping securities or shipping financial assets, first class international bank(s) or financial institution(s), trust, fund or capital investment company, require the consent of the Borrowers (such consent not to be unreasonably withheld, conditioned or delayed) which should be provided within 5 days otherwise such consent shall be deemed to have been provided.

(e) In the case of a transfer to be effected in the circumstances other than those referred to in subparagraphs (A) and (B) of Clause 26.2(d)(i), the Borrowers shall have the option, exercisable within 10 Business Days of a Lender notifying the Borrowers that it wishes to effect a transfer pursuant to this Clause 26.2, give written notice (the "**Borrowers' Notice**") of its intention to prepay the Contribution which the Lender is planning to transfer. The prepayment shall be in an amount equal to the lesser of (i) the par value of the Contribution to be transferred and (ii) the amount offered by the proposed Transferee Lender to acquire the Contribution which is to be transferred. The Borrowers shall effect such prepayment within 10 Business Days of the date of Borrowers' Notice.

**26.3 Transfer Certificate, delivery and notification**

As soon as reasonably practicable after a Transfer Certificate is delivered to the Facility Agent, it shall (unless it has reason to believe that the Transfer Certificate may be defective):

(a) ensure that all relevant "know your customer" requirements in connection with the Transferee Lender are complied with under all applicable laws and regulations and shall promptly notify the other Lenders and the Transferee Lender accordingly;

(b) sign the Transfer Certificate on behalf of itself the Borrowers, the Security Parties, the Security Trustee and each of the other Lenders and the Swap Bank;

(c) on behalf of the Transferee Lender, send to the Borrowers and each Security Party letters or faxes notifying them of the Transfer Certificate and attaching a copy of it; and

(d) send to the Transferee Lender copies of the letters or faxes sent under paragraph (b) above.

### 26.4 Effective Date of Transfer Certificate

A Transfer Certificate becomes effective on the date, if any, specified in the Transfer Certificate as its effective date **Provided that** it is signed by the Facility Agent under Clause 26.3 on or before that date.

### 26.5 No transfer without Transfer Certificate

No assignment or transfer of any right or obligation of a Lender under any Finance Document is binding on, or effective in relation to, the Borrowers, any Security Party, the Facility Agent or the Security Trustee unless it is effected, evidenced or perfected by a Transfer Certificate.

### 26.6 Lender re-organisation; waiver of Transfer Certificate

However, if a Lender enters into any merger, de-merger or other reorganisation as a result of which all its rights or obligations vest in another person (the "**successor**"), the Facility Agent may, if it sees fit, by notice to the successor and the Borrowers and the Security Trustee waive the need for the execution and delivery of a Transfer Certificate; and, upon service of the Facility Agent's notice, the successor shall become a Lender with the same Commitment and Contribution as were held by the predecessor Lender.

### 26.7 Effect of Transfer Certificate

A Transfer Certificate takes effect in accordance with English law as follows:

(a) to the extent specified in the Transfer Certificate, all rights and interests (present, future or contingent) which the Transferor Lender has under or by virtue of the Finance Documents (other than a Master Agreement) are assigned to the Transferee Lender absolutely, free of any defects in the Transferor Lender's title and of any rights or equities which the Borrowers or any Security Party had against the Transferor Lender;

(b) the Transferor Lender's Commitment is discharged to the extent specified in the Transfer Certificate;

(c) the Transferee Lender becomes a Lender with the Contribution previously held by the Transferor Lender and a Commitment of an amount specified in the Transfer Certificate;

(d) the Transferee Lender becomes bound by all the provisions of the Finance Documents (other than a Master Agreement) which are applicable to the Lenders generally, including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Facility Agent and the Security Trustee and, to the extent that the Transferee Lender becomes bound by those provisions (other than those relating to exclusion of liability), the Transferor Lender ceases to be bound by them;

(e) any part of the Loan which the Transferee Lender advances after the Transfer Certificate's effective date ranks in point of priority and security in the same way as it would have ranked had it been advanced by the transferor, assuming that any defects in the transferor's title and any rights or equities of the Borrowers or any Security Party against the Transferor Lender had not existed;

(f) the Transferee Lender becomes entitled to all the rights under the Finance Documents (other than a Master Agreement) which are applicable to the Lenders generally, including but not limited to those relating to the Majority Lenders and those under Clause 5.7 and Clause 20, and to the extent that the Transferee Lender becomes entitled to such rights, the Transferor Lender ceases to be entitled to them; and

(g) in respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document or any misrepresentation made in or in connection with a Finance Document (other than a Master Agreement), the Transferee Lender shall be entitled to recover damages by reference to the loss incurred by it as a result of the breach or misrepresentation, irrespective of whether the original Lender would have incurred a loss of that kind or amount.

The rights and equities of the Borrowers or any Security Party referred to above include, but are not limited to, any right of set off and any other kind of cross-claim.

**26.8 Maintenance of register of Lenders**

During the Security Period, the Facility Agent shall maintain a register in which it shall record the name, Commitment, Contribution and administrative details (including the lending office) from time to time of each Lender holding a Transfer Certificate and the effective date (in accordance with Clause 26.4 or, as the case may be, Clause 2.5) of the Transfer Certificate; and the Facility Agent shall make the register available for inspection by any Lender, the Security Trustee and the Borrowers during normal banking hours, subject to receiving at least 3 Business Days prior notice.

**26.9 Reliance on register of Lenders**

The entries on that register shall, in the absence of manifest error, be conclusive in determining the identities of the Lenders and the amounts of their Commitments and Contributions and the effective dates of Transfer Certificates and may be relied upon by the Facility Agent and the other parties to the Finance Documents for all purposes relating to the Finance Documents.

**26.10 Authorisation of Facility Agent and conditions to sign Transfer Certificates**

The Borrowers, the Security Trustee, each Lender and the Swap Bank irrevocably authorises the Facility Agent to sign Transfer Certificates on its behalf. The Borrowers and each Security Party irrevocably agree to the transfer procedures set out in this Clause 26 and to the extent the cooperation of the Borrowers and/or any Security Party shall be required to effect any such transfer, the Borrowers and such Security Party shall take all necessary steps to afford such cooperation.

The Facility Agent shall only be obliged to execute a Transfer Certificate as soon as it is satisfied that all “know your customer” requirements are complied with under all applicable laws and regulations in connection with the Transferee Lender.

**26.11 Registration fee**

In respect of any Transfer Certificate, the Facility Agent shall be entitled to recover a registration fee of $2,500 from the Transferor Lender or (at the Facility Agent’s option) the Transferee Lender.

**26.12 Sub-participation; subrogation assignment**

A Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents (other than a Master Agreement) without the consent of, or any notice to, the Borrowers, any Security Party, the Facility Agent or the

Security Trustee or any other Creditor Party; and the Lenders may assign, in any manner and terms agreed by the Majority Lenders, the Facility Agent and the Security Trustee, all or any part of those rights to an insurer or surety who has become subrogated to them.

**26.13 Disclosure of information**

A Lender may, without the prior consent of the Borrowers or any Security Party, disclose to:

(a) a potential Transferee Lender or sub participant as well as, where relevant, to rating agencies, trustees and accountants;

(b) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(c) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes; or

(d) to whom or for whose benefit that Lender charges, assigns or otherwise creates a Security Interest (or may do so) pursuant to Clause 26.16,

any financial or other information which that Lender has received in relation to the Loan, the Borrowers, any Security Party or their affairs and collateral or security provided under or in connection with any Finance Document, their financial circumstances and any other information whatsoever, as that Lender may deem reasonably necessary or appropriate in connection with the potential syndication, the assessment of the credit risk and the ongoing monitoring of the Loan by any potential Transferee Lender and that Lender shall be released from its obligation of secrecy and from banking confidentiality. The Lender concerned and the Borrowers shall require that any such potential Transferee Lender, sub-participant, rating agency, trustee or accountant signs a confidentiality agreement. The Borrowers shall, and shall procure that any other Security Party shall:

(i) provide the Creditor Parties (or any of them) with all information deemed, reasonably, necessary by the Creditor Parties (or any of them) for the purposes of any transfer or sub-participation to be effected pursuant to this Clause 26;

(ii) procure that the directors and offices of the Borrowers or any Security Party are available to participate in any meeting with any Transferee Lender or any rating agency at such times and places as the Creditor Parties may reasonably request on notice (to be served on the Borrowers reasonably in advance) to the Borrowers or that Security Party; and

(iii) permit any Transferee Lender to board any Ship at all reasonable times to inspect its condition with reasonable notice to the Borrowers (after taking into consideration the relevant Ship’s schedule).

**26.14 Change of lending office**

A Lender may change its lending office by giving prior notice to the Facility Agent and the Borrowers and the change shall become effective on the later of:

(a) the date on which the Facility Agent receives the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect.

### 26.15 Notification

On receiving such a notice, the Facility Agent shall notify the Borrowers and the Security Trustee; and, until the Facility Agent receives such a notice, it shall be entitled to assume that a Lender is acting through the lending office of which the Facility Agent last had notice.

### 26.16 Security over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 26, each Lender may without consulting with or obtaining consent from the Borrowers or any Security Party at any time charge, assign or otherwise create a Security Interest in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document (other than a Master Agreement) to secure obligations of that Lender including, without limitation:

(a) any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank; and

(b) in the case of any Lender which is a fund, any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities;

except that no such charge, assignment or Security Interest shall:

(i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security Interest for the Lender as a party to any of the Finance Documents; or

(ii) require any payments to be made by a Borrower or any Security Party or grant to any person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

### 26.17 Replacement of Reference Bank

If the Reference Bank ceases to be a Lender or is unable on a continuing basis to supply quotations for the purposes of Clause 5 then, unless the Borrowers, the Facility Agent and the Majority Lenders otherwise agree, the Facility Agent, acting on the instructions of the Majority Lenders, and after consulting the Borrower, shall appoint another bank (whether or not a Lender) to be a replacement Reference Bank; and, when that appointment comes into effect, the first-mentioned Reference Bank's appointment shall cease to be effective.

### 26.18 Replacement of a Defaulting Lender

(a) If:

(i) any Lender becomes a Defaulting Lender; or

(ii) a Borrower becomes obliged to repay any amount in accordance with Clause 23 (*Illegality*) or to pay any additional amounts pursuant to Clause 24 (*Increased Costs*), Clause 22.2 (*Grossing-up for taxes*) or Clause 22.3 (*Indemnity and evidence of payment of taxes*) to any Lender,

the Borrowers may , at any time a Lender has become and continues to be a Defaulting Lender, by giving 5 Business Days' prior written notice to the Facility Agent and such Lender replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to this Clause 26 all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity (a "**Replacement Lender**") selected by the Borrowers, and which confirms its willingness to assume and does assume all the obligations, or all the relevant obligations, of the transferring Lender in accordance with this Clause 26 for a purchase price in cash payable at the time of transfer which is in an amount equal to the outstanding principal amount of such Lender's Contribution and all accrued interest, Break Costs and other amounts payable in relation thereto under the Finance Documents;

(b) of the replacement of a Defaulting Lender pursuant to this Clause 26.18 shall be subject to the following conditions:

(i) the Borrowers shall have no right to replace the Facility Agent or Security Trustee;

(ii) neither the Facility Agent nor the Defaulting Lender shall have any obligation to the Borrowers to find a Replacement Lender;

(iii) the transfer must take place no later than 7 Business Days after the notice referred to in paragraph (a) above;

(iv) in no event shall the Defaulting Lender be required to pay or surrender to such Replacement Lender any of the fees received by the Defaulting Lender pursuant to the Finance Documents; and

(v) the Defaulting Lender shall only be obliged to transfer its rights and obligations pursuant to paragraph (a) above once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer.

(c) The Defaulting Lender shall perform the checks described in paragraph (b)(v) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (a) above and shall notify the Facility Agent and the Borrowers when it is satisfied that it has complied with those checks.

**26.19 Excluded Commitments**

If:

(a) any Defaulting Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any term of any Finance Document or any other vote of Lenders under the terms of this Agreement within 10 Business Days of that request being made;

(b) or any Lender which is not a Defaulting Lender fails to respond to such a request (other than an amendment, waiver or consent referred to in paragraphs (i), (ii) and (iii) of Clause 27.2 (Exceptions) or such a vote within 10 Business Days of that request being made

(unless in either case the Borrowers and the Facility Agent agree to a longer time period in relation to any request):

(i) its Commitment shall not be included for the purpose of calculating the Total Commitments under the Loan when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Total Commitments has been obtained to approve that request; and

(ii) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

**26.20 Disenfranchisement of Defaulting Lenders**

(a) For so long as a Defaulting Lender has any undrawn Commitment, in ascertaining:

(i) the Majority Lenders; or

(ii) whether:

(A) any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments under the Loan; or

(B) the agreement of any specified group of Lenders,

has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents,

that Defaulting Lender's Commitment under the Loan will be reduced by the amount of its undrawn Commitment under the Loan and, to the extent that that reduction results in that Defaulting Lender's Commitment being zero, that Defaulting Lender shall be deemed not to be a Lender for the purposes of paragraphs (i) and (ii) above.

(b) For the purposes of this Clause 26.20 the Facility Agent may assume that the following Lenders are Defaulting Lenders:

(i) any Lender which has notified the Facility Agent that it has become a Defaulting Lender;

(ii) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraphs (a), (b) or (c) of the definition of "**Defaulting Lender**" has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Facility Agent) or the Facility Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

## 27 VARIATIONS AND WAIVERS

### 27.1 Required consents

(a) Subject to Clause 27.2 (Exceptions) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrowers and any such amendment or waiver will be binding on all Creditor Parties and the Borrowers.

(b) Any instructions given by the Majority Lenders will be binding on all the Creditor Parties.

(c) The Facility Agent may effect, on behalf of any Creditor Party, any amendment or waiver permitted by this Clause.

### 27.2 Exceptions

(a) However, Clause 27.1 applies as if the words "the Majority Lenders" were replaced therein by the words "all Lenders" as regards an amendment or waiver that has the effect of changing or which relates to:

(i) the definition of "Majority Lenders" or "Finance Documents" in Clause 1.1 (Definitions);

(ii) an extension to the date of payment of any amount under the Finance Documents;

(iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest fees, commission or other amount payable or the rate at which they are calculated under any of the Finance Documents;

(iv) an increase in or an extension of any Lender's Commitment;

(v) any provision which expressly requires the consent of all the Lenders; or

(vi) Clause 3, Clause 8, Clause 11.5, 11.6, 11.7 and 11.21, Clause 15, Clause 16.4, Clause 17, Clause 22, Clause 23, Clause 26 or this Clause 27.2;

(vii) the nature, scope or release of any Security Interest, guarantee, indemnities or subordination arrangement created by any Finance Document or the manner in which the proceeds of enforcement of any Security Interest are distributed;

(viii) a change to any Borrower or any Security Party;

(ix) any change of the currency in which the Loan is provided or any amount is payable under any of the Finance Documents; and

(x) extend the Availability Period.

(b) an amendment or waiver which relates to the rights or obligations of the Facility Agent, the Arranger or the Security Trustee may not be effected without the consent of the Facility Agent, the Arranger or the Security Trustee, as the case may be.

**27.3 Exclusion of other or implied variations**

Except for a document which satisfies the requirements of Clauses 27.1 and 27.2, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Creditor Parties or any of them (or any person acting on behalf of any of them) shall result in the Creditor Parties or any of them (or any person acting on behalf of any of them) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by a Borrower or a Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law,

and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

**27.4 Replacement of Screen Rate**

(a) Subject to Clause 27.3, if the Screen Rate is not available for dollars, any amendment or waiver which relates to providing for another benchmark rate to apply in relation to dollars, in place of that Screen Rate (or which relates to aligning any provision of a Finance Document to the use of that benchmark rate) may be made with the consent of the Majority Lenders and the Security Parties.

(b) If any Lender fails to respond to a request for an amendment or waiver described in paragraph (a) above within 5 Business Days (unless the Borrowers and the Facility Agent agree to a longer time period in relation to any request) of that request being made:

(i) its Commitment shall not be included for the purpose of calculating the Total Commitments when ascertaining whether any relevant percentage of Total Commitments has been obtained to approve that request; and

(ii) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

## 28 NOTICES

### 28.1 General

Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

### 28.2 Addresses for communications

A notice shall be sent:

| | | |
|---|---|---|
| (a) | to the Borrower: | c/o Capital Ship Management Corp.<br>3 Iassonos Street<br>185 37 - Piraeus<br>Greece<br><br>Fax No: +30 210 4285 679<br>for the attention of the Chief Financial Officer |
| (b) | to a Lender: | at the address below its name in Schedule 1 or (as the case may require) in the relevant Transfer Certificate. |
| (c) | to the Swap Bank: | ING Bank N.V.<br>Foppingadreef 7<br>PO Box 1800, NL-1000 BV<br>Amsterdam<br>The Netherlands<br><br>Fax No: +31 20 501 3381 and (additionally) +31 20 501 3161<br><br>Attn: Operations/Derivatives/TRC 00.13, Financial Markets/Operations/Forex/Money Markets TRC 01.003 and Head of Legal Financial Markets |
| (d) | to the Facility Agent and Security Trustee: | Crédit Agricole Corporate and Investment Bank<br>12, place des Etats-Unis<br>CS 70052<br>92547 Montrouge Cedex<br>France<br><br>Fax No: +331 41892987 |

or to such other address as the relevant party may notify the Facility Agent or, if the relevant party is the Facility Agent or the Security Trustee, the Borrowers, the Lenders and the Security Parties.

**28.3 Effective date of notices**

Subject to Clauses 28.4 and 28.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

**28.4 Service outside business hours**

However, if under Clause 28.3 a notice would be deemed to be served:

(a) on a day which is not a business day in the place of receipt; or

(b) on such a business day, but after 5 p.m. local time,

the notice shall (subject to Clause 28.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

**28.5 Illegible notices**

Clauses 28.3 and 28.4 do not apply if the recipient of a notice notifies the sender within one hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

**28.6 Valid notices**

A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

(a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or

(b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

**28.7 Electronic communication**

Any communication to be made between the Facility Agent and a Lender or the Swap Bank under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Facility Agent and the relevant Creditor Party:

(a) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

(b) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(c) notify each other of any change to their respective addresses or any other such information supplied to them.

Any electronic communication made between the Facility Agent and a Lender or the Swap Bank will be effective only when actually received in readable form and, in the case of any electronic communication made by a Creditor Party to the Facility Agent, only if it is addressed in such a manner as the Facility Agent shall specify for this purpose.

**28.8 English language**

Any notice under or in connection with a Finance Document shall be in English.

**28.9 Meaning of "notice"**

In this Clause 28, "**notice**" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

**28.10 Communication when Agent is Impaired Agent**

If the Facility Agent is an Impaired Agent, the parties to this Agreement may, instead of communicating with each other through the Facility Agent, communicate with each other directly and (while the Facility Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Facility Agent shall be varied so that communications may be made and notices given to or by the relevant parties directly. This provision shall not operate after a replacement Facility Agent has been appointed.

**29 JOINT AND SEVERAL LIABILITY**

**29.1 General**

Subject to Clause 29.2, all liabilities and obligations of the Borrowers under this Agreement shall, whether expressed to be so or not, be several and, if and to the extent consistent with Clauses 29.2 and 29.3, joint.

**29.2 Dropdown**

(a) Notwithstanding the provisions of Clause 29.1, upon the occurrence of a Dropdown:

(i) the Affected Borrower to which such Dropdown relates shall automatically cease to be joint and severally liable for the obligations of any Borrower which is not an Affected Borrower, and shall become joint and severally liable for the obligations under Clause 6 (*Repayment and Prepayment*), Clause 7 (*Default Interest*), Clause 8.9 (*Mandatory Prepayment*), Clause 5 (*Interest*), Clause 21.2 (*Break Costs*) and Clause 24.1 (*Increased costs*) (together, the "**Affected Clauses**") in relation to the Advance(s) financing the Ship(s) of the other Affected Borrower(s);

(ii) each of the Borrowers other than any Affected Borrower shall be automatically released from their obligations under the Affected Clauses in relation to the Advance(s) financing the Ship(s) of the Affected Borrower(s); and

(iii) such Affected Borrower shall be automatically released from its obligations under the Affected Clauses in relation to each of the Advance(s) which are not financing the Ship(s) of the Affected Borrower(s).

(b) Where this Agreement provides for any payment other than under the Affected Clauses (any such payment being an "**Unscheduled Amount**") and save as contemplated in Clause 21.1 (*Indemnities regarding borrowing and repayment of Loan*) and Clause 22.2 (*Grossing-up for taxes*), the Affected Borrower(s) shall be joint and severally liable for a *pro-rata* share of such Unscheduled Amount corresponding to the Relevant Proportion. For the purposes of claiming any such Unscheduled Amount, a demand made upon the Borrowers for the full amount of the Unscheduled Amount shall be deemed to be a demand served on each Borrower (including on any Affected Borrower in the Relevant Proportion of such Unscheduled Amount) for the amount of such Unscheduled Amount for which each such Borrower is liable.

(c) This Clause shall not relieve the Borrowers or any other Security Parties from:

(i) the consequences of the Borrowers (or any of them) failing to meet their respective obligations under the Affected Clauses at any time; or

(ii) any claim or demand made by any Creditor Party on an Affected Borrower (or any other Security Party in relation to such claim or demand) prior to the Dropdown relating to such Affected Borrower.

**29.3 No impairment of Borrower's obligations**

The liabilities and obligations of a Borrower shall not be impaired by:

(a) this Agreement being or later becoming void, unenforceable or illegal as regards any other Borrower;

(b) any Lender entering into any rescheduling, refinancing or other arrangement of any kind with any other Borrower;

(c) any Lender releasing any other Borrower or any Security Interest created by a Finance Document; or

(d) any combination of the foregoing.

**29.4 Principal debtors**

Subject to Clause 29.2, each Borrower declares that it is and will, throughout the Security Period, remain a principal debtor for all amounts owing under this Agreement and the Finance Documents and no Borrower shall in any circumstances be construed to be a surety for the obligations of any other Borrower under this Agreement.

**29.5 Subordination**

Subject to Clause 29.6, during the Security Period, no Borrower shall:

(a) claim any amount which may be due to it from any other Borrower whether in respect of a payment made, or matter arising out of, this Agreement or any Finance Document, or any matter unconnected with this Agreement or any Finance Document; or

(b) take or enforce any form of security from any other Borrower for such an amount, or in any other way seek to have recourse in respect of such an amount against any asset of any other Borrower; or

(c) set off such an amount against any sum due from it to any other Borrower; or

(d) prove or claim for such an amount in any liquidation, administration, arrangement or similar procedure involving any other Borrower or other Security Party; or

(e) exercise or assert any combination of the foregoing.

**29.6 Borrower's required action**

If during the Security Period, the Facility Agent, by notice to a Borrower, requires it to take any action referred to in paragraphs (a) to (d) of Clause 29.5, in relation to the other Borrower, that Borrower shall take that action as soon as practicable after receiving the Facility Agent's notice.

## 30 CONFIDENTIALITY

### 30.1 Confidential Information

Each Creditor Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clauses 31.2 and 31.3 and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

### 30.2 Disclosure of Confidential Information

Any Creditor Party may disclose:

(a) to any of its affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Creditor Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

(b) to any person:

(i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Facility Agent and, in each case, to any of that person's affiliates, Related Funds, Representatives and professional advisers;

(ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or the Borrowers and/or any Security Party and to any of that person's affiliates, Related Funds, Representatives and professional advisers;

(iii) appointed by any Creditor Party or by a person to whom paragraph (b)(i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf;

(iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above;

(v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(vi) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(vii) to whom or for whose benefit that Creditor Party charges, assigns or otherwise creates a Security Interest (or may do so) pursuant to Clause 26.17;

(viii) who is a party to a Finance Document, a member of a Group, or any related entity of the Borrowers or any Security Party; or

(ix) with the consent of the Borrowers;

in each case, such Confidential Information as that Creditor Party shall consider appropriate if:

(A) in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

(B) in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information; or

(C) in relation to paragraphs (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Creditor Party, it is not practicable so to do in the circumstances;

(c) to any person appointed by that Creditor Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Borrowers and the relevant Creditor Party; and

(d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Borrowers and/or the Security Parties.

**30.3 Disclosure to numbering service providers**

(a) Any Creditor Party may disclose to any national or international numbering service provider appointed by that Creditor Party to provide identification numbering services in respect of this Agreement, the Loan and/or the Borrowers and/or the Security Parties the following information:

(i) names of the Borrowers and the Security Parties;

(ii) country of domicile of the Borrowers and the Security Parties;

(iii) place of incorporation of the Borrowers and the Security Parties;

(iv) date of this Agreement;

(v) governing law;

(vi) the name of the Facility Agent;

(vii) date of each amendment and restatement of this Agreement;

(viii) amount of the Loan;

(ix) amount of Total Commitments;

(x) currency of the Loan;

(xi) type of facility;

(xii) ranking of facility;

(xiii) final Repayment Date;

(xiv) changes to any of the information previously supplied pursuant to paragraphs (i) to (xiii) above; and

(xv) such other information agreed between such Creditor Party and the Borrowers,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services;

(b) the parties to this Agreement acknowledge and agree that each identification number assigned to this Agreement, the Loan and/or the Borrowers and/or any Security Party by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider;

(c) the Borrowers represent that none of the information set out in paragraphs (a)(i) to (a)(xv) above is, nor will at any time be, unpublished price-sensitive information; and

(d) the Facility Agent shall notify the Borrowers and the other Creditor Parties of:

(i) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Loan and/or the Borrowers and/or the Security Parties; and

(ii) the number or, as the case may be, numbers assigned to this Agreement, the Loan and/or the Borrowers and/or the Security Parties by such numbering service provider.

**30.4 Entire agreement**

This Clause 30 constitutes the entire agreement between the parties to this Agreement in relation to the obligations of the Creditor Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

### 30.5 Inside information

Each of the Creditor Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Creditor Parties undertakes not to use any Confidential Information for any unlawful purpose.

### 30.6 Notification of disclosure

Each of the Creditor Parties agrees (to the extent permitted by law and regulation) to inform the Borrowers:

(a) of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(v) of Clause 30.2 except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

(b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 30.

### 30.7 Continuing obligations

The obligations in this Clause 30 are continuing and, in particular, shall survive and remain binding on each Creditor Party for a period of 12 months from the earlier of:

(a) the date on which all amounts payable by the Borrowers and the Security Parties under or in connection with this Agreement have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

(b) the date on which such Creditor Party otherwise ceases to be a Creditor Party.

### 30.8 Defaulting Lender

The Agent:

(a) may disclose; and

(b) on the written request of the Guarantor or Substitute Guarantor or the Majority Lenders shall, as soon as reasonably practicable, disclose,

the identity of a Defaulting Lender to the Guarantor or Substitute Guarantor and to the other Creditor Parties.

## 31 SUPPLEMENTAL

### 31.1 Rights cumulative, non-exclusive

The rights and remedies which the Finance Documents give to each Creditor Party are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

### 31.2 Severability of provisions

If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

### 31.3 Third party rights

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

### 31.4 Benefit and binding effect

The terms of this Agreement shall be binding upon, and shall enure to the benefit of, the parties hereto and their respective (including subsequent) successors and permitted assigns and transferees.

## 32 LAW AND JURISDICTION

### 32.1 English law

This Agreement and any non-contractual obligation arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

### 32.2 Exclusive English jurisdiction

Subject to Clause 32.3, the courts of England shall have exclusive jurisdiction to settle any Dispute.

### 32.3 Choice of forum for the exclusive benefit of the Creditor Parties

Clause 32.2 is for the exclusive benefit of the Creditor Parties, each of which reserves the right:

(a) to commence proceedings in relation to any Dispute in the courts of any country other than England and which have or claim jurisdiction to that Dispute; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

No Borrower shall commence any proceedings in any country other than England in relation to a Dispute.

### 32.4 Process agent

Each Borrower irrevocably appoints Curzon Maritime Ltd. at its office for the time being, presently at 30/33 Minories Street, St. Clare House, London EC3N 1DJ, England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with a Dispute.

### 32.5 Creditor Party rights unaffected

Nothing in this Clause 32 shall exclude or limit any right which any Creditor Party may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

**32.6 Meaning of "proceedings"**

In this Clause 32, "**proceedings**" means proceedings of any kind, including an application for a provisional or protective measure and a "**Dispute**" means any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement) or any non-contractual obligation arising out of or in connection with this Agreement.

**33 BAIL-IN**

**33.1 Contractual recognition of bail-in**

Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the parties to a Finance Document, each Party acknowledges and accepts that any liability of any party to a Finance Document under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

(a) any Bail-In Action in relation to any such liability, including (without limitation):

(i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;

(ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and

(iii) a cancellation of any such liability; and

a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

**THIS AGREEMENT** has been entered into on the date stated at the beginning of this Agreement.

## SCHEDULE 1

## LENDERS AND COMMITMENTS

| Lender | Lending Office | Commitment ($) | Percentage of Total Commitments (%) |
|---|---|---|---|
| ING Bank N.V.,<br>London Branch | 8-10 Moorgate<br>London EC2R<br>England | 35,100,000 | 50 |
| Crédit Agricole<br>Corporate and<br>Investment Bank | 12, place des Etats-Unis<br>CS 70052,<br>92547 Montrouge Cedex<br>France | 35,100,000 | 50 |

## SCHEDULE 2

## DRAWDOWN NOTICE

To: Crédit Agricole Corporate and Investment Bank
12, place des Etats-Unis
CS 70052,
92547 Montrouge Cedex
France

Attention: [Loans Administration]

1 We refer to the loan agreement (the "**Loan Agreement**") dated [●] 2017 and made between us, as Borrowers, the Lenders referred to therein and ING Bank N.V. as Swap Bank, Mandated Lead Arrangers and Bookrunners, and yourselves as Facility Agent and Security Trustee and in connection with a term loan facility of up to US$70,200,000 in aggregate. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow Advance [●] as follows:

(a) Amount: US$[ ];

(b) Drawdown Date: [ ];

(c) Duration of the first Interest Period shall be [ ] months;

(d) Payment instructions : account of [ ] and numbered [ ] with [ ] of [ ].

3 We represent and warrant that:

(a) the representations and warranties in Clause 10 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing; and

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Loan.

4 This notice cannot be revoked without the prior consent of the Majority Lenders.

5 [We authorise you to deduct any facility fees referred to in Clause 20.1 from the amount of the Advance].

______________________________

Attorney-in-Fact
for and on behalf of
**ASTERIAS CRUDE CARRIER S.A. and**
**SCORPIO CRUDE CARRIER S.A.**

## SCHEDULE 3

## CONDITIONS PRECEDENT DOCUMENTS

## PART A

The following are the documents referred to in Clause 9.1(a).

1 A duly executed original of this Agreement, the Guarantee, the Substitute Guarantor Guarantee, the Shares Pledges and any other Finance Document if not otherwise referred to in this Schedule (and of each document required to be delivered by each Finance Document) and the Intermediate Shareholder's Shares Pledge is in the Agreed Form.

2 Certified copies of the certificate of incorporation and constitutional documents of each Security Party.

3 Copies of resolutions of the shareholders and directors of each Security Party authorising the execution of each of the Finance Documents to which it is a party and, in the case of the Borrowers, authorising named officers to give the Drawdown Notices and other notices under this Agreement and ratifying the execution of the Shipbuilding Contract relative to its Ship.

4 The original of any power of attorney under which any Finance Document is executed on behalf of each Security Party.

5 Copies of all consents which any Security Party requires to enter into, or make any payment under, any Finance Document or the Shipbuilding Contract relative to that Borrower.

6 Copies of the Underlying Documents (other than the Tesoro Charters) and all amendments and supplements thereto and of all documents signed or issued by the parties thereto under or in connection with it.

7 Such documentary evidence as the Facility Agent and its legal advisers may reasonably require in relation to the due authorisation and execution by the parties to each Underlying Document (other than the Tesoro Charters) and of all documents to be executed by those parties under that Underlying Document.

8 All documentation required by the Facility Agent in relation to any Security Party pursuant to the Facility Agent's "know your customer" requirements.

9 Documentary evidence that the agent for service of process named in Clause 32.4 has accepted its appointment.

10 Favourable legal opinions from lawyers appointed by the Facility Agent on such matters concerning the laws of the Marshall Islands, France and South Korea and such other relevant jurisdictions as the Facility Agent may require.

11 If the Facility Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Facility Agent.

## PART B

## ADVANCE

The following are the documents referred to in Clause 9.1(b) in relation to a drawdown of a Advance.

In Part B of this Schedule 2, "**Relevant Ship**" means the Ship, the construction of which is to be financed or, as the case may be, re financed by the relevant Advance and "**Relevant Borrower**" means the Borrower which is or is to become the owner of that Relevant Ship on delivery.

1 A duly executed original of the Mortgage, any Deed of Covenant, the General Assignment and the Charterparty Assignment (and of each document to be delivered under each of them) in respect of the Relevant Ship.

2 Documentary evidence that:

(a) the Relevant Ship has been unconditionally delivered by the Builder to, and accepted by, the Relevant Borrower under the Shipbuilding Contract relative thereto, and the contract price due under that Shipbuilding Contract (in addition to the part to be financed by the Advance) has been duly paid (together with, but not limited to, a copy of the bill of sale issued by the Builder and the builder's certificate);

(b) the Relevant Ship has been unconditionally delivered by the Relevant Borrower to the Tesoro Charterer for operation under the relevant Tesoro Charter;

(c) the Relevant Ship is definitively and permanently (or, if permitted by the relevant Approved Flag, provisionally) registered in the name of the Relevant Borrower under an Approved Flag;

(d) the Relevant Ship is in the absolute and unencumbered ownership of the Relevant Borrower save as contemplated by the Finance Documents;

(e) the Relevant Ship maintains the highest available class with such first-class classification society which is a member of IACS as the Lender may approve free of all recommendations and conditions of such classification society (except any that customarily apply to newbuilding vessels);

(f) the relevant Mortgage has been duly registered or recorded (as the case may be) against the Relevant Ship as a valid first priority or preferred ship mortgage in accordance with the laws of an Approved Flag State; and

(g) the Relevant Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

3 Documents establishing that the Relevant Ship will be or has been, as from its Delivery Date, be managed by the Approved Manager on terms acceptable to the Lender, together with:

(a) the Approved Manager's Undertaking in respect of the Relevant Ship; and

(b) copies of the document of compliance (DOC), the ISSC and any other ISPS document and, immediately after delivery of the Relevant Ship referred to in paragraph (a) of the definition of the ISM Code Documentation certified as true and in effect by the Relevant Borrower and the Approved Manager.

4 Two valuations of the Relevant Ship addressed to the Facility Agent and dated not earlier than 30 days before the Drawdown Date in respect of the Relevant Ship, each prepared at the cost of the Borrowers by an Approved Broker selected and appointed by the Facility Agent and otherwise prepared in accordance with Clause 15.4.

5 Evidence that the Accounts have been duly opened with the Facility Agent by the Relevant Borrower and, in the case of the Retention Accounts and the Minimum Working Capital Accounts, the Borrowers.

6 Copies of the applicable Tesoro Charter and all the documents signed or issued by the Relevant Borrower or the Tesoro Charterer under or in connection with that Tesoro Charter.

7 Such documentary evidence as the Facility Agent and its legal advisers may require in relation to the due authorisation and execution of the applicable Tesoro Charter by the Relevant Borrower and the Tesoro Charterer.

8 A favourable opinion (at the cost of the Borrowers) from an independent insurance consultant acceptable to the Lender on such matters relating to the insurances for the Relevant Ship as the Facility Agent may require.

9 Favourable legal opinions from lawyers appointed by the Facility Agent on such matters concerning the laws of the Approved Flag State and such other relevant jurisdictions as the Facility Agent may require.

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the Borrowers.

## PART C

## DROPDOWN

The following are the documents referred to in Clause 4.9(b) in connection with a Dropdown.

1 A duly executed original of the Intermediate Shareholder’s Shares Pledge (and of each document required to be delivered thereunder).

2 Certified copies of the certificate of incorporation and constitutional documents of the Intermediate Shareholder.

3 Copies of resolutions of the shareholders and directors of each Security Party authorising the execution of any Finance Document to which it is a party.

4 The original of any power of attorney under which any Finance Document is executed on behalf of each Security Party.

5 Two valuations of the Ship owned by the relevant Borrower addressed to the Facility Agent and dated not earlier than 30 days before the Dropdown Date, each prepared at the cost of the Borrowers by an Approved Broker selected and appointed by the Facility Agent and otherwise prepared in accordance with Clause 15.4

6 Evidence satisfactory to the Facility Agent that the Tesoro Charter in respect of the Ship owned by the Borrower which is the subject of the Dropdown is in place.

7 the Facility Agent being satisfied that the relevant Borrower will become a wholly-owned direct or indirect subsidiary of the Substitute Guarantor on the Dropdown Date, including without limitation a copy of the share purchase agreement providing for the sale of the shares in that Borrower from the Guarantor to the Substitute Guarantor or the Intermediate Shareholder as the case may be.

8 the Borrowers, the Intermediate Shareholder, the Substitute Guarantor and the Approved Manager providing such evidence as each Creditor Party may reasonably require for the Creditor Parties to be able to satisfy each of their “know your customer” or similar identification procedures, including, without limitation, updated organisational charts, updated FATCA and CRS forms and confirmation from the Borrowers that there has been no change to the board of directors of the Guarantor and the Substitute Guarantor from the date of this Agreement until and including the relevant Dropdown Date.

9 Favourable legal opinions from lawyers appointed by the Facility Agent on such matters concerning any supplemental documentation to be executed in connection with the Dropdown, the Intermediate Shareholder’s Shares Pledge and any other document in connection therewith as the Facility Agent may require.

## SCHEDULE 4

## TRANSFER CERTIFICATE

**The Transferor and the Transferee accept exclusive responsibility for ensuring that this Certificate and the transaction to which it relates comply with all legal and regulatory requirements applicable to them respectively.**

To: **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK** for itself and for and on behalf of the Borrowers, each Security Party, the Security Trustee and each Lender, as defined in the Loan Agreement referred to below.

[ ] 201[ ]

**1** This Certificate relates to a Loan Agreement (the "**Loan Agreement**") dated [●] 2017 and made between (1) Asterias Crude Carrier S.A. and Scorpio Crude Carrier S.A. (together, the "**Borrowers**"), (2) the banks and financial institutions named therein, (3) ING Bank N.V. as Swap Bank, Mandated Lead Arrangers and Bookrunners and (4) Crédit Agricole Corporate and Investment Bank as Facility Agent and Security Trustee and, for a term loan facility of up to US$70,200,000 in aggregate.

2 In this Certificate:

"**the Relevant Parties**" means the Facility Agent, each Borrower, [each Security Party], the Security Trustee, and each Lender;

"**the Transferor**" means [full name] of [lending office];

"**the Transferee**" means [full name] of [lending office].

Terms defined in the Loan Agreement shall, unless the contrary intention appears, have the same meanings when used in this Certificate.

**3** The effective date of this Certificate is .........20[●] **Provided that** this Certificate shall not come into effect unless it is signed by the Facility Agent on or before that date.

4 The Transferor assigns to the Transferee absolutely all rights and interests (present, future or contingent) which the Transferor has as Lender under or by virtue of the Loan Agreement and every other Finance Document in relation to [ ] per cent. of the Contribution outstanding to the Transferor (or its predecessors in title) which is set out below:

| **Contribution** | **Amount transferred** |
|---|---|
| | |

5 By virtue of this Transfer Certificate and Clause 26 of the Loan Agreement, the Transferor is discharged [entirely from its Commitment which amounts to $[ ]] [from [ ] per cent. of its Commitment, which percentage represents $[ ]] and the Transferee acquires a Commitment of $[ ].

6 The Transferee undertakes with the Transferor and each of the Relevant Parties that the Transferee will observe and perform all the obligations under the Finance Documents which Clause 26 of the Loan Agreement provides will become binding on it upon this Certificate taking effect.

7 The Facility Agent, at the request of the Transferee (which request is hereby made) accepts, for the Facility Agent itself and for and on behalf of every other Relevant Party, this Certificate as a Transfer Certificate taking effect in accordance with Clause 26 of the Loan Agreement.

8 The Transferor:

(a) warrants to the Transferee and each Relevant Party:

(i) that the Transferor has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which are in connection with this transaction; and

(ii) that this Certificate is valid and binding as regards the Transferor;

(b) warrants to the Transferee that the Transferor is absolutely entitled, free of encumbrances, to all the rights and interests covered by the assignment in paragraph 4 above;

(c) undertakes with the Transferee that the Transferor will, at its own expense, execute any documents which the Transferee reasonably requests for perfecting in any relevant jurisdiction the Transferee's title under this Certificate or for a similar purpose.

9 The Transferee:

(a) confirms that it has received a copy of the Loan Agreement and each other Finance Document;

(b) agrees that it will have no rights of recourse on any ground against either the Transferor, the Facility Agent, the Security Trustee, any Lender in the event that:

(i) the Finance Documents prove to be invalid or ineffective,

(ii) any Borrower or any Security Party fails to observe or perform its obligations, or to discharge its liabilities, under the Finance Documents;

(iii) it proves impossible to realise any asset covered by a Security Interest created by a Finance Document, or the proceeds of such assets are insufficient to discharge the liabilities of any Borrower or Security Party under the Finance Documents;

(c) agrees that it will have no rights of recourse on any ground against the Facility Agent, the Security Trustee or any Lender in the event that this Certificate proves to be invalid or ineffective;

(d) warrants to the Transferor and each Relevant Party (i) that it has full capacity to enter into this transaction and has taken all corporate action and obtained all official consents which it needs to take or obtain in connection with this transaction; and (ii) that this Certificate is valid and binding as regards the Transferee; and

(e) confirms the accuracy of the administrative details set out below regarding the Transferee.

10 The Transferor and the Transferee each undertake with the Facility Agent and the Security Trustee severally, on demand, fully to indemnify the Facility Agent and/or the Security Trustee in respect of any claim, proceeding, liability or expense (including all legal expenses) which they or either of them may incur in connection with this Certificate or any matter arising out of it, except such as are shown to have been mainly and directly caused by the gross and culpable negligence or dishonesty of the Facility Agent's or the Security Trustee's own officers or employees.

11 The Transferee shall repay to the Transferor on demand so much of any sum paid by the Transferor under paragraph 10 above as exceeds one-half of the amount demanded by the Facility Agent or the Security Trustee in respect of a claim, proceeding, liability or expense which was not reasonably foreseeable at the date of this Certificate; but nothing in this paragraph shall affect the liability of each of the Transferor and the Transferee to the Facility Agent or the Security Trustee for the full amount demanded by it.

| | |
|---|---|
| [Name of Transferor] | [Name of Transferee] |
| By: | By: |
| Date: | Date: |

**Facility Agent**

Signed for itself and for and on behalf of itself
as Facility Agent and for every other Relevant Party

Crédit Agricole Corporate and Investment Bank

By:

Date:

**Administrative Details of Transferee**

Name of Transferee:

Lending Office:

Contact Person
(Loan Administration Department):

Telephone:

Telex:

Fax:

Contact Person
(Credit Administration Department):

Telephone:

Telex:

Fax:

Account for payments:

**Note**: This Transfer Certificate alone may not be sufficient to transfer a proportionate share of the Transferor's interest in the security constituted by the Finance Documents in the Transferor's or Transferee's jurisdiction. It is the responsibility of each Lender to ascertain whether any other documents are required for this purpose.

## SCHEDULE 5

## DESIGNATION NOTICE

To: **ASTERIAS CRUDE CARRIER S.A.** and **SCORPIO CRUDE CARRIER S.A.**
- and -

**CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK**

[●] 2017

Dear Sirs

**Loan Agreement dated [●] 2017 made between (inter alia) (i) yourselves as Borrowers, (ii) the Lenders, (iii) [ourselves] and [ING Bank N.V.] as Swap Bank, Mandated Lead Arrangers and Bookrunners and (iv) [ourselves] as Facility Agent and Security Trustee in respect of a term loan facility of up to US$70,200,000 in aggregate (the "Loan Agreement")**

We refer to:

1 the Loan Agreement;

2 the Master Agreement dated [●] made between ourselves and [●]; and

3 a Confirmation delivered pursuant to the said Master Agreement dated [●] and addressed by [●] to us.

In accordance with the terms of the Loan Agreement, we hereby give you notice of the said Confirmation and hereby confirm that the Transaction evidenced by it will be designated as a "Designated Transaction" for the purposes of the Loan Agreement and the Finance Documents.

Yours faithfully,

______________________________

for and on behalf of
**[ING BANK N.V.]**

## SCHEDULE 6

## POWER OF ATTORNEY

Know all men by these presents that [***name of Borrower***] (the "**Company**"), a company incorporated in the Republic of the Marshall Islands and having its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 irrevocably and by way of security appoints Crédit Agricole Corporate and Investment Bank (the "**Attorney**") of 12, place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France its attorney, to act in the name of the Company and to exercise any right, entitlement or power of the Company in relation to [name of classification society] (the "**Classification Society**") and/or to the classification records of any vessel owned, controlled or operated by the Company including, without limitation, such powers or entitlement as the Company may have to inspect the class records and any files held by the Classification Society in relation to any such vessel and to require the Classification Society to provide to the Attorney or to any of its nominees any information, document or file which the Attorney may request.

**Ratification of actions of attorney.** For the avoidance of doubt and without limiting the generality of the above, it is confirmed that the Company hereby ratifies any action which the Attorney takes or purports to take under this Power of Attorney and the Classification Society shall be entitled to rely hereon without further enquiry.

**Delegation.** The Attorney may exercise its powers hereunder through any officer or through any nominee and/or may sub-delegate to any person or persons (including a Receiver and persons designated by him) all or any of the powers (including the discretions) conferred on the Attorney hereunder, and may do so on terms authorising successive sub-delegations.

**This Power of Attorney** was executed by the Company as a Deed on [***date***].

| | |
|---|---|
| **EXECUTED** as a **DEED** by | ) |
| [●] | ) |
| acting by two directors or one director | ) |
| and the company secretary | ) |

Director: ______________________________

Director/Secretary: ______________________

## EXECUTION PAGES

**BORROWERS**

| | | |
|---|---|---|
| **SIGNED** by | ) | /s/ Vanessa Christina Dritsa |
| for and on behalf of | ) | |
| **ASTERIAS CRUDE CARRIER S.A.** | ) | |
| in the presence of | ) | /s/ Daphne Elektra A. Stamatopoulos |
| **SIGNED** by | ) | /s/ Vanessa Christina Dritsa |
| for and on behalf of | ) | |
| **SCORPIO CRUDE CARRIER S.A.** | ) | |
| in the presence of | ) | /s/ Daphne Elektra A. Stamatopoulos |

**LENDERS**

| | | |
|---|---|---|
| **SIGNED** by | ) | /s/ Anthi Kekatou |
| for and on behalf of | ) | |
| **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK** | ) | |
| in the presence of | ) | /s/ Daphne Elektra A. Stamatopoulos |
| **SIGNED** by | ) | |
| for and on behalf of | ) | |
| **ING BANK N.V.** | ) | |
| in the presence of | ) | /s/ Daphne Elektra A. Stamatopoulos |

**MANDATED LEAD ARRANGERS**

| | | |
|---|---|---|
| **SIGNED** by | ) | /s/ Anthi Kekatou |
| for and on behalf of | ) | |
| **ING BANK N.V.** | ) | |
| In the presence of | ) | /s/ Daphne Elektra A. Stamatopoulos |
| **SIGNED** by | ) | /s/ Anthi Kekatou |
| for and on behalf of | ) | |
| **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK** | ) | |
| In the presence of | ) | /s/ Daphne Elektra A. Stamatopoulos |

**BOOKRUNNERS**

| | | |
|---|---|---|
| | ) | |
| **SIGNED** by | ) | /s/ Anthi Kekatou |
| for and on behalf of | ) | |
| **ING BANK N.V.** | ) | |
| In the presence of | | /s/ Daphne Elektra A. Stamatopoulos |

| | | |
|---|---|---|
| **SIGNED** by | ) | /s/ Anthi Kekatou |
| for and on behalf of | ) | |
| **CRÉDIT AGRICOLE CORPORATE AND** | ) | |
| **INVESTMENT BANK** | ) | |
| In the presence of | ) | /s/ Daphne Elektra A. Stamatopoulos |

**SWAP BANK**

| | | |
|---|---|---|
| | ) | |
| **SIGNED** by | ) | /s/ Anthi Kekatou |
| for and on behalf of | ) | |
| **ING BANK N.V.** | ) | |
| In the presence of | | /s/ Daphne Elektra A. Stamatopoulos |

**FACILITY AGENT**

| | | |
|---|---|---|
| | ) | |
| **SIGNED** by | ) | /s/ Anthi Kekatou |
| for and on behalf of | ) | |
| **CRÉDIT AGRICOLE CORPORATE AND** | ) | |
| **INVESTMENT BANK** | ) | |
| in the presence of | | /s/ Daphne Elektra A. Stamatopoulos |

**SECURITY TRUSTEE**

| | | |
|---|---|---|
| **SIGNED** by | ) | /s/ Anthi Kekatou |
| for and on behalf of | ) | |
| **CRÉDIT AGRICOLE CORPORATE AND** | ) | |
| **INVESTMENT BANK** | ) | |
| in the presence of | ) | /s/ Daphne Elektra A. Stamatopoulos |

**ACCOUNT BANK**

| | | |
|---|---|---|
| **SIGNED** by | ) | /s/ Anthi Kekatou |
| for and on behalf of | ) | |
| **CRÉDIT AGRICOLE CORPORATE AND** | ) | |
| **INVESTMENT BANK** | ) | |
| in the presence of | ) | /s/ Daphne Elektra A. Stamatopoulos |

**Exhibit 4.26**

**Dated 2 January 2017**

**CAPITAL PRODUCT PARTNERS L.P.**
as Guarantor

and

**CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK**
as Security Trustee

# GUARANTEE

relating to a Loan Agreement
dated 2 January 2017

# Index


| Clause | | Page |
|---|---|---|
| 1 | Interpretation | 1 |
| 2 | Guarantee | 3 |
| 3 | Liability as Principal and Independent Debtor | 4 |
| 4 | Expenses | 4 |
| 5 | Adjustment of Transactions | 4 |
| 6 | Payments | 5 |
| 7 | Interest | 5 |
| 8 | Subordination | 5 |
| 9 | Enforcement | 6 |
| 10 | Representations and Warranties | 6 |
| 11 | Undertakings | 9 |
| 12 | Corporate Undertakings | 13 |
| 13 | Judgments and Currency Indemnity | 15 |
| 14 | Set off | 16 |
| 15 | Supplemental | 16 |
| 16 | Assignment | 17 |
| 17 | Notices | 17 |
| 18 | Invalidity of Loan Agreement | 18 |
| 19 | Governing Law and Jurisdiction | 19 |
| Schedule 1 Form of Compliance Certificate | | 20 |
| Execution Page | | 22 |

**THIS GUARANTEE** is made on 2 January 2017

**PARTIES**

(1) **CAPITAL PRODUCT PARTNERS L.P.**, being a limited partnership formed under the laws of the Marshall Islands whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "**Guarantor**"); and

(2) **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK**, acting through its office at 12, place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France (the "**Security Trustee**", which expression includes its successors and assigns).

**BACKGROUND**

(A) By a loan agreement dated 2 January 2017 and made between (i) Asterias Crude Carrier S.A. and Scorpio Crude Carrier S.A. as joint and several borrowers (together, the "**Borrowers**" and each a "**Borrower**"), (ii) the banks and financial institutions listed therein as lenders (together, the "**Lenders**"), (iii) Crédit Agricole Corporate and Investment Bank ("**CACIB**") as facility agent (in such capacity, the "**Facility Agent**") and account bank, (iv) ING Bank N.V. as swap bank (in such capacity, the "**Swap Bank**"), (v) the Security Trustee as security trustee and (vi) CACIB and ING Bank N.V. as mandated lead arrangers and bookrunners, it was agreed that the Lenders would make available to the Borrowers a secured post-delivery term loan facility of up to US$70,200,000 (the "**Loan**").

(B) By certain master agreements (each on the 2002 ISDA (Multcurrency Crossborder) form including the schedule thereto as amended) (the " **Master Agreements**"), each dated as of 2 January 2017 and made between (i) each Borrower and (ii) the Swap Bank, it was agreed that the Swap Bank may enter into Designated Transactions with that Borrower from time to time to hedge such Borrower's exposure under the Loan Agreement to interest rate fluctuations.

(C) By the Agency and Trust Agreement entered into pursuant to the Loan Agreement, it was agreed that the Security Trustee would hold the Trust Property on trust for the Creditor Parties.

(D) It is a condition precedent to the Lenders advancing the Loan (or any part thereof) to the Borrowers that the Guarantor shall execute and deliver or, as the case may be, register in favour of the Security Trustee this Guarantee.

**IT IS AGREED** as follows:

## 1 INTERPRETATION

### 1.1 Defined expressions

Words and expressions defined in the Loan Agreement shall have the same meanings when used in this Guarantee unless the context otherwise requires.

### 1.2 Construction of certain terms

In this Guarantee:

"**Accounting Information**" means the annual audited consolidated accounts and the unaudited semi-annual management accounts in respect of each Relevant Borrower and the Guarantor referred to, respectively, in Clauses 11.4(a) and 11.4(b);

"**bankruptcy**" includes a liquidation, receivership or administration and any form of suspension of payments, arrangement with creditors or reorganisation under any corporate or insolvency law of any country;

"**Compliance Certificate**" means a certificate in the form set out in Schedule 1 (or in any other form which the Facility Agent approves or requires in its sole discretion);

"**Compliance Date**" means each of 30 June and 31 December in each Financial Year of the Guarantor;

"**EBITDA**" means, in respect of the relevant period, the aggregate amount of consolidated earnings of the Group (excluding any extraordinary items (namely any items which are not relevant to the Guarantor's normal course of daily business)) before net interest, tax, depreciation or any amortisation charges;

"**Fleet Vessels**" means all of the vessels (including, but not limited to, each Ship owned by a Relevant Borrower) from time to time wholly owned by members of the Group (each a "**Fleet Vessel**");

"**Fleet Vessel Market Value**" means, in relation to a Fleet Vessel, the market value of that Fleet Vessel determined pursuant to Clause 12.7;

"**Group**" means the Guarantor and its wholly-owned subsidiaries (whether direct or indirect, and including, but not limited to, each Relevant Borrower) from time to time during the Security Period and "**member of the Group**" shall be construed accordingly;

"**Guaranteed Advance**" means any Advance financing a Ship owned or to be owned by a Relevant Borrower;

"**Guarantor's Documents**" means, together, this Guarantee, any Pledges and any other Finance Document to which the Guarantor is or, as the context may require, will be a party and, in the singular, means any of them;

"**Intermediate Shareholder**" means Capital Product Operating LLC, a limited liability company formed in the Republic of the Marshall Islands whose registered office is at Trust Company Complex Ajeltake Road, Ajeltake Island, Majuro MH 96960, the Marshall Islands;

"**Leverage Ratio**" means, any relevant time, the ratio (expressed as a percentage) of:

(a) the Financial Indebtedness of the Group less the aggregate Liquid Assets of the Group; to

(b) the aggregate Fleet Vessel Market Value;

"**Liquid Assets**" means, at any relevant time hereunder:

(a) cash in hand or held with banks or other financial institutions of the Guarantor and/or any other member of the Group in Dollars or another currency freely convertible into Dollars, which is free of any Security Interest (other than a Permitted Security Interest and other than ordinary bankers' liens which have not been enforced or become capable of being enforced);

(b) any other short-term financial investment which is free of any Security Interest (other than a Permitted Security Interest);

(c) any cash equivalent of the Guarantor and/or any other member of the Group; and

(d) any marketable securities of the Guarantor and/or any other member of the Group,

as stated in the latest Accounting Information;

"**Loan Agreement**" means the loan agreement dated 2 January 2017 referred to in Recital (A) and includes any existing or future amendments or supplements, whether made with the Guarantor's consent or otherwise;

"**Master Agreement**" means each of the Master Agreements (and the schedules thereto) referred to in Recital (B) (including all Designated Transactions from time to time entered into and Confirmations from time to time exchanged thereunder) and includes, in each case, any existing or future amendments or supplements, whether made with the Guarantor's consent or otherwise and, in the plural, means all of them;

"**Net Interest Expense**" means, as at any date of calculation, the aggregate of all interest payable by any member of the Group on any Financial Indebtedness and any net amounts payable under interest rate hedge agreements for the 12-month period commencing on the date of calculation less interest income received, determined on a consolidated basis in accordance with generally accepted accounting principles and as shown in the consolidated statements of income of the Group in the Accounting Information;

"**Pledges**" means any pledge of the share capital of any Relevant Borrower held by the Guarantor and, in the plural, means both of them;

"**Relevant Borrower**" means at any relevant time, each Borrower which is a member of the Group at such time, and in the plural means all of them;

"**Total Assets**" means the total assets of the Group as stated in the most recent Accounting Information; and

"**US GAAP**" means generally accepted accounting principles as from time to time in effect in the United States of America.

**1.3 Application of construction and interpretation provisions of Loan Agreement**

Clauses 1.2 and 1.5 inclusive of the Loan Agreement apply, with any necessary modifications, to this Guarantee.

## 2 GUARANTEE

**2.1 Guarantee and indemnity**

The Guarantor unconditionally and irrevocably:

(a) guarantees the due payment of the Guaranteed Advances (or any of them) and of all amounts payable by any Relevant Borrower under or in connection with the Loan Agreement, the Master Agreements and every other Finance Document in connection with, or attributable to, any Guaranteed Advance in respect of the period during which that Relevant Borrower is a member of the Group;

(b) undertakes to pay to the Security Trustee, on the Security Trustee's demand, any such amount which is not paid by a Relevant Borrower when payable in respect of the period during which that Relevant Borrower is a member of the Group; and

(c) agrees to fully indemnify the Security Trustee and each other Creditor Party on the Security Trustee's demand in respect of all claims, reasonable expenses, liabilities and losses which are made or brought against or incurred by the Security Trustee or any other Creditor Party concerned as a result of or in connection with any obligation or liability guaranteed by the Guarantor being or becoming unenforceable, invalid, void or illegal; and the amount recoverable under this indemnity shall be equal to the amount which the Security Trustee or the other Creditor Party concerned would otherwise have been entitled to recover **Provided however that**, for the avoidance of doubt, the Guarantor shall only be liable under this Guarantee from the date on which any Borrower becomes a member of the Group following a Dropdown.

### 2.2 No limit on number of demands

The Security Trustee may serve more than one demand under Clause 2.1.

## 3 LIABILITY AS PRINCIPAL AND INDEPENDENT DEBTOR

### 3.1 Principal and independent debtor

The Guarantor shall be liable under this Guarantee as a principal and independent debtor and accordingly it shall not have, as regards this Guarantee, any of the rights or defences of a surety.

### 3.2 Waiver of rights and defences

Without limiting the generality of Clause 3.1, the Guarantor shall neither be discharged by, nor have any claim against any Creditor Party in respect of:

(a) any amendment or supplement being made to the Finance Documents (or any of them);

(b) any arrangement or concession (including a rescheduling or acceptance of partial payments) relating to, or affecting, the Finance Documents (or any of them);

(c) any release or loss (even though negligent) of any right or Security Interest created by the Finance Documents (or any of them);

(d) any failure (even though negligent) promptly or properly to exercise or enforce any such right or Security Interest, including a failure to realise for its full market value an asset covered by such a Security Interest; or

(e) any other Finance Document or any Security Interest now being or later becoming void, unenforceable, illegal or invalid or otherwise defective for any reason, including a neglect to register it.

## 4 EXPENSES

### 4.1 Costs of preservation of rights, enforcement etc

The Guarantor shall pay to the Security Trustee on its demand the amount of all reasonable expenses incurred by the Security Trustee or any other Creditor Party in connection with any matter arising out of this Guarantee or any Security Interest connected with it, including any advice, claim or proceedings relating to this Guarantee or such a Security Interest.

## 5 ADJUSTMENT OF TRANSACTIONS

### 5.1 Reinstatement of obligation to pay

The Guarantor shall pay to the Security Trustee on its demand any amount which any Creditor Party is required, or agrees, to pay pursuant to any claim by, or settlement with, a trustee in bankruptcy of any Borrower or of any Security Party (or similar person) on the ground that the Loan Agreement, the Master Agreements or any other Finance Document, or a payment by any Relevant Borrower or of another Security Party in respect of a Guaranteed Advance, was invalid or on any similar ground.

## 6 PAYMENTS

### 6.1 Method of payments

Any amount due under this Guarantee shall be paid:

(a) in immediately available funds;

(b) to such account as the Security Trustee may from time to time notify to the Guarantor;

(c) without any form of set off, cross claim or condition; and

(d) free and clear of any tax deduction except a tax deduction which the Guarantor is required by law to make.

### 6.2 Grossing-up for taxes

If the Guarantor is required by law to make a tax deduction, the amount due to the Security Trustee shall be increased by the amount necessary to ensure that the Security Trustee and (if the payment is not due to the Security Trustee for its own account) the Creditor Party beneficially interested in the payment receives and retains a net amount which, after the tax deduction, is equal to the full amount that it would otherwise have received.

## 7 INTEREST

### 7.1 Accrual of interest

Any amount due under this Guarantee shall carry interest after the date on which the Security Trustee demands payment of it until it is actually paid, unless interest on that same amount also accrues under the Loan Agreement or, as the case may be, a Master Agreement.

### 7.2 Calculation of interest

Interest under this Guarantee shall be calculated and accrue in the same way as interest under clause 7 of the Loan Agreement.

### 7.3 Guarantee extends to interest payable under Loan Agreement and the Master Agreements

For the avoidance of doubt, it is confirmed that this Guarantee covers all interest payable under the Finance Documents, including that payable under clause 7 of the Loan Agreement and under the Master Agreements.

## 8 SUBORDINATION

### 8.1 Subordination of rights of Guarantor

All rights which the Guarantor at any time has (whether in respect of this Guarantee, any other Guarantor’s Document or any other transaction) against any Borrower, any other Security Party or their respective assets, shall be fully subordinated to the rights of the Creditor Parties under the Finance Documents; and in particular, the Guarantor shall not:

(a) claim, or in a bankruptcy of any Borrower or any other Security Party prove for, any amount payable to the Guarantor by that Borrower or any other Security Party, whether in respect of this Guarantee or any other transaction;

(b) take or enforce any Security Interest for any such amount;

(c) claim to set-off any such amount against any amount payable by the Guarantor to any Borrower or any other Security Party; or

(d) claim any subrogation or other right in respect of any Finance Document or any sum received or recovered by any Creditor Party under a Finance Document.

## 9 ENFORCEMENT

### 9.1 No requirement to commence proceedings

Neither the Security Trustee nor any other Creditor Party will need to commence any proceedings under, or enforce any Security Interest created by, the Loan Agreement, any Master Agreement or any other Finance Document before claiming or commencing proceedings under this Guarantee.

### 9.2 Conclusive evidence of certain matters

However, as against the Guarantor:

(a) any judgment or order of a court in England, Greece, France, the Marshall Islands or any other Pertinent Jurisdiction in connection with the Loan Agreement, the Master Agreements or any of the other Finance Documents to which either Borrower is a party; and

(b) any statement or admission of a Borrower in connection with the Loan Agreement, any Master Agreement or any other Finance Documents to which it is a party,

shall be binding and conclusive as to all matters of fact and law to which it relates.

### 9.3 Suspense account

The Security Trustee and any Creditor Party may, for the purpose of claiming or proving in a bankruptcy of a Borrower or any other Security Party, place any sum received or recovered under or by virtue of this Guarantee or any Security Interest connected with it on a separate suspense or other nominal account without applying it in satisfaction of the Borrowers’ obligations under the Loan Agreement or the Master Agreements.

## 10 REPRESENTATIONS AND WARRANTIES

### 10.1 General

The Guarantor represents and warrants to the Security Trustee as follows.

### 10.2 Status

The Guarantor is a limited partnership (comprised of a single general partner and multiple limited partners) formed and validly existing and in good standing under the laws of the Marshall Islands.

### 10.3 Share capital and ownership

The Guarantor’s capital consists of at least 100,571,224 common units held by public unitholders, including 18,988,262 common units held by Capital Maritime & Trading Corp. and a general partner interest held by Capital GP L.L.C.

### 10.4 Corporate power

The Guarantor has the limited partnership capacity, and has taken all partnership action and obtained all consents necessary for it:

(a) to execute this Guarantee and any other Guarantor's Document; and

(b) to make all the payments contemplated by, and to comply with, this Guarantee and any other Guarantor's Document.

**10.5 Consents in force**

All the consents referred to in Clause 10.4 remain in force and nothing has occurred which makes any of them liable to revocation.

**10.6 Legal validity; effective Security Interests**

The Guarantor's Documents do now, or, as the case may be, will upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute the Guarantor's legal, valid and binding obligations enforceable against the Guarantor in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate,

subject to any relevant insolvency laws affecting creditors' rights generally.

**10.7 No third party Security Interests**

Without limiting the generality of Clause 10.6, at the time of the execution and delivery of each Guarantor's Document:

(a) the Guarantor will have the right to create all the Security Interests which that Guarantor's Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

**10.8 No conflicts**

The execution by the Guarantor of the Guarantor's Documents and its compliance with the Guarantor's Documents will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of the Guarantor; or

(c) any contractual or other obligation or restriction which is binding on the Guarantor or any of its assets.

**10.9 No withholding taxes**

All payments which the Guarantor is liable to make under a Guarantor's Document may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

**10.10 No default**

No Event of Default or Potential Event of Default has occurred.

**10.11 Information**

All information which has been provided in writing by or on behalf of the Guarantor to the Security Trustee or any other Creditor Party in connection with any Finance Document satisfied the requirements of Clause 11.2; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 11.5; and there has been no change in the financial position or state of affairs of the Guarantor and the Group from that disclosed in the latest of those accounts.

**10.12 No litigation**

No legal or administrative action against the Guarantor or its subsidiaries has been commenced or taken or, to the Guarantor's knowledge, is likely to be commenced or taken which would, in either case, be likely to have a material adverse effect.

**10.13 Taxes paid**

The Guarantor has paid all taxes applicable to, or imposed on or in relation to the Guarantor or its business.

**10.14 Title and ownership**

The Guarantor has good title to and is the ultimate beneficial owner of each of the assets owned or purported to be owned by it.

**10.15 No adverse consequences in jurisdiction of incorporation**

No Lender will be deemed to be resident, domiciled, carrying on business or subject to taxation, in the Marshall Islands by reason only of the negotiation, preparation, execution, performance, enforcement of, and/or receipt of any payment due from the Guarantor under any Guarantor's Document.

**10.16 Submission to jurisdiction and choice of laws**

Each submission to jurisdiction, and choice of law, by the Borrowers contained in any Finance Document is effective.

**10.17 Accounting reference date**

The accounting reference date for each Relevant Borrower and the Guarantor is 31 December.

**10.18 Repetition of representations and warranties**

The representations and warranties set out in this Clause 10 would be true and not misleading if repeated on the first day of each Interest Period.

**10.19 Ranking of Borrowers' obligations**

The obligation of the Borrowers to make payments under the Finance Documents ranks ahead of any obligation owed by the Borrowers to any other person, except as the same may be required by applicable laws.

**10.20 No Money Laundering**

It is acting for its own account in relation to the Loan and in relation to the performance and the discharge of its obligations and liabilities under the Finance Documents and the transactions and other arrangements effected or contemplated by the Finance Documents to which a Security Party is a party, and the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat money laundering (as defined in Article 1 of the Directive (2001/97EC of the European Parliament and of 4 December 2001) including, but not limited to Directive 2005/60 amending Council Directive 91/308).

**10.21 No Immunity**

The Guarantor is subject to suit and to commercial law and neither it nor any of its properties have any right of immunity from suit, execution, attachment or other legal process in the Republic of the Marshall Islands.

**10.22 Sanctions**

(a) Neither the Guarantor, nor any member of the Group nor any of their joint ventures nor any of their respective directors, officers or agent or representatives or any other persons acting on any of their behalf:

(b) to the best of their knowledge (after due and careful enquiry) has violated or is violating any applicable Sanctions;

(c) is a Designated Person;

(d) is using or will use, directly or indirectly, the proceeds of the Loan, or lend, contribute or otherwise make available such proceeds to any person, (i) to fund any activities or business of or with any person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions or is an UHRC, or (ii) in any other manner that would result in a violation of Sanctions by any person (including any person participating in the Loan, whether as underwriter, advisor, investor, or otherwise).

**11 UNDERTAKINGS**

**11.1 General**

The Guarantor undertakes with the Security Trustee to comply with the following provisions of this Clause 11 at all times during the Security Period, except as the Facility Agent may, with the authority of the Majority Lenders, or, where specified all the Lenders, otherwise permit.

**11.2 Information provided to be accurate**

All financial and other information which is provided in writing by or on behalf of the Guarantor under or in connection with this Guarantee will be true and not misleading and will not omit any material fact or consideration.

**11.3 Title; negative pledge and pari passu ranking**

The Guarantor shall:

(a) hold the legal title to, and own the entire beneficial interest, and the whole of the issued share capital in the Intermediate Shareholder and shall procure that the Intermediate Shareholder shall hold the legal title to, and own the entire beneficial interest in, and the whole of the issued share capital in respect of each Relevant Borrower, in each case free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents;

(b) not, and shall procure that each Relevant Borrower will not, create or permit to arise any Security Interest over any asset present or future in the normal course of its business of acquiring, financing, chartering in and out and operating vessels (both in the case of the Guarantor and the Relevant Borrowers) and owning ship-owning companies (in the case of the Guarantor); and

(c) procure that its liabilities under the Finance Documents to which it is a party do and will rank at least pari passu with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law.

**11.4 Provision of financial statements**

The Guarantor will send or procure there are sent to the Facility Agent:

(a) as soon as possible, but in no event later than 120 days after the end of each financial year of each Relevant Borrower or, as the case may be, the Guarantor (commencing with the financial statements for the year which ended on 31 December 2015):

(i) the unaudited annual accounts of that Relevant Borrower; and

(ii) the audited consolidated annual accounts of the Group;

(b) as soon as possible, but in no event later than 90 days after the end of each 6 month period in each financial year of that Relevant Borrower or, as the case may be, the Guarantor ending on 30 June and 31 December:

(i) the management accounts of that Relevant Borrower for that 6-month period certified as to their correctness by an officer of that Relevant Borrower or by the chief financial officer of the Guarantor; and

(ii) the unaudited consolidated management accounts of the Group for that 6-month period certified as to their correctness by the chief financial officer of the Guarantor;

(c) annual budgets in respect of operated expenses and accruals of the Ships owned by a Relevant Borrower which, in the case of accruals, are due and payable within 6 months; and

(d) promptly after each request by the Facility Agent, such further information (financial or otherwise) about any Relevant Borrower, any Security Party, any Ship owned by a Relevant Borrower (including but not limited to, charter arrangements, Financial Indebtedness and operating expenses) and the Group as the Facility Agent may require.

**11.5 Form of financial statements**

All accounts (audited and unaudited) and information delivered under Clause 11.4 will:

(a) be prepared in accordance with all applicable laws, generally accepted accounting principles consistently applied (including, without limitation, IFRS) and US GAAP consistently applied;

(b) give a true and fair view of the state of affairs of each Relevant Borrower, the Guarantor and the Group at the date of those accounts and of its profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of the Relevant Borrowers, the Guarantor and the Group and, additionally, in the case of information given pursuant to Clause 11.4 (c), each Ship owned by a Relevant Borrower, the Security Parties and the Group.

**11.6 Shareholder and creditor notices**

The Guarantor will send to the Security Trustee, upon request, copies of all communications which are despatched to the Guarantor’s shareholders or creditors or any class of them.

**11.7 Consents**

The Guarantor will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Security Trustee of, all consents required:

(a) for the Guarantor to perform its obligations under the Guarantor's Documents; and

(b) for the validity or enforceability of the Guarantor's Documents,

and the Guarantor will comply with the terms of all such consents.

**11.8 Notification of litigation**

The Guarantor will provide the Security Trustee with details of any legal or administrative action involving the Guarantor as soon as such action is instituted or it becomes apparent to the Guarantor that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Guarantor's Document.

**11.9 Maintenance of Security Interests**

The Guarantor will:

(a) at its own cost, do all that it reasonably can to ensure that any Guarantor's Document validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a) above, at its own cost, promptly register, file, record or enrol any Guarantor's Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Guarantor's Document, give any notice or take any other step which may be or become necessary or desirable for any Guarantor's Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

**11.10 Confirmation of no default**

The Guarantor will, within 2 Business Days after service by the Facility Agent of a written request, serve on the Facility Agent a notice which is signed by a director of the Guarantor and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given.

The Facility Agent may serve requests under this Clause 11.10 from time to time but only if asked to do so by a Lender or Lenders having Contributions exceeding 10 per cent. of the Loan or (if the Loan has not been made) Commitments exceeding 10 per cent of the Total Commitments; and this Clause 11.10 does not affect the Guarantor's obligations under Clause 11.11.

**11.11 Notification of default**

The Guarantor will notify the Security Trustee as soon as the Guarantor becomes aware of :

(a) the occurrence of an Event of Default or Potential Event of Default (and the steps, if any, being taken to remedy such Potential Event of Default and/or Event of Default); or

(b) any matter which indicates that an Event of Default may have occurred, and will thereafter keep the Security Trustee fully up-to-date with all developments.

**11.12 Maintenance of status**

The Guarantor will maintain its separate existence as a limited partnership and remain in good standing under the laws of the Marshall Islands.

**11.13 No petition for insolvency**

The Guarantor will procure that none of its material creditors petition for the Guarantor's insolvency nor take any related proceedings.

**11.14 Separateness**

The Guarantor will:

(a) keep its own separate books and records;

(b) maintain its own separate accounts;

(c) conduct business in its own name;

(d) observe all other formalities required by its constitutional documents;

(e) prepare its own separate financial statements;

(f) pay its liabilities out of its own funds; and

(g) hold itself out as a separate legal entity.

**11.15 No VAT group**

The Guarantor shall not be a member of a VAT (value added tax) group.

**11.16 Ownership**

The Guarantor shall ensure that no person, other than any financial institution, private equity firm or other investor maintaining a passive investment interest in the Guarantor, owns a number of common units in the Guarantor which is greater than the number of common units owned at any relevant time by the present major beneficial owners of the Guarantor, as disclosed to the Lenders on or before the date of this Guarantee.

**11.17 "Know your customer" checks**

If:

(a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Guarantee;

(b) any change in the status of the Guarantor or any Security Party after the date of the Loan Agreement (including a situation where a shareholder's share in a Relevant Borrower or any Security Party rises above 25% of the total number of shares); or

(c) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Guarantee to a party that is not a Lender prior to such assignment or transfer,

obliges the Facility Agent or any Lender (or, in the case of paragraph (c), any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Guarantor shall promptly upon the request of the Facility Agent or the Lender concerned supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender) or the Lender concerned (for itself or, in the case of the event described in paragraph (c), on behalf of any prospective new Lender) in order for the Facility Agent, the Lender concerned or, in the case of the event described in paragraph (c), any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

**11.18 Sanctions**

The Guarantor will, and shall procure that each member of the Group:

(a) will comply in all respects with Sanctions;

(b) will, not directly or indirectly, use the proceeds of the Loan, or lend, contribute or otherwise make available such proceeds to any person, (i) to fund any activities or business of or with any person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any person (including any person participating in the transactions contemplated by the Loan Agreement, this Guarantee and any other Finance Document, whether as underwriter, advisor, investor, or otherwise);

(c) shall not fund all or part of any payment under a Finance Document out of proceeds derived from business or transactions with a Designated Person or from any action which would be prohibited by Sanctions or would otherwise cause any person to be in breach of Sanctions; and

(d) shall not, and no Borrower, no Security Party, nor any member of the Group shall, be a Designated Person.

## 12 CORPORATE UNDERTAKINGS

**12.1 General**

The Guarantor also undertakes with the Security Trustee to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Facility Agent may, with the authority of all the Lenders, otherwise permit (in the case of Clause 12.2(f), such permission not to be unreasonably withheld, delayed or conditioned).

**12.2 Negative undertakings**

The Guarantor will not:

(a) change the nature of its business (being that of owning, shipowning or holding companies, chartering (in and out) and operating, through its wholly-owned subsidiaries, Fleet Vessels); or

(b) pay any dividend or make any other form of distribution or effect any form of redemption, purchase or return of share capital if an Event of Default has occurred and is continuing at the relevant time or an Event of Default will result from the payment of a dividend or the making of any other form of distribution. In all other cases the Guarantor will be free to distribute dividends or make other distributions; or

(c) provide any form of credit or financial assistance to:

(i) a person who is directly or indirectly interested in the Guarantor's or any other Security Party's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to the Guarantor than those which it could obtain in a bargain made at arms' length; or

(d) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital; or

(e) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation; or

(f) change its constitutional documents in a material respect; or

(g) pledge, assign, charge, dispose of, nor create or permit any Security Interest or other third party right (nor agree to assign, charge, pledge, dispose of or create or permit any Security Interest or other third party right) on or over the shares in the Relevant Borrower(s) other than in favour of the Security Trustee.

**12.3 Financial Covenants**

The Guarantor shall ensure that at all times:

(a) the Leverage Ratio shall not exceed 72.5 per cent.;

(b) the ratio of EBITDA to Net Interest Expense, on a trailing 12-month basis, shall be no less than 2:1; and

(c) the Liquid Assets of the Group shall be in an amount of not less than $500,000 per Fleet Vessel.

**12.4 Compliance Check**

Compliance with the undertakings contained in Clause 12.3 shall be tested semi-annually and determined by reference to the unaudited consolidated accounts of the Group for the first 6-month period in each financial year of the Guarantor delivered to the Facility Agent pursuant to Clause 11.4(b)(ii) and for the second 6-month period in each financial year of the Guarantor, by reference to the audited consolidated accounts of the Guarantor for that Financial Year delivered to the Facility Agent pursuant to Clause 11.4(a)(ii). At the same time as it delivers its consolidated accounts, the Guarantor shall deliver to the Facility Agent a Compliance Certificate, signed by the chief financial officer of the Guarantor.

**12.5 Change in accounting expressions and policies**

If, by reason of change in format or US GAAP or other relevant accounting policies, the expressions appearing in any accounts and financial statements referred to in Clause 11.4 alter from those in the accounts and financial statements for the Group for the year ending on 31 December 2015, the relevant definitions contained in Clause 1.1 and the provisions of Clause 12.3 shall be deemed modified in such manner as the Facility Agent, acting with the authorisation of all the Lenders, shall require to take account of such different expressions but otherwise to maintain in all respects the substance of those provisions.

**12.6 Guarantor's financial covenants**

If, in the reasonable opinion of the Facility Agent (acting on the instructions of the Lenders), the Guarantor, in the context of a financing made or to be made available to a member of the Group or otherwise, agrees with any third party financial covenants which:

(a) are more favourable than those applicable to the Finance Parties pursuant to the Finance Documents;

(b) place that third party in a more favourable position than that applicable to the Creditor Parties pursuant to this Guarantee or any other Guarantor's Document; and

(c) are more onerous than those imposed on the Guarantor pursuant to this Guarantee or any other Guarantor's Document,

the Guarantor shall, or shall procure that any Security Party or any other third party shall, give the Creditor Parties the benefit of such financial covenants which, in the opinion of the Finance Parties, would place them in the same position as that applicable to the other lender or lenders at the relevant time by entering into a supplemental agreement to this Guarantee and any of the other Guarantor's Documents by which the applicable covenants and undertakings are amended and supplemented to place them in the same position as that applicable to the other lender or lenders at the relevant time (with such supplemental agreement being entered into as soon as practicable after the imposition of such financial covenants on the Guarantor by the third party).

**12.7 Valuation of Fleet Vessels**

The market value of a Fleet Vessel at any date is that shown by taking the arithmetic means of two valuations requested by the Guarantor to be issued by two Approved Brokers appointed by the Guarantor, each valuation to be prepared:

(a) as at a date not more than 15 days prior to the relevant Compliance Date;

(b) with or without physical inspection of that Fleet Vessel (as the Facility Agent may require);

(c) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment; and

(d) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

**12.8 Maintenance of ownership of Relevant Borrowers**

The Guarantor shall remain the ultimate legal owner of the entire issued and allotted share capital of each Relevant Borrower (other than an Affected Borrower) free from any Security Interest.

**13 JUDGMENTS AND CURRENCY INDEMNITY**

**13.1 Judgments relating to Loan Agreement and Master Agreements**

This Guarantee shall cover any amount payable by the Relevant Borrowers under or in connection with any judgment relating to the Guaranteed Advances and any amounts payable under the Loan Agreement, the Master Agreements and any other Finance Document in connection with, or attributable to, the Guaranteed Advances and to the period during which any Relevant Borrower is a member of the same Group as the Guarantor.

**13.2 Currency indemnity**

In addition, clause 21.6 (*currency indemnity*) of the Loan Agreement shall apply, with any necessary adaptations, in relation to this Guarantee.

## 14 SET OFF

### 14.1 Application of credit balances

Each Creditor Party may with prior notice to the Guarantor:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Guarantor at any office in any country of that Creditor Party in or towards satisfaction of any sum then due from the Guarantor to that Creditor Party under this or any of the other Finance Documents; and

(b) for that purpose:

 (i) break, or alter the maturity of, all or any part of a deposit of the Guarantor;

 (ii) convert or translate all or any part of a deposit or other credit balance into Dollars; and

 (iii) enter into any other transaction or make any entry with regard to the credit balance which the Creditor Party concerned considers appropriate.

### 14.2 Existing rights unaffected

No Creditor Party shall be obliged to exercise any of its rights under Clause 14.1; and those rights shall be without prejudice and in addition to any right of set off, combination of accounts, charge, lien or other right or remedy to which a Creditor Party is entitled (whether under the general law or any document).

### 14.3 Sums deemed due to a Lender

For the purposes of this Clause 14, a sum payable by the Guarantor to the Facility Agent or the Security Trustee for distribution to, or for the account of, a Lender shall be treated as a sum due to that Lender; and each Lender’s proportion of a sum so payable for distribution to, or for the account of, the Lenders shall be treated as a sum due to that Lender.

## 15 SUPPLEMENTAL

### 15.1 Continuing guarantee

This Guarantee shall remain in force as a continuing security at all times during the Security Period in respect of the period during which a Relevant Borrower is a member of the Group.

### 15.2 Rights cumulative, non-exclusive

The Security Trustee’s rights under and in connection with this Guarantee are cumulative, may be exercised as often as appears expedient and shall not be taken to exclude or limit any right or remedy conferred by law.

### 15.3 No impairment of rights under Guarantee

If the Security Trustee omits to exercise, delays in exercising or invalidly exercises any of its rights under this Guarantee, that shall not impair that or any other right of the Security Trustee under this Guarantee.

### 15.4 Severability of provisions

If any provision of this Guarantee is or subsequently becomes void, illegal, unenforceable or otherwise invalid, that shall not affect the validity, legality or enforceability of its other provisions.

### 15.5 Guarantee not affected by other security

This Guarantee shall not impair, nor be impaired by, any other guarantee, any Security Interest or any right of set-off or netting or to combine accounts which the Security Trustee or any other Creditor Party may now or later hold in connection with the Loan Agreement, a Master Agreement or any other Finance Document.

### 15.6 Guarantor bound by Finance Documents

The Guarantor agrees with the Security Trustee to be bound by all provisions of each Finance Document which are applicable to the Borrowers in the same way as if those provisions had been set out (with any necessary modifications) in this Guarantee.

### 15.7 Applicability of provisions of Guarantee to other Security Interests

Any Security Interest which the Guarantor creates (whether at the time at which it signs this Guarantee or at any later time) to secure any liability under this Guarantee shall be a principal and independent security, and Clauses 3 and 18 shall, with any necessary modifications, apply to it, notwithstanding that the document creating the Security Interest neither describes it as a principal or independent security nor includes provisions similar to Clauses 3 and 18.

### 15.8 Applicability of provisions of Guarantee to other rights

Clauses 3 and 18 shall also apply to any right of set-off or netting or to combine accounts which the Guarantor creates by an agreement entered into at the time of this Guarantee or at any later time (notwithstanding that the agreement does not include provisions similar to Clauses 3 and 18), being an agreement referring to this Guarantee.

### 15.9 Guarantor's approval of Loan Agreement, Master Agreements and the other Finance Documents

The Guarantor has read the Loan Agreement, each Master Agreement and the other Finance Documents and understands and approves all the terms and conditions of the Loan Agreement, the Master Agreements and the other Finance Documents.

### 15.10 Third party rights

A person (other than a Creditor Party) who is not a party to this Guarantee has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Guarantee.

## 16 ASSIGNMENT

### 16.1 Assignment by Security Trustee

The Security Trustee may assign its rights under and in connection with this Guarantee with prior notice to the Guarantor to the same extent as it may assign its rights under the Loan Agreement.

## 17 NOTICES

### 17.1 Notices to Guarantor

Any notice or demand to the Guarantor under or in connection with this Guarantee shall be given by letter or fax at:

c/o Capital Ship Management Corp.
3, Iassonos Street
185 37 Piraeus
Greece

Fax No: +30 210 4285 679
Attn: Capital Product Partners L.P./the Chief Financial Officer

or to such other address which the Guarantor may notify to the Security Trustee.

**17.2 Application of certain provisions of Loan Agreement**

Clauses 28.3, 28.4 and 28.5 of the Loan Agreement apply to any notice or demand under or in connection with this Guarantee.

**17.3 Validity of demands**

A demand under this Guarantee shall be valid notwithstanding that it is served:

(a) on the date on which the amount to which it relates is payable by the Relevant Borrowers under the Loan Agreement, the Master Agreements or any of the other Finance Documents; and

(b) at the same time as the service of a notice under clause 19.2 (actions following an event of default) of the Loan Agreement,

and a demand under this Guarantee may refer to all amounts payable under or in connection with any Finance Document without specifying a particular sum or aggregate sum.

**17.4 Notices to Security Trustee**

Any notice to the Security Trustee under or in connection with this Guarantee shall be sent to the same address and in the same manner as notices to the Security Trustee under the Loan Agreement.

**18 INVALIDITY OF LOAN AGREEMENT**

**18.1 Invalidity of Loan Agreement**

In the event of:

(a) the Loan Agreement now being or later becoming, with immediate or retrospective effect, void, illegal, unenforceable or otherwise invalid for any other reason whatsoever, whether of a similar kind or not; or

(b) without limiting the scope of paragraph (a), a bankruptcy of any Borrower, the introduction of any law or any other matter resulting in any Borrower being discharged from liability under the Loan Agreement, or the Loan Agreement ceasing to operate (for example, by interest ceasing to accrue),

this Guarantee shall cover any amount which would have been or become payable under or in connection with the Guaranteed Advances pursuant to the Loan Agreement if the Loan Agreement had been and remained entirely valid, legal and enforceable, or that Borrower had not suffered bankruptcy, or any combination of such events or circumstances, as the case may be, and that Borrower had remained fully liable under it for liabilities whether invalidly incurred or validly incurred but subsequently retrospectively invalidated; and references in this Guarantee to amounts payable by that Borrower under or in connection with the Loan Agreement shall include references to any amount which would have so been or become payable as aforesaid.

**18.2 Invalidity of Finance Documents**

Clause 18.1 also applies to each of the Finance Documents to which each Relevant Borrower is a party.

## 19 GOVERNING LAW AND JURISDICTION

**19.1 English law**

This Guarantee and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

**19.2 Exclusive English jurisdiction**

Subject to Clause 19.3, the courts of England shall have exclusive jurisdiction to settle any Dispute.

**19.3 Choice of forum for the exclusive benefit of the Security Trustee**

Clause 19.2 is for the exclusive benefit of the Security Trustee, which reserves the rights:

(a) to commence proceedings in relation to any Dispute in the courts of any country other than England and which have or claim jurisdiction to that Dispute; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

The Guarantor shall not commence any proceedings in any country other than England in relation to a Dispute.

**19.4 Process agent**

The Guarantor irrevocably appoints Curzon Maritime Ltd. at their office for the time being, presently at St. Clare House, 30-33 Minories, London EC3N 1DJ, England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with a Dispute.

**19.5 Creditor Parties' rights unaffected**

Nothing in this Clause 19 shall exclude or limit any right which any Creditor Party may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

**19.6 Meaning of "proceedings" and "Dispute"**

In this Clause 19, "**proceedings**" means proceedings of any kind, including an application for a provisional or protective measure and a "**Dispute**" means any dispute arising out of or in connection with this Guarantee (including a dispute relating to the existence, validity or termination of this Guarantee) or any non-contractual obligation arising out of or in connection with this Guarantee.

**THIS GUARANTEE** has been entered into on the date stated at the beginning of this Guarantee.

## SCHEDULE 1

## FORM OF COMPLIANCE CERTIFICATE

To: Crédit Agricole Corporate and Investment Bank
12, place des Etats-Unis
CS 70052,
France

Date: [●]

Dear Sirs,

We refer to:

(a) a loan agreement dated [●] 20172018 and made between (i) Asterias Crude Carrier S.A. and Scorpio Crude Carrier S.A. as joint and several borrowers (together, the "**Borrowers**" and each a "**Borrower**"), (ii) the banks and financial institutions listed therein as lenders (together, the "**Lenders**"), (iii) Crédit Agricole Corporate and Investment Bank ("**CACIB**") as facility agent and account bank, (iv) ING Bank N.V. as swap bank, (v) yourselves as Security Trustee and (vi) CACIB and ING Bank N.V. as mandated lead arrangers and bookrunners, it was agreed that the Lenders would make available to the Borrowers a secured pre and post-delivery term loan facility of up to US$70,200,000; and

(b) a guarantee dated [●] 2017 (the "**Guarantee**") made between (1) ourselves as guarantor and (2) yourselves as security trustee.

Words and expressions defined in the Loan Agreement and the Guarantee shall have the same meaning when used in this compliance certificate.

We enclose with this certificate a copy of the [unaudited consolidated accounts for the Group for the 6-month period ended [●]]/[the audited consolidated annual accounts of the Group for the year ended [●]]. The accounts (i) have been prepared in accordance with all applicable laws and US GAAP consistently applied, (ii) give a true and fair view of the state of affairs of the Relevant Borrowers (as such term is defined in the Guarantee), ourselves and the Group at the date of the accounts and of its profit for the period to which the accounts relate and (iii) fully disclose or provide for all significant liabilities of the Relevant Borrowers, ourselves and the Group.

The Guarantor represents that no Event of Default or Potential Event of Default has occurred or is continuing as at the date of this certificate [except for the following matter or event [*set out all material details of matter or event*]]. In addition as of [●], the Guarantor confirms compliance with the financial covenants set out in clause 12.3 of the Guarantee for the 6 months ending as at the date to which the enclosed accounts are prepared.

We now certify that, as at [●]:

(a) the Leverage Ratio is [●] per cent.;

(b) the ratio of EBITDA to Net Interest Expense is [●]:1; and

(c) the Liquid Assets of the Group are [●] and therefore not less than $500,000 per Fleet Vessel; and

This Certificate shall be governed by, and construed in accordance with, English law.

______________________________

[●]
Chief Financial Officer of
**CAPITAL PRODUCT PARTNERS L.P.**

## EXECUTION PAGE

**GUARANTOR**

**SIGNED** by /s/ Vanessa Christina Dritsa )
for and on behalf of )
**CAPITAL PRODUCT** )
**PARTNERS L.P.** )
in the presence of: )
/s/ Daphne Elektra A. Stamatopoulos

**SECURITY TRUSTEE**

**SIGNED** by /s/ Anthi Kekatou )
for and on behalf of )
**CRÉDIT AGRICOLE** )
**CORPORATE)**
**AND INVESTMENT BANK** )
in the presence of: )
/s/ Daphne Elektra A. Stamatopoulos

**Exhibit 4.28**

**AMENDED AND RESTATED MANAGEMENT AGREEMENT**

This Amended and Restated Management Agreement dated as of the 25th day of March 2017, is entered into by and between CAPITAL PRODUCT PARTNERS L.P., a limited partnership duly organized and existing under the laws of the Marshall Islands with its registered office at 3 Iassonos Street, Piraeus, 18537, Greece, ("CLP") and CAPITAL SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Panama with its registered office at Hong Kong Bank building, 6th floor , Samuel Lewis Avenue, Panama, and a representative office established in Greece at 3, Iassonos Street, Piraeus Greece ("CSM") and amends and restates in its entirety the Management Agreement by and between CLP and CSM dated April 3, 2007, as amended.

WHEREAS:

A. CLP, a limited partnership whose units trade on the Nasdaq Global Market, owns vessels and requires certain commercial and technical management services for the operation of its fleet; and

B. CLP wishes to engage CSM to provide such commercial and technical management services to CLP on the terms set out herein.

NOW THEREFORE, the parties agree that, in consideration of the fees set forth in Schedule "B" to this Agreement (the "Fees") and, if applicable, the Extraordinary Fees and Costs set forth in Schedule "C" to this Agreement, and subject to the Terms and Conditions attached hereto, CSM shall provide the commercial and technical management services set forth in Schedule "A" to this Agreement (the "Services").

IN WITNESS WHEREOF the Parties have executed this Agreement by their duly authorized signatories with effect on the date first above written.

CAPITAL PRODUCT PARTNERS L.P. BY ITS GENERAL PARTNER, CAPITAL GP L.L.C.,

By: /s/ Gerasimos Kalogiratos
Name: Gerasimos Kalogiratos
Title: Chief Executive Officer and Chief Financial Officer of Capital GP L.L.C.

CAPITAL SHIP MANAGEMENT CORP.,

By: /s/ Nikolaos Syntichakis
Name: Nikolaos Syntiychakis
Title: Managing Director & Legal Representative

**ARTICLE I**
**TERMS AND CONDITIONS**

Section 1. Definitions. In this Agreement, the term:

"Additional Vessels" means vessels not in the ownership of CLP on the date of this Agreement that CLP may subsequently purchase to be managed by CSM under the Fee structure described herein at the election of CLP. For the purposes of this Agreement, any such Additional Vessels to be managed by CSM under the terms of this Agreement shall also be referred to herein as Vessels.

"Change of Control" means with respect to any entity, an event in which securities of any class entitling the holders thereof to elect a majority of the members of the board of directors or other similar governing body of the entity are acquired, directly or indirectly, by a "person" or "group" (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act), who did not immediately before such acquisition own securities of the entity entitling such person or group to elect such majority (and for the purpose of this definition, any such securities held by another person who is related to such person shall be deemed to be owned by such person);

"Extraordinary Fees and Costs" means the fees and costs listed in Schedule "C" to this Agreement.

"CGP" means Capital GP L.L.C., a Marshall Islands limited liability company that is the general partner of CLP;

"CLP Group" means CLP, CGP and subsidiaries of CLP;

"Vessels" means all vessels set out in Schedule "B" to this Agreement as of the date hereof and any Additional Vessels.

Section 2. General. CSM shall provide the Services, in a commercially reasonable manner, as CLP, may from time to time direct, all under the supervision of CLP, as represented by CGP in its capacity as the general partner of CLP. CSM shall perform the Services to be provided hereunder in accordance with customary ship management practice and with the care, diligence and skill that a prudent manager of vessels such as the Vessels would possess and exercise.

Section 3. Covenants. During the term of this Agreement CSM shall:

(i) diligently provide or subcontract for the provision of (in accordance with Section 18 hereof) the Services to CLP as an independent contractor, and be responsible to CLP for the due and proper performance of same;

(ii) retain at all times a qualified staff so as to maintain a level of expertise sufficient to provide the Services; and

(iii) keep full and proper books, records and accounts showing clearly all transactions relating to its provision of Services in accordance with established general commercial practices and in accordance with United States generally accepted accounting principles.

Section 4. Non-exclusivity. CSM and its employees may provide services of a nature similar to the Services to any other person. There is no obligation for CSM to provide the Services to CLP on an exclusive basis.

Section 5. Confidential Information. CSM shall be obligated to keep confidential, both during and after the term of this Agreement, all information it has acquired or developed in the course of providing Services under this Agreement. CLP shall be entitled to any equitable remedy available at law or equity, including specific performance, against a breach by CSM of this obligation. CSM shall not resist such application for relief on the basis that CLP has an adequate remedy at law, and CSM shall waive any requirement for the securing or posting of any bond in connection with such remedy.

Section 6. Service Fees.

(i) In consideration for CSM providing the Services, CLP shall pay: CSM a fixed daily fee, in the amount set out next to the name of each Vessel in Schedule “B” and, if applicable, the Extraordinary Fees and Costs. Schedule “B” shall be amended and restated from time to time to include the applicable Fees for each Additional Vessel, which Fee shall be negotiated on a vessel-by-vessel basis.

(ii) Within 30 days after the end of each month, CSM shall submit to CLP for payment an invoice for reimbursement of all Extraordinary Fees and Costs incurred by CSM in connection with the provision of the Services under the Agreement for such month. Each statement will contain such supporting detail as may be reasonably required to validate such amounts due.CLP shall make payment within 30 days of the date of each invoice (any such day on which a payment is due, the “Due Date”). All invoices for Services are payable in U.S. dollars. All amounts not paid within 10 days after the Due Date shall bear interest at the rate of 1.00% per annum over US$ LIBOR from such Due Date until the date payment is received in full by CSM.

Section 7. General Relationship Between The Parties. The relationship between the parties is that of independent contractor. The parties to this Agreement do not intend, and nothing herein shall be interpreted so as, to create a partnership, joint venture, employee or agency relationship between CSM and any one or more of CLP, CGP in its capacity as general partner on behalf of CLP or any member of the CLP Group.

Section 8. Force Majeure and Indemnity.

(i) Neither CLP nor CSM shall be under any liability for any failure to perform any of their obligations hereunder by reason of any cause whatsoever of any nature or kind beyond their reasonable control.

(ii) CSM shall be under no liability whatsoever to CLP for any loss, damage, delay or expense of whatsoever nature, whether direct or indirect, (including but not limited to loss of profit arising out of or in connection with detention of or delay to the Vessels or Additional Vessels) and howsoever arising in the course of performance of the Services UNLESS and to the extent that such loss, damage, delay or expense is proved to have resulted solely from the fraud, gross negligence or willful misconduct of CSM or their employees in connection with the Vessels, in which case (save where such loss, damage, delay or expense has resulted from CSM’s personal act or omission committed with the intent to cause same or recklessly and with knowledge that such loss, damage, delay or expense would probably result) CSM’s liability for each incident or series of incidents giving rise to a claim or claims shall never exceed a total ofUS$3,000,000.

(iii) Notwithstanding anything that may appear to the contrary in this Agreement, CSM shall not be responsible for any of the actions of the crew of the Vessels even if such actions are negligent, grossly negligent or willful.

(iv) CLP shall indemnify and hold harmless CSM and its employees and agents against all actions, proceedings, claims, demands or liabilities which may be brought against them arising out of, relating to or based upon this Agreement including, without limitation, all actions, proceedings, claims, demands or liabilities brought under or relating to the environmental laws, regulations or conventions of any jurisdiction (‘ Environmental Laws”), or otherwise relating to pollution or the environment, and against and in respect of all costs and expenses (including legal costs and expenses on a full indemnity basis) they may suffer or incur due to defending or settling same, provided however that such indemnity shall exclude any or all losses, actions, proceedings, claims, demands, costs, damages, expenses and liabilities whatsoever which may be caused by or due to (A) the fraud, gross negligence or willful misconduct of CSM or its employees or agents, or (B) any breach of this Agreement by CSM.

(v) Without prejudice to the general indemnity set out in this Section, CLP hereby undertakes to indemnify CSM, their employees, agents and sub-contractors against all taxes, imposts and duties levied by any government as a result of the operations of CLP or the Vessels, whether or not such taxes, imposts and duties are levied on CLP or CSM. For the avoidance of doubt, such indemnity shall not apply to taxes imposed on amounts paid to CSM as consideration for the performance of Services for CLP. CLP shall pay all taxes, dues or fines imposed on the Vessels or CSM as a result of the operation of the Vessels.

(vi) It is hereby expressly agreed that no employee or agent of CSM (including any sub-contractor from time to time employed by CSM and the employees of such sub-contractors) shall in any circumstances whatsoever be under any liability whatsoever to CLP for any loss, damage or delay of whatsoever kind arising or resulting directly or indirectly from any act, neglect or default on his part while acting in the course of or in connection with his employment and, without prejudice to the generality of the foregoing provisions in this Section, every

(vii) exemption, limitation, condition and liberty herein contained and every right, exemption from liability, defense and immunity of whatsoever nature applicable to CSM or to which CSM are entitled hereunder shall also be available and shall extend to protect every such employee or agent of CSM acting as aforesaid.

(viii) CLP acknowledges that it is aware that CSM is unable to confirm that the Vessels, their systems, equipment and machinery are free from defects, and agrees that CSM shall not under any circumstances be liable for any losses, costs, claims, liabilities and expenses which CLP may suffer or incur resulting from pre-existing or latent deficiencies in the Vessels, their systems, equipment and machinery.

The provisions of this Section 8 shall remain in force notwithstanding termination of this Agreement.

Section 9. Term And Termination. With respect to each of the Vessels, this Agreement shall commence from the date on which each Vessel is acquired by CLP, and will continue for approximately five years or for any other period agreed between CLP and the CSM as set out in Schedule “D” to this Agreement, unless terminated by either party hereto on not less than one hundred and twenty (120) days notice if:

(a) in the case of CLP, there is a Change of Control of CSM and in the case of CSM, if there is a Change of Control of CGP;

(b) in the case of CSM and at the election of CSM, there is a Change of Control of CLP;

(c) the other party breaches this Agreement;

(d) a receiver is appointed for all or substantially all of the property of the other party;

(e) an order is made to wind-up the other party;

(f) a final judgment, order or decree which materially and adversely affects the ability of the other party to perform this Agreement shall have been obtained or entered against that party and such judgment, order or decree shall not have been vacated, discharged or stayed; or

(g) the other party makes a general assignment for the benefit of its creditors, files a petition in bankruptcy or for liquidation, is adjudged insolvent or bankrupt, commences any proceeding for a reorganization or arrangement of debts, dissolution or liquidation under any law or statute or of any jurisdiction applicable thereto or if any such proceeding shall be commenced.

The approximate termination date of this Agreement with respect to each of the Vessels is set out in Schedule "D" to this Agreement (the "Date of Termination"). Upon the purchase of each Additional Vessel, Schedule "D" to this Agreement shall be amended and restated to include the relevant Date of Termination for such Additional Vessel. This Agreement shall be deemed to be terminated with respect to a particular Vessel in the case of the sale of such Vessel or if such Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss or is requisitioned. Notwithstanding such deemed termination, any Fees outstanding at the time of the sale or loss shall be paid in accordance with the provisions of this Agreement.

For the purpose of this clause:

(ii) the date upon which a Vessel is to be treated as having been sold or otherwise disposed of shall be the date on which CLP ceases to be the legal owner of the Vessel, or the Vessel owning company, as the case may be;

(iii) a Vessel shall not be deemed to be lost until either she has become an actual total loss or agreement has been reached with her underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred or the Vessel's owners issue a notice of abandonment to the underwriters.

The termination of this Agreement shall be without prejudice to all rights accrued due between the parties prior to the date of termination.

Section 10. Fees Upon Termination with respect to a Vessel. Upon termination of this Agreement, the Fee shall be adjusted with respect to a Vessel as at the effective date of termination of this Agreement, based on the Fees set forth in Schedule "B". Any overpayment shall fo1thwith be refunded to CLP and any underpayment shall forthwith be paid to CSM.

Section 11. Surrender Of Books And Records. Upon termination of this Agreement, CSM shall forthwith surrender to CLP any and all books, records, documents and other property in the possession or control of CSM relating to this Agreement and to the business, finance, technology, trademarks or affairs of CLP and any member of the CLP Group and, except as required by law, shall not retain any copies of same.

Section 12. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter of this Agreement and (in relation to such subject matter) supersedes and replaces all prior understandings and agreements, written or oral, between the parties.

Section 13. Amendments to Agreement. CSM reserves the right to make such changes to this Agreement as it shall consider necessary to take account of regulatory changes which come into force after the date hereof and which affect the operation of the Vessels. Such changes will be intimated in writing to CLP and will come into force on intimation or on the date on which such regulatory or other changes come into effect (whichever shall be the later).

Section 14. Severability. If any provision herein is held to be void or unenforceable, the validity and enforceability of the remaining provisions herein shall remain unaffected and enforceable.

Section 15. Currency. Unless stated otherwise, all currency references herein are to United States Dollars.

Section 16. Law And Arbitration. This Agreement shall be governed by the laws of England. Any dispute under this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment then in force. The arbitration shall be conducted in accordance with the London Maritime Arbitrators' (LMAA) Terms current at the time when the arbitration is commenced.

Save as after mentioned, the reference shall be to three arbitrators, one to be appointed by each party and the third by the two arbitrators so appointed. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment to the other party requiring the other party to appoint its arbitrator within 14 calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the 14 calendar days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 calendar days specified, the party referring the dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be as binding as if he had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

Section 17. Notice. Notice under this Agreement shall be given (via hand delivery or facsimile) as follows:

If to CLP:

3 Jassonos Street
Piraeus, 18537, Greece
Attn: Gerasimos Kalogiratos
Fax: +30 210 428 4285

If to CSM:

3 Jassonos Street
Piraeus, 18537, Greece
Attn: Nikolaos Syntichakis
Fax: +30 210 428 4285

Section 18. Subcontracting And Assignment. CSM shall not assign this Agreement to any party that is not a subsidiary or affiliate of CSM except upon written consent of CLP. CSM may freely sub-contract and sub-license this Agreement to any party, so long as CSM remains liable for performance of the Services and its other obligations under this Agreement.

Section 19. Waiver. The failure of either party to enforce any term of this Agreement shall not act as a waiver. Any waiver must be specifically stated as such in writing.

Section 20. Affiliates. This Agreement shall be binding upon and inure to the benefit of the affiliates of CLP and/or CSM.

Section 21. Counterparts. This Agreement may be executed in one or more signed counterparts, facsimile or otherwise, which shall together form one instrument.

## SCHEDULE A

## SERVICES

CSM shall provide such of the following commercial and technical management services (the "Services") to CLP, as CGP may from time to time request and direct CSM to:

(1) Negotiating on behalf of CLP time charters, bareboat charters, voyage charters and other employment contracts with respect to the Vessels and monitor payments thereunder;

(2) Exercising of due diligence to:

(i) maintain and preserve each Vessel and her equipment in full compliance with applicable rules and regulations, including Environmental Laws, good condition, running order and repair, so that each Vessel shall be, insofar as due diligence can make her in every respect seaworthy and in good operating condition;

(ii) keep each Vessel in such condition as will entitle her to the highest classification and rating from the classification society chosen by her owner or charter for vessels of the class, age and type;

(iii) prepare and obtain all necessary approvals for a shipboard oil pollution emergency plan (SOPEP) in a form approved by the Marine Environment Protection Committee of the International Maritime Organisation pursuant to the requirements of Regulation 26 of Annex I of the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, as amended (MARPOL 73/78), and provide assistance with respect to such other documentation and record-keeping requirements pursuant to applicable Environmental Laws;

(iv) arrange for the preparation, filing and updating of a contingency Vessel Response Plan in accordance with the requirements of the U.S. Oil Pollution Act of 1990 as amended ("OPA"), and instruct the crew in all aspects of the operation of such plan;

(v) inform CLP promptly of any major release or discharge of oil or other hazardous material in compliance with law and identify and ensure the availability by contract or otherwise of a Qualified Individual, a Spill Management Team, an Oil Spill Removal Organisation (as such terms are defined by applicable Environmental Laws), and any other individual or entity required by Environmental Laws, resources having salvage, firefighting, lightering and, if applicable, dispersant capabilities, and public relations/media personnel to assist CLP to deal with the media in the event of discharges of oil;

(vi) arrange and procure for the vetting of the Vessels and CLP or CSM by major chatterers and arranging and attending relevant inspections of the Vessels, including pre-vetting inspections, or visits at the premises of CSM up to a maximum number of five inspection visits per Vessel per year to be attended by CSM, with additional visits to be for the account of CLP; and

(vii) provide copies of any vessel inspection reports, valuations, surveys or similar reports upon request.

CSM is expressly authorized as agents for CLP to enter into such arrangements by contract or otherwise as are required to ensure the availability of the Services outlined above. CSM is further expressly authorized as agents for CLP to enter into such other arrangements as may from time to time be necessary to satisfy the requirements of OPA or other Federal or State laws.

(3) Storing, victualing and supplying of each Vessel and the arranging for the purchase of certain day to day stores, supplies and parts;

(4) Procuring and arrangement for po1t entrance and clearance, pilots, vessel agents, consular approvals, and other services necessary or desirable for the management and safe operation of each Vessel;

(5) Preparing, issuing or causing to be issued to shippers the customary freight contract, cargo receipts and/or bills of lading;

(6) Performance of all usual and customary duties concerned with the loading and discharging of cargoes at all ports;

(7) Naming of vessel agents for the transaction of each Vessel’s business;

(8) Arrangement and retention in full force and effect of all customary insurance pertaining to each Vessel as instructed by the owner or charterer and all such policies of insurance, including but not limited to protection and indemnity, hull and machinery, war risk and oil pollution covering each Vessel; if requested by the owner or charterer, making application for certificates of financial responsibility on behalf of the Vessels covered hereunder;

(9) Adjustment and the negotiating of settlements, with or on behalf of claimants or underwriters, of any claim, damages for which are recoverable under policies of insurance;

(10) If requested, provide CLP with technical assistance in connection with any sale of any Vessel. CSM will, if requested in writing by CLP, comment on the terms of any proposed Memorandum of Agreement, but CLP will remain solely responsible for agreeing the terms of any Memorandum of Agreement regulating any sale;

(11) Arrangement or the prompt dispatch of each Vessel from loading and discharging ports and for transit through canals;

(12) Arrangement for employment of counsel, and the investigation, follow-up and negotiating of the settlement of all claims arising in connection with the operation of each Vessel; it being understood that CLP will be responsible for the payment of such counsel’s fees and expenses;

(13) Arrangement for the appointment of an adjuster and assistance in preparing the average account, taking proper security for the cargo’s and freight’s proportion of average, and in all ways reasonably possible protecting the interest of each Vessel and her owner; it being understood that CLP will be responsible for the payment of such adjuster’s fees and expenses;

(14) Arrangement for the appointment of surveyors and technical consultants as necessary; it being understood that CLP will be responsible for the payment of such surveyor’s or technical consultant’s fees and expenses outside the ordinary course of business;

(15) Negotiating of the settlement of insurance claims of Vessel owner’s or charterer’s protection and indemnity insurance and the arranging for the making of disbursements accordingly for owner’s or charterer’s account; CLP shall arrange for the provision of any necessary guarantee bond or other security;

(16) Attendance to all matters involving each Vessel’s crew, including, but not limited to, the following:

(i) arranging for the procurement and enlistment for each Vessel, as required by applicable law, of competent, reliable and duly licensed personnel (hereinafter referred to as “crew members”) in accordance with the requirements of International Maritime Organisation Convention on Standards of Training Certification and Watchkeeping for Seafarers 1978 and as subsequently amended, and all replacements therefore as from time to time may be required;

(ii) arranging for all transportation, board and lodging for the crew members as and when required at rates and types of accommodations as customary in the industry;

(iii) keeping and maintaining full and complete records of any labour agreements which may be entered into between owner or disponent owner and the crew members and the prompt reporting to owner or disponent owner as soon as notice or knowledge thereof is received of any change or proposed change in labour agreements or other regulations relating to the master and the crew members;

(iv) negotiating the settlement and payment of all wages with the crew members during the course of and upon termination of their employment;

(v) the handling of all details and negotiating the settlement of any and all claims of the crew members including, but not limited to, those arising out of accidents, sickness, or death, loss of personal effects, disputes under articles or contracts of enlistment, policies of insurance and fines;

(vi) keeping and maintaining all administrative and financial records relating to the crew members as required by law, labour agreements, owner or charterer, and rendering to owner or charterer any and all reports when, as and in such form as requested by owner or chatterer;

(vii) the performance of any other function in connection with crew members as may be requested by owner or charterer; and

(viii) negotiating with unions, if required.

(17) Payment of all charges incurred in connection with the management of each Vessel, including, but not limited to, the cost of the items listed in (2) to ( I6) above, canal tolls, repair charges and port charges, and any amounts due to any governmental agency with respect to the Vessel crews;

(18) In such form and on such terms as may be requested by CLP, the prompt reporting to CLP of each Vessel’s movement, position at sea, arrival and departure dates, casualties and damages received or caused by each Vessel;

(19) In case any of the Vessels is employed under a voyage charter, CLP shall pay for all voyage related expenses (including bunkers, canal tolls and port dues) and CSM shall arrange for the provision of bunker fuel of the quality agreed with CLP as required for any Vessel’s trade. CSM shall be entitled to order bunker fuel through such brokers or suppliers as CSM deem appropriate unless CLP instruct CSM to utilize a particular supplier which CSM will be obliged to do provided that CLP have made prior credit arrangements with such supplier. CLP shall comply with the terms of any credit arrangements made by CSM on their behalf;

(20) CSM shall not in any circumstances have any liability for any bunkers which do not meet the required specification. CSM will, however, take such action, on behalf of CLP, against the supplier of the bunkers, as is agreed with CLP.

(21) Except as provided in paragraph (22) below, CSM shall make arrangements as instructed by the Classification Society of each Vessel for the intermediate and special survey of each Vessel and all costs in connection with passing such surveys (including dry-docking) and satisfactory compliance with class requirements will be borne by CSM.

(22) CSM shall make arrangements as instructed by the respective Classification Societies of the Amore Mio II, the Aristofanis, the Agamemnon II, the Ay1ton II and the Alkiviadis for the next scheduled intermediate or special survey of each Vessel, following its acquisition by CLP, as applicable, and all costs in connection with passing such survey (including dry-docking) and satisfactory compliance with class requirements will be borne by CSM.

## SCHEDULE B
## FEES

| Vessel Name | Daily Fee in US$ |
|---|---|
| **Alexandros II** | 250 |
| **Overseas Sifnos** | 250 |
| **Overseas Kimolos** | 250 |

* subject to continuation of the Vessel's charter

## SCHEDULE C

## EXTRAORDINARY FEES AND COSTS

Notwithstanding anything to the contrary in this Agreement, CSM will not be responsible for paying any costs liabilities and expenses in respect of a Vessel, to the extent that such costs, liabilities and expenses arc “extraordinary”, which shall consist of the following:

(1) repairs, refurbishment or modifications, including those not covered by the guarantee of the shipbuilder or by the insurance covering the Vessels, resulting from maritime accidents, co11isions, other accidental damage or unforeseen events (except to the extent that such accidents, collisions, damage or events are due to the fraud, gross negligence or willful misconduct of CSM, its employees or its agents, unless and to the extent otherwise covered by insurance). CSM shall be entitled to receive additional remuneration for time (charged at the rate ofUS$750 per man per day of8 hours) for any time that the personnel of CSM will spend on attendance on any Vessel in connection with matters set out this subsection (I). In addition CLP will pay any reasonable travel and accommodation expenses of the CSM personnel incurred in connection with such additional time spent.

(2) any improvement, upgrade or modification to, structural changes with respect to the installation of new equipment aboard any Vessel that results from a change in, an introduction of new, or a change in the interpretation of, applicable laws, at the recommendation of the classification society for that Vessel or otherwise.

(3) any increase in crew employment expenses resulting from an introduction of new, or a change in the interpretation of, applicable laws or resulting from the early termination of the charter of any Vessel;

(4) CSM shall be entitled to receive additional remuneration for time spent on the insurance, average and salvage claims (charged at the rate of US$800 per man per day of 8 hours) in respect of the preparation and prosecution of claims, the supervision of repairs and the provision of documentation relating to adjustments).

(5) CSM shall be entitled to receive additional remuneration for time (charged at the rate of US$750 per man per day of 8 hours) for any time of over 10 days per year that the personnel of CSM will spend during vetting inspections and attendance on the Vessels in connection with the pre-vetting and vetting of the Vessels by any charterers. In addition CLP will pay any reasonable travel and accommodation expenses of the CSM personnel incurred in connection with such additional time spent.

(6) CLP shall pay the deductible of any insurance claims relating to the Vessels or for any claims that are within such deductible range.

(7) CLP shall pay any significant increase in insurance premiums which are due to factors such as “acts of God” outside of the control of CSM.

(8) CLP shall pay any tax, dues or fines imposed on the Vessels or CSM due to the operation of the Vessels.

(9) CLP shall pay for any expenses incurred in connection with the sale or acquisition of a Vessel, such as in connection with inspections and technical assistance.

(10) CLP shall pay for any similar costs, liabilities and expenses that were not reasonably contemplated by CLP and CSM as being encompassed by or a component of the Fees at the time the Fees were determined.

## SCHEDULE D

## DATE OF TERMINATION

| Vessel Name | Expected Termination Date |
|---|---|
| Alexandros II | December 2017–March 2018 |
| Overseas Sifnos | March–June 2018 |
| Overseas Komolos | May–August 2018 |

* subject to continuation of the Vessel’s charter

**Exhibit 4.31**

EXECUTION COPY

# AMENDMENT TO FLOATING RATE MANAGEMENT AGREEMENT

AMENDMENT NO. 30 made effective the 17th day of January 2018, to the Floating Rate Management Agreement dated the 10th of June 2011 (the "**Floating Rate Management Agreement**"), as amended; by and between CAPITAL PRODUCT PARTNERS L.P., a limited partnership duly organized and existing under the laws of the Marshall Islands ("**CLP**"), and CAPITAL SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Panama with its registered office at Hong Kong Bank building, 6th floor, Samuel Lewis Avenue, Panama, and a representative office established in Greece at 3, Iassonos Street, Piraeus Greece ("**CSM**").

**WHEREAS**:

A. CLP owns vessels and requires certain commercial and technical management services for the operation of its fleet;

B. Pursuant to the Floating Rate Management Agreement, CLP engaged CSM to provide such commercial and technical management services to CLP on the terms set out therein.

**NOW THEREFORE**, in consideration of the premises and the agreements, provisions and covenants herein contained, the patties hereto hereby agree, on the terms and subject to the conditions set forth herein, as follows:

Section 1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Floating Rate Management Agreement.

Amendments.

(a) Schedule "B" of the Floating Rate Management Agreement is hereby amended to read in its entirety as follows:

## SCHEDULE B

## VESSELS AND DATE OF TERMINATION

| Vessel Name | Expected Termination Date |
|---|---|
| **Cape Agamemnon** | June 202 l |
| **Arionas** | August 202 l |
| **Agisilaos** | December 2021 |

| Vessel Name | Expected Termination Date |
|---|---|
| **Avax** | April 2022 |
| **Axios** | June 2022 |
| **Akeraios** | August 2022 |
| **Apostolos** | September 2022 |
| **Aristotelis** | November 2018 |
| **Agamemnon** | December 2022 |
| **Archimidis** | December 2022 |
| **Anemos I** | December 2022 |
| **Hyundai Premium** | Mar-April 2018 |
| **Hyundai Paramount** | Mar-April 2018 |
| **Hyundai Platinum** | August-September 2018 |
| **Hyundai Privilege** | August-September 2018 |
| **Huyndai Prestige** | August-September 2018 |
| **Assos** | April 2019 |
| **Atrotos** | April 2019 |
| **Ayrton II** | April 2019 |
| **Amore Mio II** | May 2019 |
| **Active** | March 2020 |
| **CMA CGM Amazon** | June 2020 |
| **Amadeus** | June 2020 |
| **CMA CGM Uruguay** | September 2020 |

| Vessel Name | Expected Termination Date |
|---|---|
| **Alkiviadis** | October 2020 |
| **CMA CGM Magdalena** | February 2021 |
| **Atlantas II** | September 2021 |
| **Amor** | October 2021 |
| **Aktoras** | March 2022 |
| **Aiolos** | March 2022 |
| **Alexandros II** | December 2022 |
| **Aristaios** | January 2023 |

Section 2. Effectiveness of Amendment. This Amendment shall become effective as of 17th January 2018 (each the "**Amendment Effective Date**").

Section 3. Effect of Amendment. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, amend, or otherwise affect the rights and remedies of CLP or CSM under the Floating Rate Management Agreement, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle CLP or CSM to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Floating Rate Management Agreement in similar or different circumstances. This Amendment shall apply and be effective with respect to the matters expressly referred to herein. After the Amendment Effective Date, any reference to the Floating Rate Management Agreement shall mean the Floating Rate Management Agreement with such amendments effected hereby.

Section 4. Counterparts. This Amendment may be executed in one or more signed counterparts, facsimile or otherwise, which shall together form one instrument.

**IN WITNESS WHEREOF** the Parties have executed this Amendment this 17th day of January 2018 by their duly authorized signatories with effect on the date first above written.

**CAPITAL PRODUCT PARTNERS L.P. BY ITS GENERAL PARTNER, CAPITAL GP L.L.C.,**

By: /s/ Gerasimos Kalogiratos

Name: Gerasimos Kalogiratos
Title: Chief Executive Officer and Chief Financial Officer of Capital GP L.L.C.

**CAPITAL SHIP MANAGEMENT CORP.,**

By: /s/ Sarantos Petropouleas

Name: Sarantos Petropouleas
Title: Attorney-in-Fact & Legal Representative

**Exhibit 4.35**

To: **CAPITAL PRODUCT PARTNERS L.P.**
Majuro, Marshall Islands
(the "**Partnership**")

1st January 2017

Dear Sirs,

We refer to:

(a) a management agreement dated March 17, 2010 as further amended (the "**Management Agreement'**) entered into by and between Crude Carriers Corp. of Marshall Islands ("**Crude**") and Capital Ship Management Corp. of Panama ("**CSM**"), pertaining to the provision of technical and commercial management services to Crude and its owned vessels;

(b) the acquisition of Crude and its subsidiaries by the Partnership on September 30, 2011; and

(c) the current operation and management under the Management Agreement of m/t MILTIADIS M II, m/t AMOUREUX, m/t AIAS (the "**Vessels**") .

Terms defined and references construed in the Management Agreement have the same meaning and construction in this letter unless given a different meaning in this letter.

Under the terms of the Management Agreement, the Partnership (through Crude) must pay to CSM the following fees:

(a) a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index;

(b) a sale & purchase fee equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of a vessel acquired/disposed by Crude; and

(c) a commercial services fee equal to 1.25% of all gross charter revenues generated by each vessel for commercial services rendered.

We, the undersigned, do hereby agree irrevocably and unconditionally to waive (i) the sale and purchase fee equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of the Vessels and (ii) the commercial services fee equal to 1.25% of all gross charter revenues generated by each of the Vessels for commercial services rendered, as provided in Schedule "B" to the Management Agreement (the "**Waiver**").

This Waiver is effective as of today January 1, 2017 and only in the instance and for the purpose for which it is given. Save as expressly provided in this letter, the Management Agreement remain and shall continue in full force and effect.

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

Any dispute arising out of or in connection with this letter shall be settled in accordance with Section 15 of the Management Agreement, as if the same were set out herein in full, *mutatis mutandis*.

Please acknowledge receipt of this letter and your acceptance of its terms by signing and returning the enclosed copy.

Yours faithfully

/s/ Nikolaos Syntychakis
Nikolaos Syntychakis
for and on behalf of

**CAPITAL SHIP MANAGEMENT CORP.**

We hereby acknowledge receipt of the above letter and agree to the terms thereof.

/s/ Gerasimos Kalogiratos
Gerasimos Kalogiratos
for and on behalf of

**CAPITAL PRODUCT PARTNERS L.P.**

# <u>IT AGREEMENT</u>

**THIS AGREEMENT** dated 3rd of April 2007; by and between CAPITAL SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Panama with its registered office at Hong Kong Bank building, 6th floor, Samuel Lewis Avenue, Panama, and a representative office established in Greece at 3, Iassonos street, Piraeus Greece ("**CSM**") and CAPITAL PRODUCT PARTNERS L.P., a limited partnership duly organized and existing under the laws of the Marshall Islands("**CPLP**").

**WHEREAS**:

A. CPLP, whose units will be listed and will trade on the Nasdaq Global Markel, owns: vessels and requires certain administrative support services.

B. CPLP has entered into an Administrative Services Agreement dated April 3, 2007 with CSM for the provision of such administrative support services, including for the provision of relevant IT services.

C. CPLP, as part of the general IT services required for the operations of its fleet, also specifically requires certain Information Technology ("**IT**") Services to be provided that comply with all rules, regulations and requirements CPLP is, and will be, subject to including, the requirements of the Sarbanes-Oxley Act ("**SOX**"), and in particular section 404 of SOX, for the smooth running of its operations (cumulatively, the "**IT Services**") and

D. CPLP, further to the Administrative Services Agreement and in accordance with the terms, wishes to clarify the terms under which CSM shall provide such IT Services.

**NOW THEREFORE**, the parties agree that, in consideration for CSM arranging for the provision of the IT Services required by CPLP from time to time, and subject to the Terms and Conditions attached hereto, CPLP shall reimburse CSM the costs and expenses incurred by CSM in connection with the provision of such IT Services (the "**Costs**") in the manner set out below.

**FOR THE AVOIDANCE OF DOUBT**, in the case of any conflict between the terms of this Agreement and the Administrative Services Agreement, the Administrative Services Agreement will govern.

**IN WITNESS WHEREOF** the Parties have executed this. Agreement by their duly authorized signatories with effect on the date first above written.

**CAPITAL PRODUCT PARTNERS L.P. BY ITS GENERAL PARTNER, CAPITAL GP L.L.C.,**

By: /s/ Ioannis E. Lazaridis
Name: Ioannis E. Lazaridis
Title: CEO & CFO of Capital GP L.L.C.

**CAPITAL SHIP MANAGEMENT CORP.**

By: /s/ Nikolaos Syntichakis
Name: N. Syntichakis
Title:

**TERMS AND CONDITIONS**

Section 1. General. CSM shall provide all or such portion of the IT Services, in a commercially reasonable manner, as CPLP, may from time to time direct, all under the supervision of CPLP, as represented by Capital GP L.L.C., a Marshall Islands limited liability company that is the general partner of CLP ("**CGP**") in its capacity as the general partner of CPLP. The contact person at CSM regarding such matters shall be the head of the IT Department at any such time.

Section 2. Covenants. During the term of this Agreement CSM shall ensure that all of CPLP's IT Systems are in compliance with all rules and regulations that CPLP is subject to, including but not limited to the requirements of SOX. CSM shall maintain all such IT systems, both the relevant hardware and software, to the highest industry standards and shall perform relevant maintenance, testing and upkeep on a regular basis.

Section 3. Relationship of Parties. During the term of this Agreement CSM shall diligently provide or sub contract for the provision of (in accordance with the terms of this Agreement) the IT Services to CPLP as an independent contractor, and be responsible to CPLP for the due and proper performance of same.

Section 4. Reimbursement of Costs and Expenses. In consideration for CSM providing the IT Services, CPLP shall reimburse CSM for its Costs in US Dollars within 30 days from the submission of an invoice by CSM, including such supporting detail as may be reasonably required to validate such amounts due. For the avoidance of doubt, the Costs reimbursable under this Agreement shall only relate to costs associated with the provision of the IT Services not previously reimbursed under the Administrative Services Agreement.

Section 5. General Relationship Between The Parties. The relationship between the parties is that of independent contractor. The parties to this Agreement do not intend, and nothing herein shall be interpreted so as, to create a partnership, joint venture, employee or agency relationship between CSM and any one or mere of CPLP, CGP or any subsidiary of CPLP.

Section 6. Indemnity. CPLP shall indemnify and hold harmless CSM and its employees and agents against all actions, proceedings, claims, demands or liabilities which may be brought against them due to this Agreement and against and in respect of all costs and expenses (including legal costs and expenses on a full indemnity basis) they may suffer or incur due to defending or settling same, provided however that such indemnity shall exclude any or all losses, actions, proceedings, claims, demands, costs, damages, expenses and liabilities whatsoever which may be caused by or due to the fraud, gross negligence or willful misconduct of CSM or its employees or agents.

Section 7. No Consequential Damages. Neither CSM nor any of its affiliates shall be liable for indirect, incidental or consequential damages suffered by CPLP, or for punitive damages, with respect to any term or the subject matter of this agreement, even if informed of the possibility thereof in advance. This limitation applies to all causes of action, including, without limitation, breach of contract, breach of warranty, negligence, strict liability, fraud, misrepresentation and other torts.

Section 8. Term And Termination. This Agreement shall have an initial term of five years, unless terminated by the mutual agreement of the parties or by either party hereto on not less than one hundred and twenty (120) days' notice if:

(a) in the case of CPLP, there is a Change of Control of CSM and in the case of CSM, if there is a Change of Control of CGP or CPLP;

(b) in the case of CSM and at the election of CSM, there is a Change of Control of CPLP;

(c) the other party breaches this Agreement;

(d) a receiver is appointed for all or substantially all of the property of the other party;

(e) an order is made to wind-up the other party;

(f) a final judgment, order or decree which materially and adversely affects the ability of the other party to perform this Agreement shall have been obtained or entered against that party and such judgment, order or decree shall not have been vacated, discharged or stayed; or

(g) the other party makes a general assignment for the benefit of its creditors, files a petition in bankruptcy or for liquidation, is adjudged insolvent or bankrupt, commences any proceeding for a reorganization or arrangement of debts, dissolution or liquidation under any law or statute or of any jurisdiction applicable thereto or if any such proceeding shall be commenced.

***provided that***, if the Administrative Services Agreement between the parties is terminated under its terms, this Agreement shall also be automatically terminated.

For the purposes of this Section 8, "**Change of Control**" means with respect to any entity, an event to which securities of any class entitling the holders thereof to elect a majority of the members of the board of directors or other similar governing body of the entity are acquired, directly or indirectly, by a "**person**" or "**group**" (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act), who did not immediately before such acquisition own securities of the entity entitling such person or group to elect such majority (and for the purpose of this definition, any such securities held by another person who is related to such person shall be deemed to be owned by such person);

Section 9. Entire Agreement. This Agreement forms the entire agreement between the parties with respect to the subject matter hereof and supersedes and replaces all previous agreements, written or oral, with respect to the subject matter hereof.

Section 10. Law And Arbitration. This Agreement shall be governed by the laws of England. Any dispute under this Agreement shall be put to arbitration in England, a jurisdiction to which the parties hereby irrevocably submit.

Section 11. Notice. Notice- under this Agreement shall be given (via hand delivery or facsimile) as follows:

If to CPLP: 3 Iassonos Street, Piraeus, 18537 Greece, Attn: Ioannis E. Lazaridis, Fax: +30 210 428 4285.

If to CSM: 3 Iassonos Street, Piraeus, 18537 Greece, Attn: Head of IT Department, Fax: +30 210 428 4285.

Section 12. Sub-contracting And Assignment. CSM shall not assign this Agreement to any party that is not a subsidiary or affiliate of CSM except upon written consent of CPLP. CSM may freely sub-contract or sub-license this Agreement, so long as CSM remains liable for performance of the IT Services and its obligations under this Agreement.

**Addendum No.1 dated 2nd April 2012**
**to**
**the IT Agreement dated 3rd April 2007**
**between**
**CAPITAL SHIPMANAGEMENT CORP. of Panama (the "CSM")**
**and**
**CAPITAL PRODUCTS PARTNERS L.P. of Marshall Islands (the "CPLP")**

**NOW IT IS HEREBY MUTUALLY AGREED** that:

1. the term of the said IT Agreement dated 3rd April 2007 is renewed for another five (5) years namely from 3rd April, 2012 to 2nd April 2017.
2. any relevant or applicable provision of the IT Agreement dated 3rd April 2007 is hereby amended accordingly.

All other terms and conditions in the said IT Agreement dated 3rd April 2007 shall remain unaltered and in full force.

**CAPITAL SHIPMANAGEMENT CORP.**
**BY ITS GENERAL PARTNER CAPITAL GP L.L.C.,**

By: /s/ Nikolaos Syntichakis
Name:
Title:

**CAPITAL PRODUCTS PARTNERS L.P.**

By: /s/ Ioannis E. Lazaridis
Name:
Title:

**Exhibit 4.40**

# ADDENDUM NO. 2

**THIS AGREEMENT** is made this 2nd day of April 2017 by and between CAPITAL SHIP MANAGEMENT CORP. of Panama (the “**CSM**”) and CAPITAL PRODUCT PARTNERS L.P. of Marshall Islands (the “**CPLP**”).

**WHEREAS**:

A. CPLP, whose units are listed and trade on the Nasdaq Global Select Market, owns vessels and requires certain Information Technology (**IT**) Services;

B. Pursuant to the IT Agreement dated 3rd April 2007, as amended (the “**IT Agreement**”), CPLP engaged CSM to provide such IT Services to CPLP, on the terms set out therein;

C. The term of the IT Agreement expires on the 2nd day of April 2017 and the patties wish to extend and continue this agreement for an additional five (5) years;

D. CPLP and CSM agree to extend the IT Agreement for an additional five (5) years and to amend certain provisions of the IT Agreement, as set out herein.

**NOW IT IS HEREBY MUTUALLY AGREED** as follows:

1. The term of the IT Agreement is renewed for another five (5) years, namely from 3rd April 2017 to 2nd April 2022.

2. Section 11 of the IT Agreement is hereby amended to read in its entirety as follows:

   <u>Notice</u>. Notice under this Agreement shall be given (via hand delivery or facsimile) as follows:

   If to CPLP: 3 Iassonos Street, Piraeus, 18537 Greece, Attn: CEO & CFO, Fax: +30 210 428 4285.

   If to CSM: 3 Iassonos Street, Piraeus, 18537 Greece, Attn: Head of IT Department, Fax: +30 210 428 4285.

3. Words defined in the IT Agreement shall have the same meaning when used in this addendum unless the context requires otherwise;

4. All other terms and conditions of the said IT Agreement shall remain in full force and effect.

**IN WITNESS WHEREOF** the Parties have executed this Agreement by their duly authorized signatories with effect on the date first above written.

**CAPITAL PRODUCT PARTNERS L.P. BY ITS GENERAL PARTNER, CAPITAL GP L.L.C.,**

By: /s/ Gerasimos Kalogiratos
Name: Gerasimos Kalogiratos
Title: Chief Executive Officer and Chief Financial Officer of Capital GP L.L.C.

**CAPITAL SHIPMANAGEMENT CORP.,**

By: /s/ Sarantos Petropouleas
Name: Sarantos Petropouleas
Title: Attorney-in-Fact & Legal Representative

**Exhibit 4.47**

# SHARE PURCHASE AGREEMENT

Dated January 17, 2018

among

CAPITAL MARITIME & TRADING CORP.,

EMMA SHIPHOLDINGS INC.

and

CAPITAL PRODUCT PARTNERS L.P.

one hundred (100) Shares

## TABLE OF CONTENTS


| | Page |
|---|---|
| ARTICLE I<br>INTERPRETATION | |
| SECTION 1.01 Definitions | 1 |
| ARTICLE II<br>PURCHASE AND SALE OF SHARES; CLOSING | |
| SECTION 2.01 Purchase and Sale of Shares | 4 |
| SECTION 2.02 Closing | 4 |
| SECTION 2.03 Place of Closing | 4 |
| SECTION 2.04 Purchase Price for Shares | 4 |
| SECTION 2.05 Payment of the Purchase Price | 4 |
| ARTICLE III<br>REPRESENTATIONS AND WARRANTIES OF THE BUYER | |
| SECTION 3.01 Organization and Limited Partnership Authority | 5 |
| SECTION 3.02 Agreement Not in Breach of Other Instruments | 5 |
| SECTION 3.03 No Legal Bar | 5 |
| SECTION 3.04 Securities Act | 5 |
| SECTION 3.05 Independent Investigation | 5 |
| ARTICLE IV<br>REPRESENTATIONS AND WARRANTIES OF THE SELLER | |
| SECTION 4.01 Organization and Corporate Authority | 6 |
| SECTION 4.02 Agreement Not in Breach | 6 |
| SECTION 4.03 No Legal Bar | 6 |
| SECTION 4.04 Good and Marketable Title to Shares | 6 |
| SECTION 4.05 The Shares | 6 |
| ARTICLE V<br>REPRESENTATIONS AND WARRANTIES OF THE SELLER REGARDING THE VESSEL OWNING SUBSIDIARY | |
| SECTION 5.01 Organization Good Standing and Authority | 7 |
| SECTION 5.02 Capitalization | 7 |
| SECTION 5.03 Organizational Documents | 7 |
| SECTION 5.04 Agreement Not in Breach | 7 |
| SECTION 5.05 Litigation | 8 |
| SECTION 5.06 Indebtedness to and from Officers, etc. | 8 |
| SECTION 5.07 Personnel | 8 |
| SECTION 5.08 Contracts and Agreements | 8 |
| SECTION 5.09 Compliance with Law | 9 |
| SECTION 5.10 No Undisclosed Liabilities | 9 |
| SECTION 5.11 Disclosure of Information | 9 |

| | |
|---|---|
| SECTION 5.12 Payment of Taxes | 9 |
| SECTION 5.13 Permits | 10 |
| SECTION 5.14 No Material Adverse Change in Business | 10 |

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF THE SELLER REGARDING THE VESSEL

| | |
|---|---|
| SECTION 6.01 Title to Vessel | 10 |
| SECTION 6.02 No Encumbrances | 10 |
| SECTION 6.03 Condition | 10 |

ARTICLE VII
COVENANTS

| | |
|---|---|
| SECTION 7.01 Financial Statements | 11 |
| SECTION 7.02 Expenses | 11 |
| SECTION 7.03 Joint and Several Liability of the Seller | 11 |

ARTICLE VIII
AMENDMENTS AND WAIVERS

| | |
|---|---|
| SECTION 8.01 Amendments and Waivers | 11 |

ARTICLE IX
INDEMNIFICATION

| | |
|---|---|
| SECTION 9.01 Indemnity by the Seller | 12 |
| SECTION 9.02 Indemnity by the Buyer | 12 |
| SECTION 9.03 Exclusive Post-Closing Remedy | 12 |

ARTICLE X
MISCELLANEOUS

| | |
|---|---|
| SECTION 10.01 Governing Law | 13 |
| SECTION 10.02 Counterparts | 13 |
| SECTION 10.03 Complete Agreement | 13 |
| SECTION 10.04 Interpretation | 13 |
| SECTION 10.05 Severability | 13 |
| SECTION 10.06 Tbird Party Rights | 13 |
| SECTION 10.07 Notices | 13 |
| SECTION 10.08 Representations and Warranties to Survive | 14 |
| SECTION 10.09 Remedies | 14 |
| SECTION 10.10 Non-recourse to General Partner | 14 |

SHARE PURCHASE AGREEMENT (the "Agreement"), dated as of January 17, 2018, by and among CAPITAL MARITIME & TRADING CORP. ("CM&TC"), a corporation organized under the laws of the Republic of the Marshall Islands, EMMA SHIPHOLDINGS INC. ("Emma" and, together with CM&TC, the "Seller"), a corporation organized under the laws of the Republic of the Marshall Islands, and CAPITAL PRODUCT PARTNERS L.P. (the "Buyer"), a limited partnership organized under the laws of the Republic of the Marshall Islands.

WHEREAS, the Buyer wishes to purchase from the Seller, and the Seller wishes to sell to the Buyer, the one hundred (100) shares of capital stock (the "Shares") representing all of the issued and outstanding shares of capital stock of Asterias Crude Carrier S.A., a corporation organized under the laws of the Republic of the Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "Vessel Owning Subsidiary"), for a purchase price of $52,500,000.00, consisting of: (i) $24,166,666.66 in cash consideration, as referenced in Section 2.04, and (ii) the assumption of approximately $28,333,333.34 in debt owed by the Vessel Owning Subsidiary under the Loan Agreement (as defined below) to which the Vessel Owning Subsidiary is a party, as referenced in Section 5.10 5.10.

WHEREAS, the Vessel Owning Subsidiary is the registered owner of the Republic of Marshall Islands flagged 113,689 DWT Aframax Tanker "Aristaios" (the "Vessel").

WHEREAS, the Vessel is employed under a charter time charter dated October 2, 2015 by Tesoro Far East Maritime Company, with its registered office at 19100 Ridgewood Parkway, San Antonio, Texas 78259, as charterer (the "Charterer"), for a duration of 60 months (with 45 days less or more, exact period in Charterer's option) commenced in January 10, 2017 (the "Charter").

WHEREAS, contemporaneously with the Closing (as defined below), the Buyer and Capital Ship Management Corp. ("CSM") will execute an amendment to the Floating Rate Management Agreement dated the 10th day of June 2011 and entered into between the Buyer and CSM as same has been amended and/or supplemented from time to time (the "Amendment to the Management Agreement").

NOW, THEREFORE, the parties hereto agree as follows:

## ARTICLE I

## Interpretation

SECTION 1.01 Definitions. In this Agreement, unless the context requires otherwise or unless otherwise specifically provided herein, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"Agreement" means this Agreement, including its recitals and schedules, as amended, supplemented, restated or otherwise modified from time to time;

“Amendment to the Management Agreement” has the meaning given to it in the recitals;

“Applicable Law” in respect of any Person, property, transaction or event, means all laws, statutes, ordinances, regulations, municipal by-laws, treaties, judgments and decrees applicable to that Person, property, transaction or event and, whether or not having the force of law, all applicable official directives, rules, consents, approvals, authorizations, guidelines, orders, codes of practice and policies of any Governmental Authority having or purporting to have authority over that Person, property, transaction or event and all general principles of common law and equity;

“Buyer” has the meaning given to it in the preamble;

“Buyer Entities” means the Buyer and its subsidiaries;

“Buyer Indemnitees” has the meaning given to it in Section 9.01;

“Charter” has the meaning given to it in the recitals;

“Charterer” has the meaning given to it in the recitals;

“Closing” has the meaning given to it in Section 2.02;

“Closing Date” has the meaning given to it in Section 2.02;

“Commitment” means (a) options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights or other contracts that could require a Person to issue any of its equity interests or to sell any equity interests it owns in another Person (other than this Agreement and the related transaction documents); (b) any other securities convertible into, exchangeable or exercisable for, or representing the right to subscribe for any equity interest of a Person or owned by a Person; and (c) stock appreciation rights, phantom stock, profit participation, or other similar rights with :respect to a Person;

“Contracts” has the meaning given to it in Section 5.08;

“CM&TC” has the meaning given to it in the preamble;

“CSM” has the meaning given to it in the recitals;

“Emma” has the meaning given to it in the preamble;

“Encumbrance” means any mortgage, lien, charge, assignment, adverse claim, hypothecation, restriction, option, covenant, condition or encumbrance, whether fixed or floating, on, or any security interest in, any property whether real, personal or mixed, tangible or intangible, any pledge or hypothecation of any property, any deposit arrangement, priority, conditional sale agreement, other title retention agreement or equipment trust, capital lease or other security arrangements of any kind;

“Equity Interest” means (a) with respect to any entity, any and all shares of capital stock or other ownership interest and any Commitments with respect thereto, (b) any other direct equity ownership or participation in a Person and (c) any Commitments with respect to the interests described in (a) or (b);

“Governmental Authority” means any domestic or foreign government, including federal, provincial, state, municipal, county or regional government or governmental or regulatory authority, domestic or foreign, and includes any department, commission, bureau, board, administrative agency or regulatory body of any of the foregoing and any multinational or supranational organization;

“Loan Agreement” means that certain Loan Agreement, dated January 2, 2017, among the Vessel Owning Subsidiary and Scorpio Crude Carrier S.A., as joint and several Borrowers, the Banks and Financial Institutions listed on Schedule 1 thereto, as Lenders, Credit Agricole Corporate and Investment Bank, as Facility Agent, Security Trustee and Account Bank, ING Bank N.V. and Credit Agricole Corporate and Investment Bank, as Bookrunners and Mandated Lead Arrangers, and ING Bank N.V., as Swap Bank.

“Losses” means, with respect to any matter, all losses, claims, damages, liabilities, deficiencies, costs, expenses (including all costs of investigation, legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement) or diminution of value, whether or not involving a claim from a third party, however specifically excluding consequential, special and indirect losses, loss of profit and loss of opportunity;

“Notice” means any notice, citation, directive, order, claim, litigation, investigation, proceeding, judgment, letter or other communication, written or oral, actual or threatened, from any Person;

“Organizational Documents” has the meaning given to it in Section 5.03;

“Parties” means all parties to this Agreement and “Party” means any one of them;

“Partnership Agreement” means the Second Amended and Restated Agreement of Limited Partnership of the Buyer dated February 22, 2010, as amended from time to time.

“Person” means an individual, entity or association, including any legal personal representative, corporation, body corporate, :firm, partnership, trust, trustee, syndicate, joint venture, unincorporated organization or Governmental Authority;

“Permits” has the meaning given to it in Section 5.13;

“Purchase Price” has the meaning given to it in Section 2.04;

“Securities Act” means the Securities Act of 1933, as amended from time to time; “Seller” has the meaning given to it in the preamble;

“Seller Entities” means the Seller and its affiliates other than the Buyer Entities;

"Seller Indemnities" has the meaning given to it in Section 9.02;

"Shares" has the meaning given to it in the recitals;

"Taxes" means all income, :franchise, business, property, sales, use, goods and services or value added, withholding, excise, alternate minimum capital, transfer, excise, customs, anti-dumping, stumpage, countervail, net worth, stamp, registration, franchise, payroll, employment, health, education, business, school, property, local improvement, development, education development and occupation taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, dues and charges and other taxes required to be reported upon or paid to any domestic or foreign jurisdiction and all interest and penalties thereon;

'Vessel" has the meaning given to it in the recitals; and

"Vessel Owning Subsidiary" has the meaning given to it in the recitals.

## ARTICLE II

## Purchase and Sale of Shares; Closing

SECTION 2.01 Purchase and Sale of Shares. The Seller agrees to sell and transfer to the Buyer, and the Buyer agrees to purchase from the Seller for the Purchase Price and in accordmice with and subject to the terms and conditions set forth in this Agreement, the Shares which in tum shall result in the Buyer indirectly owning the Vessel.

SECTION 2.02 Closing. On the terms of this Agreement, the sale and transfer of the Shares and payment of the Purchase Price shall take place on the date hereof (the "Closing Date"). The sale and transfer of the Shares is hereinafter referred to as the "Closing."

SECTION 2.03 Place of Closing. The Closing shall take place at the premises of CSM at 3 Iassonos Street, Piraeus, Greece.

SECTION 2.04 Purchase Price for Shares. On the Closing Date, the Buyer shall pay to the Seller the purchase price (the "Purchase Price") of $52,500,000.00, consisting of (i) the amount of$24,166,666.66 US Dollars .in cash, $18,125,000.00 US Dollars of which shall be paid to an account nominated by CM&TC and $6,041,666.67 US Dollars of which shall be paid to an account nominated by Emma and (ii) the assumption of approximately $28,333,333.34 US Dollars :in debt owed by the Vessel Own:ing Subsidiary underthe Loan Agreement, in exchange for the Shares.

SECTION 2.05 Payment of the Purchase Price. The cash portion of the Purchase Price will be paid by the Buyer to the Seller by wire transfers of immediately available funds to an account designated in writing by CM&TC and to an account designated in writing by Emma, allocated in the manner set forth in Section 2.04.

ARTICLE III

Representations and Warranties of the Buyer

The Buyer represents and warrants to the Seller that as of the date hereof:

SECTION 3.01 Organization and Limited Partnership Authority. The Buyer is duly formed, validly existing and in good standing under the laws of the Republic of the Marshall Islands, and has all requisite limited partnership power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Buyer, has been effectively authorized by all necessary action, limited partnership or otherwise, and constitutes legal, valid and binding obligations of the Buyer. No meeting has been convened or resolution proposed or petition presented and no order has been made to wind up the Buyer.

SECTION 3.02 Agreement Not in Breach of Other Instruments. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, or conflict with, any agreement or other instrument to which the Buyer is a party or by which it is bound, the Certificate of Formation and the Partnership Agreement, any judgment, decree, order or award of any court, governmental body or arbitrator by which the Buyer is bound, or any law, rule or regulation applicable to the Buyer which would have a material effect on the transactions contemplated hereby.

SECTION 3.03 No Legal Bar. The Buyer is not prohibited by any order, writ, injunction or decree of any body of competent jurisdiction from consummating the transactions contemplated by this Agreement and no such action or proceeding is pending or, to the best of its knowledge and belief, threatened against the Buyer which questions the validity of this Agreement, any of the transactions contemplated hereby or any action which has been taken by any of the parties in connection herewith or in connection with any of the transactions contemplated hereby.

SECTION 3.04 Securities Act. The Shares purchased by the Buyer pursuant to this Agreement are being acquired for investment purposes only and not with a view to any public distribution thereof, and the Buyer shall not offer to sell or otherwise dispose of the Shares so acquired by it in violation of any of the registration requirements of the Securities Act. The Buyer acknowledges that it is able to fend for itself, can bear the economic risk of its investment in the Shares, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in all of the Shares. The Buyer is an “accredited investor” as such term is defined in Regulation D under the Securities Act. The Buyer understands that, when issued to the Buyer at the Closing, none of the Shares will be registered pursuant to the Securities Act and that all of the Shares will constitute “:restricted securities” under the federal securities laws of the United States.

SECTION 3.05 Independent Investigation. The Buyer has had the opportunity to conduct to its own satisfaction independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, :financial condition and prospects of the Vessel Owning Subsidiary and, in making the determination to proceed with the transactions contemplated hereby, has relied solely on the results of its own independent investigation and the representations and warranties set forth in Articles N, V and VI.

ARTICLE IV

Representations and Warranties of the Seller

Each of the Seller represents and warrants to the Buyer, jointly and severally, that as of the date hereof:

SECTION 4.01 Organization and Corporate Authority. Each of the Seller is duly incorporated, validly existing and in good standing under the laws of the Republic of the Marshall Islands, and has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by each of the Seller, has been effectively authorized by all necessary action, corporate or otherwise, and constitutes legal, valid and binding obligations of the Seller. No meeting has been convened or resolution proposed or petition presented and no order has been made to wind up any of the Seller.

SECTION 4.02 Agreement Not in Breach. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, or conflict with, any agreement or other instrument to which the Seller is a party or by which it is bound, the Articles of Incorporation and Bylaws of any of the Seller, any judgment, decree, order or award of any court, governmental body or arbitrator by which any of the Seller is bound, or any law, rule or regulation applicable to any of the Seller.

SECTION 4.03 No Legal Bar. None of the Seller is prohibited by any order; writ, injunction or decree of any body of competent jurisdiction :from consummating the transactions contemplated by this Agreement and no such action or proceeding is pending or, to the best of its knowledge and belief, threatened against any of the Seller which questions the validity of this Agreement, any of the transactions contemplated hereby or any action which has been taken by any of the parties in connection herewith or in connection with any of the transactions contemplated hereby.

SECTION 4.04 Good and Marketable Title to Shares. The Seller in aggregate is the owner (ofrecord and beneficially) of all of the Shares, seventy-five (75) of which are owned (ofrecord and beneficially) by CM&TC and twenty-five (25) of which are owned (of record and beneficially) by Emma, and each of the Seller has good and marketable title to the Shares, :free and clear of any and all Encumbrances other than under the Loan Agreement. The Shares constitute 100% of the issued and outstanding Equity Interests of the Vessel Owning Subsidiary.

SECTION 4.05 The Shares. Assuming the Buyer has the requisite power and authority to be the lawful owner of the Shares, upon delivery to the Buyer at the Closing of certificates representing the Shares, duly endorsed by each of the Seller for transfer to the Buyer or accompanied by appropriate instruments sufficient to evidence the transfer from the Seller to the Buyer of the Shares under the Applicable Laws of the relevant jurisdiction, or delivery of such Shares by electronic means, and upon each of the Seller's receipt of the Purchase Price, the Buyer shall own good and valid title to the Shares, :free and clear of any Encumbrances, other than those arising from acts of the Buyer Entities or arising under the Loan Agreement (it being understood that the pledge of the Shares by Seller under the Loan Agreement shall be released at or prior to Closing and the Buyer Entities shall pledge the Shares under the Loan Agreement at or after Closing). Other than this Agreement and any related transaction documents, the Organizational Documents and restrictions imposed by Applicable Law, at the Closing, the Shares will not be subject to any voting trust agreement or other contract, agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or disposition of the Shares, other than any agreement to which any Buyer Entity is a party.

## ARTICLE V

## Representations and Warranties of the Seller Regarding the Vessel Owning Subsidiary

The Seller represents and warrants to the Buyer, jointly and severally, that as of the date hereof:

SECTION 5.01 Organization Good Standing and Authority. The Vessel Owning Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Marshall Islands. The Vessel Owning Subsidiary has full corporate power and authority to carry on its business as it is now, and has since its incorporation been, conducted, and is entitled to own, lease or operate the properties and assets it now owns, leases or operates and to enter into legal and binding contracts. No meeting has been convened or resolution proposed or petition presented and no order has been made to wind up the Vessel Owning Subsidiary.

SECTION 5.02 Capitalization. Title to Shares. The Shares consist of the one hundred (100) shares of capital stock without par value and have been duly authorized and validly issued and are fully. paid and non-assessable, and constitute the total issued and outstanding Equity Interests of the Vessel Owning Subsidiary. There are not outstanding (i) any options, warrants or other rights to purchase from the Vessel Owning Subsidiary any equity interests of the Vessel Owning Subsidiary, (ii) any securities convertible into or exchangeable for shares of such equity interests of the Vessel Owning Subsidiary or (iii) any other commitments of any kind for the issuance of additional shares of equity interests or options, warrants or other securities of the Vessel Owning Subsidiary.

SECTION 5.03 Organizational Documents. The Seller has supplied to the Buyer true and correct copies of the organizational documents of the Vessel Owning Subsidiary, as in effect as of the date hereof (the "Organizational Documents").

SECTION 5.04 Agreement Not in Breach. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will violate, or result in a breach of; any of the terms and provisions of, or constitute a default under, or conflict with, or give any other party thereto a right to terminate any agreement or other instrument to which the Vessel Owning Subsidiary is a party or by which it is bound including, without limitation, any of the Organizational Documents, or any judgment, decree, order or award of any court, governmental body or arbitrator applicable to the Vessel Owning Subsidiary.

SECTION 5.05 Litigation.

(a) There is no action, suit or proceeding to which the Vessel Owning Subsidiary is a party (either as a plaintiff or defendant) pending before any court or governmental agency, authority or body or arbitrator; there is no action, suit or proceeding threatened against the Vessel Owning Subsidiary; and, to the best knowledge of the Seller, there is no basis for any such action, suit or proceeding;

(b) The Vessel Owning Subsidiary has not been permanently or temporarily enjoined by any order, judgment or decree of any court or any governmental agency, authority or body from engaging in or continuing any conduct or practice in connection with the business, assets, or properties of the Vessel Owning Subsidiary; and

(c) There is not in existence any order, judgment or decree of any court or other tribunal or other agency enjoining or requiring the Vessel Owning Subsidiary to take any action of any kind with respect to its business, assets or properties.

SECTION 5.06 Indebtedness to and from Officers, etc. The Vessel Owning Subsidiary will not be indebted, directly or indirectly, to any person who is an officer, director, stockholder or employee of the Seller or any spouse, child, or other relative or any affiliate of any such person, nor shall any such officer, director, stockholder, employee, relative or affiliate be indebted to the Vessel Owning Subsidiary.

SECTION 5.07 Personnel. The Vessel Owning Subsidiary has no employees.

SECTION 5.08 Contracts and Agreements. Other than the Charter, the Amendment to the Management Agreement and the Loan Agreement (together, the "Contracts"), there are no material contracts or agreements, written or oral, to which the Vessel Owning Subsidiary is a party or by which any of its assets are bound.

(a) Each of the Contracts is (or, in the case of the Amendment to the Management Agreement, will be at Closing) a valid and binding agreement of the Vessel Owning Subsidiary, and to the best knowledge of the Seller, of all other parties thereto;

(b) The Vessel Owning Subsidiary has fulfilled all material obligations required pursuant to its Contracts to have been performed by it prior to the date hereof and has not waived any material rights thereunder, including payment in full of the purchase price for the Vessel, together with any other payments of the Vessel Owning Subsidiary due thereunder;

(c) The Vessel Owning Subsidiary and the Buyer Loan Parties (as defined below) have no obligations with respect to, or any liability for any breach or default of the Loan Agreement by, any of the other borrowers or other party under the Loan Agreement (other than with respect to obligations, breaches or defaults of the Buyer or any such borrowers that are wholly owned subsidiaries of the Buyer (collectively, "Buyer Loan Parties")) ("Third Party Loan Agreement Breaches"); no Third Party Loan Agreement Breaches shall result in a breach or default of the Loan Agreement by the Vessel Owning Subsidiary or the Buyer Loan Parties, result in any payment obligation of the Vessel Owning Subsidiary or the Buyer Loan Parties under the Loan Agreement, or otherwise affect the rights and obligations of the Vessel Owning Subsidiary or the Buyer Loan Parties under the Loan Agreement; and the Vessel Owning Subsidiary and the Buyer Loan Parties are not jointly liable for any obligations under the Loan Agreement other than in respect of the Vessel Owning Subsidiary or the Buyer Loan Parties.

(d) There has not occurred any material default under any of the Contracts on the part of the Vessel Owning Subsidiary, or to the best knowledge of the Seller, on the part of any other party thereto nor has any event occurred which with the giving of notice or the lapse of time, or both, would constitute any material default on the part of the Vessel Owning Subsidiary under any of the Contracts nor, to the best knowledge of the Seller, has any event occurred which with the giving of notice or the lapse of time, or both, would constitute any material default on the part of any other party to any of the Contracts.

SECTION 5.09 Compliance with Law. The conduct of business by the Vessel Owning Subsidiary does not and the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not violate any laws, statutes, ordinances, rules, regulations, decrees, orders, permits or other similar items in force (including, but not limited to, any of the foregoing relating to employment discrimination, environmental protection or conservation) of any country, province, state or other governing body, the enforcement of which would materially and adversely affect the business, assets, condition (financial or otherwise) or prospects of the Vessel Owning Subsidiary taken as a whole, nor has the Vessel Owning Subsidiary received any notice of any such violation.

SECTION 5.10 No Undisclosed Liabilities. The Vessel Owning Subsidiary (or the Vessel owned by it) has no liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise, and whether due or to become due (including, without limitation, any liability for Taxes and interest, penalties and other charges payable with respect to any such liability or obligation, including under the Loan Agreement), other than under the Loan Agreement solely with respect to the approximately $28,333,333.34 aggregate principal amount borrowed and outstanding thereunder to fund the purchase of the Vessel, plus accrued interest thereon, if any, from the last payment date. Notwithstanding the foregoing, the Parties acknowledge and agree that there may be obligations under the Contracts that are not due and payable as of the date hereof and that will be the responsibility of the Seller pursuant to Section 9.01(c) of this Agreement.

SECTION 5.11 Disclosure of Information. The Seller has disclosed to the Buyer all material information on, and about, the Vessel Owning Subsidiary and the Vessel and all such information is true, accurate and not misleading *in* any material respect. Nothing has been withheld from the material provided to the Buyer which would render such information untrue or misleading.

SECTION 5.12 Payment of Taxes. The Vessel Owning Subsidiary has filed all foreign, federal, state and local income and franchise tax returns required to be filed, which retums are correct and complete in all material respects, and has timely paid all taxes due from it, and the Vessel is in good standing with respect to the payment of past and current Taxes, fees and other amounts payable under the laws of the jurisdiction where it is registered as would affect its registry with the ship registry of such jurisdiction.

SECTION 5.13 Permits. The Vessel Owning Subsidiary has such permits, consents, licenses, franchises, concessions, certificates and authorizations ("Permits") of, and has all declarations and filings with, and is qualified and in good standing in each jurisdiction of, all federal, provincial, state, local or foreign Governmental Authorities and other Persons, as are necessary to own or lease its properties and to conduct its business in the manner that is standard and customary for a business of its nature other than such Permits the absence of which, individually or in the aggregate, has not and could not reasonably be expected to materially or adversely affect the Vessel Owning Subsidiary. The Vessel Owning Subsidiary has fulfilled and performed all its obligations with respect to such Permits which are or will be due to have been fulfilled and performed by such date and no event has occurred that would prevent the Permits from being renewed or reissued or that allows, or after notice or lapse of time would allow, . revocation or termination thereof or results or would result in any impairment of the rights of the holder of any such Permits, except for such non-renewals, non-issues, revocations, terminations and impairments that would not, individually or in the aggregate, materially or adversely affect the Vessel Owning Subsidiary, and none of such Permits contains any restriction that is materially burdensome to the Vessel Owning Subsidiary.

SECTION 5.14 No Material Adverse Change in Business. Since December 31, 2015, there has been no material adverse change in the condition, financial or otherwise, or in the earnings, properties, business affairs or business prospects of the Vessel Owning Subsidiary, whether or not arising in the ordinary course of business, that would have or could reasonably be expected to have a material adverse effect on the condition, :financial or otherwise, or in the earnings, business affairs or business prospects of the Vessel Owning Subsidiary.

## ARTICLE VI

### Representations and Warranties of the Seller regarding the Vessel

The Seller represents and warrants to the Buyer, jointly and severally, that as of the date hereof

SECTION 6.01 Title to Vessel. The Vessel Owning Subsidiary is the owner (beneficially and of record) of the Vessel and has good and marketable title to the Vessel.

SECTION 6.02 No Encumbrances. The assets of the Vessel Owning Subsidiary and the Vessel are free of all Encumbrances other than the Encumbrances arising under the Charter or the Loan Agreement.

SECTION 6.03 Condition. The Vessel is (i) adequate and suitable for use by the Vessel Owning Subsidiary in the manner that is standard and customary for a vessel of its type, ordinary wear and tear excepted; (ii) seaworthy in all material respects for hull and machinery insurance warranty purposes and in good running order and repair; (iii) insured against all risks, and in amounts, consistent with common industry practices; (iv) in compliance with maritime laws and regulations; and (v) in compliance in all material respects with the requirements of its class and classification society; and all class certificates of the Vessel are clean and valid and free of recommendations affecting class; and the Buyer acknowledges and agrees that, subject only to the representations and warranties in this Agreement, it is acquiring the Vessel on an "as is, where is" basis.

ARTICLE VII

Covenants

SECTION 7.01 Financial Statements. The Seller agrees to cause the Vessel Owning Subsidiary to provide access to the books and records of the Vessel Owning Subsidiary to allow the Buyer's outside auditing firm to prepare at the Buyer's expense any information, review or audit the Buyer reasonably believes is required to be furnished or provided by the Buyer pursuant to applicable securities laws. The Seller will (A) direct its auditors to provide the Buyer's auditors access to the auditors' work papers and (B) use its commercially reasonable efforts to assist the Buyer with any such information, review or audit and to provide other financial information reasonably requested by the Buyer or its auditors, including the delivery by the Seller Entities of any information, letters and similar documentation, including reasonable "management representation letters" and attestations.

SECTION 7.02 Expenses. All costs, fees and expenses incurred in connection with this Agreement and the related transaction documents shall be paid by the Buyer, including all costs, fees and expenses incurred in connection with conveyance fees, recording charges and other fees and charges applicable to the transfer of the Shares. For the avoidance of doubt, all costs and expenses incurred by the Buyer to load the Vessel with fuel oil, lubricating oil, greases, fresh water and other stores necessary to operate the Vessel after the Closing as well as in connection with the delivery of the Vessel to the delivery port (ballast) shall be for the Buyer's account.

SECTION 7.03 Joint and Several Liability of the Seller. Each of CM&TC and Emma shall be jointly and severally liable for the representations, warranties, covenants and other obligations of the Seller (and of CM&TC and Emma) under this Agreement.

ARTICLE VIII

Amendments and Waivers

SECTION 8.01 Amendments and Waivers. This Agreement may not be amended except by an instrument in writing signed on behalf of each parties hereto. By an instrument in writing the Buyer, on the one hand, or the Seller, on the other hand, may waive compliance by the other with any term or provision of this Agreement that such other party was or is obligated to comply with or perform.

ARTICLE IX

Indemnification

SECTION 9.01 Indemnity by the Seller. The Seller shall be jointly and severally liable for, and shall jointly and severally indemnify the Buyer and each of its subsidiaries and each of their directors, employees, agents and representatives (the "Buyer Indemnitees") against and hold them harmless from, any Losses, suffered or incurred by such Buyer Indemnitee:

(a) by reason of, arising out of or otherwise in respect of any inaccuracy in, or breach of, any representation or warranty (without giving effect to any supplement to the schedules or qualifications as to materiality or dollar amount or other similar qualifications), or a failure to perform or observe any covenant, agreement or obligation of, the Seller in or under this Agreement or in or under any document, instrument or agreement delivered pursuant to this Agreement by the Seller;

(b) any fees, expenses or other payments incurred or owed by the Seller or the Vessel Owning Subsidiary to any brokers, financial advisors or comparable other persons retained or employed by it in connection with the transactions contemplated by this Agreement; or

(c) by reason of, arising out of or otherwise in respect of (i) Third Party Loan Agreement Breaches or (ii) obligations, liabilities, expenses, cost and claims relating to, arising from or otherwise attributable to (x) the Loan Agreement (other than those attributable to the Buyer Loan Parties, excluding any resulting from joint liability (or similar concepts) thereunder), including with respect to any amounts borrowed or otherwise owing thereunder other than the aggregate principal amount specified in Section 5.10) or (y) assets owned by the Vessel Owning Subsidiary or the assets, operations, and obligations of the Vessel Owning Subsidiary or the businesses thereof, in each case under clause (y), to the extent relating to, arising from, or otherwise attributable to facts, circumstances or events occurring prior to the Closing Date.

SECTION 9.02 Indemnity by the Buyer. The Buyer shall indemnify the Seller and its subsidiaries other than any Buyer Indemnitees and each of their respective officers, directors, employees, agents and representatives (the "Seller Indemnitees") against and hold them harmless from, any Losses, suffered or incurred by such Seller Indemnitee by reason of, arising out of or otherwise in respect of any inaccuracy in, or breach of, any representation or warranty (without giving effect to any supplement to the schedules occurring after the date hereof or qualifications as to materiality or dollar amount or other similar qualifications), or a failure to perform or observe any covenant, agreement or obligation o:t; the Buyer in or under this Agreement or in or under any document, instrument or agreement delivered pursuant to this Agreement by the Buyer.

SECTION 9.03 Exclusive Post-Closing Remedy. After the Closing, and except for any non-monetary, equitable relief to which any Party may be entitled, or any remedies for willful misconduct or actual fraud, the rights and remedies set forth in this Article IX shall constitute the sole and exclusive rights and remedies of the Parties under or with respect to the subject matter of this Agreement.

ARTICLE X

Miscellaneous

SECTION 10.01 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed wholly within such jurisdiction without giving effect to conflict of law principles thereof other than Section 5-1401 of the New York General Obligations Law, except to the extent that it is mandatory that the law of some other jurisdiction, wherein the Vessel is located, shall apply.

SECTION 10.02 Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute but one and the same instrument.

SECTION 10.03 Complete Agreement. This Agreement and Schedules hereto contain the entire agreement between the parties hereto with respect to the transactions contemplated herein and, except as provided herein, supersede all previous oral and ·written and all contemporaneous oral negotiations, commitments, writings and understandings.

SECTION 10.04 Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.05 Severability. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any governmental body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect, as nearly as possible, to the intention of the Parties as expressed in this Agreement at the time of execution of this Agreement.

SECTION 10.06 Tbird Party Rights. Except to the extent provided in Article X, a Person who is not a party to this Agreement has no right to enforce or to enjoy the benefit of any term of this Agreement.

SECTION 10.07 Notices. Any notice, claim or demand in connection with this Agreement shall be delivered to the parties at the following addresses (or at such other address or facsimile number for a party as may be designated by notice by such party to the other party):

(a) if to Capital Maritime & Trading Cmp., as follows:

c/o Capital Ship Management Corp.,
3 Iassonos Street, Piraeus, Greece
Attention: Gerassimos Kalogiratos
Facsimile: +30 210 428 4285

(b) if to Emma Shipholdings Inc., as follows:

c/o Bairactaris & Partners
130 Kolokotroni Street
18536 Piraeus, Greece
E-mail: vbairactaris@bairactaris.com

(c) if to Capital Product Partners L.P., as follows:

c/o Capital Ship Management Corp.,
3 Iassonos Street, Piraeus, Greece
Attention: CEO/CFO
Facsimile: +30 210 428 4285

and any such notice shall be deemed to have been received (i) on the next working day in the place to which it is sent, if sent by facsimile or (ii) forty eight (48) hours from the time of dispatch, if sent by courier.

SECTION 10.08 Representations and Warranties to Survive. All representations and warranties of the Buyer and Seller contained in this Agreement shall survive the Closing and shall remain operative and in full force and effect after the Closing, regardless of (a) any investigation made by or on behalf of any Party or its affiliates, any Person controlling any Party, its officers or directors, and (b) delivery of and payment for the Shares.

SECTION 10.09 Remedies. Except as expressly provided in Section 9.03, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity. Except as expressly provided in this Agreement, nothing in this Agreement will be considered an election of remedies.

SECTION 10.10 Non-recourse to General Partner. Neither the Buyer's general partner nor any other owner of Equity Interests in the Buyer shall be liable for the obligations of the Buyer under this Agreement or any of the related transaction documents, including, in each case, by reason of any payment obligation imposed by governing partnership statutes.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed as of the date first above written.

CAPITAL MARITIME & TRADING CORP.,

By /s/ Gerasimos Kalogiratos
Name Gerasimos Kalogiratos
Title: Chief Financial Officer

EMMA SHIPHOLDINGS INC.,

By /s/ Emmanouil Zannis
Name Emmanouil Zannis
Title: Director

CAPITAL PRODUCT PARTNERS L.P.

by Capital GP L.L.C., its general partner

By /s/ Gerasimos Kalogiratos
Name Gerasimos Kalogiratos
Title: Chief Executive Officer and Chief Financial Officer of Capital GP, L.L.C.

**Exhibit 4.48**

**Norwegian Shipbrokers' Association's**
**Memorandum of Agreement for sale and**
**purchase of ships. Adopted by BIMCO in 1956. Code-name**
**SALEFORM 2012**
**Revised 1966, 1983 and 1986/87, 1993 and 2012**

**MEMORANDUM OF AGREEMENT**

Dated: **22 December 2017**

**Aenaos Product Carriers SA, 80 Broad Street, Monrovia, Liberia** (*Name of sellers*), hereinafter called the "Sellers", have agreed to sell, and

**Chelsea Shipping Corp., of 26th Floor Fort Legend Tower 3RD Avenue Corner 31st Street Bonifacio Global City, Taguig 1634, Manila, Philippines or for a company to be nominated as buyer** (*Name of buyers*), hereinafter called the "Buyers", have agreed to buy:

Name of vessel: "**ARISTOTELIS**"

IMO Number: **9633501**

Classification Society: **Lloyds Register**

Class Notation: **+100A1, Double Hull Oil and Chemical Tanker, Ship Type 2 & 3, CSR, ESP, Ship Right (CM, ACS(B)), *IWS, LI, SPM4, EP(Bt, P, Vc) +LMC, IGS, UMS Descriptive notes: COW(LR), ETA, Part Higher Tensile Steel, PL(LR), SBT(LOR), ShipRight(BWMP(S, T), SCM, SERS, IHM)**

Year of Build: **2013** Builder/Yard: **Hyundai Mipo Dockyard Co., LTD.**

Flag: **Liberia** Place of Registration: **Monrovia** GT/NT: **29,877/14,127**

hereinafter called the "Vessel", on the following terms and conditions:

**Definitions**

"Banking Days" are days on which banks are open ~~both~~ in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation), **the Philippines, Germany, Singapore** and **Greece** (*add additional jurisdictions as appropriate*).

"Buyers' Nominated Flag State" means **Philippines** (*state flag state*).

"Class" means the class notation referred to above.

"Classification Society" means the Society referred to above.

"Deposit" shall have the meaning given in Clause 2 (Deposit).

“Deposit Holder” means **Holman Fenwick Willan, Singapore, 10 Collyer Quay, #18-01 Ocean Financial Centre, Singapore 049315** (*state name and location of Deposit Holder*) or, if left blank, the Sellers’ Bank, which shall hold and release the Deposit in accordance with this Agreement.

**The Deposit holder to be Sellers nominated bank or a UK Law Firm nominated by the Sellers for Buyers acceptance, such acceptance not to be unreasonably withheld (intention Holman Fenwick Willan, Singapore — Watson Farley Williams, Ince & Co, Reed Smith, Hill Dickinson in the UK and any of the offices abroad are considered as accepted). Buyers to provide all requested ‘Know Your** Customer’ (‘KYC’) documentation **to the Deposit Holder in a prompt manner and not later than 1 Banking Day after receipt of the relevant request.**

“In writing” or “written” means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

“Parties” means the Sellers and the Buyers.

“Purchase Price” means the price for the Vessel as stated in Clause 1 (Purchase Price).

“Sellers’ Account” means
(*state details of bank account*) at the Sellers’ Bank.

“Sellers Bank” means HSH Nordbank AG, Hamburg (*state name of bank, branch and details*) or, if left blank, the bank notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

## 1. Purchase Price

The Purchase Price is **United States Dollars Twenty Nine Million Four Hundred Thousand (USD 29,400,000)** (*state currency and amount both in words and figures*).

## 2. Deposit

As security for the correct fulfilment of this Agreement the Buyers shall lodge a deposit of ________% (________ ~~per cent) or, if left blank,~~ 10% (ten per cent)~~,~~ of the Purchase Price (the “Deposit”) in an interest bearing account for the Parties with the Deposit Holder within three (3) Banking Days after the date that:

**(i)** this Agreement has been signed **and duly notarised and legalised/apostilled as required** by the Parties and exchanged in original or by e-mail or telefax; and

**(ii)** the Deposit Holder has confirmed in writing to the Parties that the ~~account has been opened~~. **escrow agreement between Sellers, Buyers and such Deposit Holder (the “Escrow Agreement”) is executed**.

The Deposit shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.

**3. Payment**

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices) (**Date of such notice being inclusive**):

**(i)** the Deposit shall be released to the Sellers; and

**(ii)** the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers' Account.

**4. Inspection**

(a)* The Buyers have inspected and accepted the Vessel's classification records. The Buyers have also inspected the Vessel at/in **Chittagong** (*state place*) on **24th October** (*state date*) and have accepted the Vessel following this inspection and the sale is outright and definite, subject only to the terms and conditions of this. Agreement.

~~(b)* The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within (state date/period).~~

~~The Sellers shall make the Vessel available for inspection at/in (state place/range) within (state date/period).~~

~~The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.~~

~~The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.~~

~~During the inspection, the Vessel's desk and engine log books shall be made available for examination by the Buyers.~~

~~The sale shall become outright and definite, subject only to the terms and conditions of this Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.~~

~~Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.~~

~~**4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*~~

**5. Time and place of delivery and notices**

**(a)** The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at/in **Manila, Philippines or Singapore** (*state place/range*) in the Sellers' option.

Notice of Readiness shall not be tendered before: **7th February 2018** (*date*)

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a)(iii) and 14): **12th March 2018**

**(b)** The Sellers shall keep the Buyers well informed of the Vessel's itinerary and shall provide the Buyers with **thirty (30)**, twenty (20), ten (10), five (5) **approximate days** and three (3), **two (2), one (1) definite** days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**(c)** If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within ~~three (3) Banking Days~~ **48 hours** of receipt of the notice or of accepting the new date as the new Cancelling Date.

If the Buyers have not declared their option within ~~three (3) Banking Days~~ **48 hours** of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full force and effect.

**(d)** Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

**(e)** Should the Vessel become an actual, constructive or compromised total loss before delivery the Deposit together with interest earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

**6. Divers Inspection / Drydocking**

**The Vessel is to be delivered without drydocking. However, the Buyers shall have the right at their expense to arrange for an underwater inspection by a diver approved by the Classification Society at the Delivery Port.**

**Buyers to declare this option latest within 24 hours from receiving the 20 days approximate notice as per Clause 5 above.**

**Such Inspection to be attended by a Class surveyor to be arranged by the Sellers at the Sellers' expense.**

**The Sellers shall at their cost make the Vessel available for such inspection. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the attending Class Surveyor. If the conditions at the port of delivery are unsuitable for such inspection in the opinion of the attending Class Surveyor, the Sellers shall make the Vessel available at a suitable alternative place near to the delivery port.**

**a) If damage to underwater parts affecting Vessel's Class is found which the Classification Society requires to be rectified at the Vessel's next scheduled dry-dock, the Sellers shall have the option to deliver the vessel without rectifying the damage but paying the Buyers an estimated repair cost, by way of reduction from the purchase price, which amount shall be an average amount reasonably quoted by the Sellers and the Buyers respectively from two (2) reputable repairers in China. In this case, only direct cost to repair such damage shall be for the Sellers' account, and not to include dry dock dues, docking or un-docking costs. This direct costs is to be deducted from Vessel's Purchase Price at the time of Delivery. If the Classification Society requires the damage to be repaired earlier than Vessel's next scheduled drydocking, clauses (b) and (c) to apply:**

**b) If the Classification Society requires Sellers to carry out afloat repairs of such damages promptly, then the Sellers shall repair such damages afloat at their expense to the satisfaction of Classification Society prior delivery. In this case, the Cancelling Date specified shall be extended by the time necessary for such repairing works.**

**c) If the Classification Society requires to carry out repairs at a drydocking facility, the Sellers shall arrange for the vessel to be repaired at a suitable drydocking facility at their expense. The Buyers have the right to clean and paint the vessel's bottom and other underwater parts during drydock at their time, risk and expenses without interference to the Sellers' works subject to prior consent of the Sellers, which not to be unreasonably withheld.**

**In the event that the Sellers' works are completed prior to the Buyers' completion of their works, if any, the Sellers have the right to tender a Notice of Readiness for delivery whilst the Vessel is in drydock and deliver the vessel in drydock, and the Buyers shall be obliged to take delivery of the Vessel, whether the Vessel is in drydock or not.**

**If there are no suitable drydocking facilities within the delivery range as per Clause 5(b) herein, the Sellers shall drydock the Vessel in an alternative port, which shall become for the purpose of this clause the new delivery port. In such event the Cancelling Date as per Clause 5(b) herein shall be extended by the additional time required for the dry-docking and extra steaming.**

**~~(a)*~~**

**~~(i)~~** ~~The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Canceling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.~~

**~~(ii)~~** ~~If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the~~

~~Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation** and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.~~

~~Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2) Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may no tender Notice of Readiness prior to such estimate having been established.~~

~~**(iii)**~~ ~~If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14 days.~~

~~**(b)*** The Sellers shall place the Vessel in drydock at the port or delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules, If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation**. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The~~

~~Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.~~

~~**(c)** If the Vessel is drydocked pursuant to Clause 6 (a)(ii) or 6 (b) above:~~

~~**(i)**~~ ~~The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation**.~~

~~**(ii)**~~ ~~The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.~~

~~**(iii)**~~ ~~The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.~~

~~**(iv)**~~ ~~The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work required such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.~~

~~**6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*~~

~~**Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.~~

**7. Spares, bunkers and other items**

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore **and on order**. All spare parts and spare equipment ~~including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s)~~, if any, belonging to the Vessel at the time of inspection used or unused, whether on board or not shall become the Buyers' property, but spares on order are excluded. Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items: **As below, but to be reconfirmed by Sellers** (*include list*)

1. ***Flag Certificates i.e., Registry, Safe Manning and Radio License***
2. ***All certificates of insurance and financial responsibility, COFR Federal or California Certificates***
3. ***Safety Management Certificate / SMC***
4. ***International Ship Security Certificate / ISSC***
5. ***MLC Certificate (Maritime Labour Certificate)***
6. ***Declarations to Flag i.e, Company, CSO and DPA.***
7. ***Engine and Deck Logbooks. (Copies may be given to buyers)***
8. ***Oil Record Books. (copies for last 6 months of O.R.B. stamped as certified true copies will left on board for buyers)***
9. ***Garbage Record Book. (Copies stamped as certified true copies will left on board for buyers)***
10. ***Ship's stamps***
11. ***Ship Security Plan and Security File / SMS Manuals / VRP***
12. ***Masters, Officers and crew personal effects***
13. ***Hand held VHF radios (not part of GMDSS equipment)***
14. ***All certificates required by the registration authorities for the purpose of issuing the deletion certificate***
15. ***Seagull CBT Training equipment***
16. ***ECDIS (electronic charts), program***
17. ***Chartco system and ISF Watch-keeper software programs***
18. ***ISF Watchkeeper software program***
19. ***Company Mobile Phone***

20. *IRRIDIUM PILOT SYSTEM*

21. *Server*

22. *NAS (dlink storage device)*

**Following may remain on board if requested but Sellers name and contact details to be removed**

- ***Solas Training Manuals***
- ***Fire Fighting Training Manuals***
- ***Ballast Water Management Plan***
- ***ETA Booklet***

Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation: **As below, but to be reconfirmed by Sellers** (*include list*)

1. ***Butterworth portable tank cleaning machines***
2. ***GAS/OXY/ACETYLENE/MEDICAL OXYGEN/FREON BOTTLES from Wilhelmsen Ship Service of Drew Ameroid***

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums and pay either:

**(a)** *the actual net price ~~(excluding barging expenses)~~ as evidenced by invoices or vouchers; or

~~(b) *the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port,~~

for the quantities taken over. **Bunkers and luboil quantity survey to be mutually performed by Sellers and Buyers representatives at the time of Delivery.**

**All plans, drawings and instruction manuals which are onboard shall be delivered to the Buyers as they are upon Delivery of the Vessel. All remaining plans, drawings and instructions manuals in the Sellers’ possession shall be forwarded to the Buyers’ designated place after Delivery at Sellers’ account.**

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

"inspection" in this Clause 7, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

~~**(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*~~

**8. Documentation**

The place of closing: **Holman Fenwick Willan, Singapore**

**In exchange for payment of the Purchase Price and all other monies due to the Sellers pursuant to this Agreement, the Sellers shall furnish the Buyers with delivery documents as may be reasonably required by the Buyers, for the purpose of enabling the Buyers to register the Vessel under their ownership wider the flag chosen by the Buyers. All such documents to be listed in an addendum to this Agreement to be prepared by the Buyers and approved by the Sellers as soon as practically possible after the date of this Agreement.**

**However such addendum not to delay the signing of this Agreement and consequently the payment of the Deposit as per Clause 2 of this Agreement.**

~~**(a)** In exchange for payment of the Purchase Price the Sellers shall provide the Buyers with the following delivery documents:~~

~~**(i)** Legal Bills(s) of Sale in a form recordable in the Buyers' Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers' Nominated Flag State;~~

~~**(ii)** Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;~~

~~**(iii)** Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);~~

~~**(iv)** Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers' ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;~~

~~**(v)** Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Bankng Days prior to delivery confirming that the Vessel in Class free of condition/recommendation;~~

~~**(iv)** Certificate of Deletion of the Vessel from the Vessel's registry or other official evidence of deletion appropriate to the Vessel's registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel's registry forthwith and provide a certificate or other official evidence or deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;~~

~~**(vii)** A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;~~

~~**(vii)** Commercial invoice for the Vessel;~~

~~**(ix)** Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;~~

~~**(x)** A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;~~

~~**(xi)** Any additional documents as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; and~~

~~**(xii)** The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not black listed by any nation or international organisation.~~

~~**(b)** At the time of delivery the Buyers shall provide the Sellers with:~~

~~**(i)** Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and~~

~~**(ii)** Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).~~

~~**(c)** If any of the documents listed in Sub clauses (a) and (b) above are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.~~

~~**(d)** The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub clause (a) and Sub clause (b) above for review and comment by the other party not later than ______ (*state number of days*), or if left blank, nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to~~ Clause 5(b) ~~of this Agreement.~~

~~**(e)** Concurrent with the exchange of documents in Sub clause (a) and Sub clause (b) above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.~~

~~**(f)** Other technical documentation which may be in the Seller's possession shall promptly after delivery be forwarded to the Buyers at their expense, if the so request. The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.~~

~~**(g)** The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.~~

**9. Encumbrances**

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

**10. Taxes, fees and expenses**

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers' Nominated Flag State shall be for the Buyers' account, whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.

**11. Condition on delivery**

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be delivered and taken over as she was at the time of inspection, fair wear and tear excepted.

However, the Vessel shall be delivered free of cargo, **free of charter** and free of stowaways with her Class maintained without condition/recommendation*, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of inspection, valid ~~and unextended~~ without condition/recommendation* by the Classification Society or the relevant authorities at the time of delivery.

"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

**Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.*

**12. Name/markings**

Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.

**13. Buyers' default**

Should the Deposit not be lodged in accordance with Clause 2 (Deposit), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest.

Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case the Deposit together with interest earned, if any, shall be released to the Sellers. If the Deposit does not cover their loss, the Sellers shall be entitled to claim further compensation for their losses and for all expenses incurred together with interest.

**14. Sellers' default**

Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel. In the event that the Buyers elect to cancel this Agreement, the Deposit together with interest earned, if any, shall be released to them immediately.

Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall make due compensation to the Buyers for their loss and for all expenses together with interest if their failure is due to proven negligence and whether or not the Buyers cancel this Agreement.

**15.** **Buyers' representatives**

After this Agreement has been signed by the Parties and the Deposit has been lodged, the Buyers have the right to place two (2) representatives on board the Vessel at their sole risk and expense.

These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.

**16.** **Law and Arbitration**

~~**(a)*** This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.~~

~~The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.~~

~~The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint is arbitrator and shall advise the other party accordingly. The award of sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.~~

~~In cases where neither the claim nor any counterclaim exceeds the sum of US$100,000 the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.~~

~~**(b)** *This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in~~

~~connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.~~

~~In cases where neither the claim nor any counterclaim exceeds the sum of US$100,000 the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.~~

**(c)** This Agreement shall be governed by and construed in accordance with the laws of **Singapore** (*state place*) and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at **Singapore (Singapore Chamber of Maritime Arbitration)** (*state place*), subject to the procedures applicable there.
~~**16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 16(a) shall apply.*~~

**17. Notices**

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers:
**Chryss Alfonsus V. Damuy**
**Chelsea Shipping Corp.**
**26th Fl., Fort Legend Tower,**
**3rd Ave corner 31st St.,**
**Bonficacio Global City, Taguig City**
**Tel No. +63 2 4034015**
**Fax: +63 2 4034022**
**email: chryss.damuy@chelseashipping.ph**

For the Sellers:
**C/O Bairactaris Partners**
**Attn: V. Bairactaris**
**130 Kolokotroni Street, 100 36 Piraeus, Greece**
**Tel: +30 210 4264 608**
**Fax: +30 210 4284 626/7**
**Email: vbairactaris@bairactaris.com**

**18. Entire Agreement**

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

**19. Confidentiality**

**All negotiations and contens of this Agreement are to be kept strictly private and confidential between the parties involved unless either party is required to disclose information about the sale by law or the Securities Exchange Commission or NASDAQ regulations. Should, however, details of the sale become known or reported on the market, neither the Buyers, nor the Sellers shall have the right to withdraw from the sale or to fail to fulfil their obligations under this Agreement.**

**20. Black list**

**Sellers confirm that to the best of their knowledge the Vessel has not been blacklisted by any state, country, organisation or governmental body whilst in their ownership.**

**21. The Buyers understand that the Sellers, be it due to applicable laws or due to internal rules and regulations, is prohibited from conducting transaction, including finance transactions, with the government or any person or entity owned or controlled by the government of Restricted Countries or Restricted Persons.**

**The Buyers confirm that it has not beneficial ownership or connection with a Restricted Country or Restricted Person and undertakes that they shall not transfer, make use of or provide the benefits of any money, proceeds or services provided by or received to any Restricted Persons or conduct any business activity (such as entering into any ship acquisition agreement and/or any charter agreement) related to the Vessel with any Restricted Persons.**

**In this Clause:**

**Restricted Countries mean Iran, Cuba, Myanmar, North Korea, Sudan and Syria and any additional countries notified by the Lender to be Borrowers based on**

**respective sanctions being imposed by the United States Treasury Departments Office of Foreign Assets Control (OFAC) or any of the regulative bodies referred to in the definition of Restricted Persons.**

**Restricted Persons means persons, entities or any other parties (i) located, domiciled, resident or incorporated in Restricted Countries (ii) subject to any sanction administrated by the United Nations, the European Union, the State Secretariat for Economic Affairs of Switzerland (SECO), OFAC.**

| For and on behalf of the Sellers | For and on behalf of the Buyers |
|---|---|
| /s/ Evangelos Bairactaris | /s/ Chryss Alfonsus V. Damuy |
| Name: Evangelos Bairactaris | Name: Chryss Alfonsus V. Damuy |
| Title: Sole Director | Title: Chief Operating Officer |

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES )
) S.S.

BEFORE ME, a Notary Public for and in the above jurisdiction this ____________, personally appeared the following:

| Name | Valid ID | Issued on |
|---|---|---|
| Chryss Alfonsus V. Damuy | Passport # | |

known to me and to me known to be the same person who executed the foregoing Memorandum of Agreement and acknowledged to me that the same is their voluntary act and deed and the voluntary act and deed of the corporations which they, respectively, represent.

WITNESS MY HAND AND SEAL on the date and at the place first above written.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of 2017.

**SECRETARY'S CERTIFICATE**
**CHELSEA SHIPPING CORP.**

REPUBLIC OF THE PHILIPPINES )
TAGUIG CITY ) S.S.

I, **MA. HENEDINA V. SAN JUAN**, of legal age, Filipino, with office address at 26th Floor, Fort Legend Tower, 3rd Avenue corner 31st Street, Bonifacio Global City, Taguig City, after being duly sworn in accordance with law, hereby depose and state:

1. I am the Corporate Secretary of **CHELSEA SHIPPING CORP**. (the "Corporation"), a corporation duly organized and existing under Philippine laws with principal office address located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City

2. As Corporate Secretary, I take down the Minutes of the meetings of the stockholders and of the Board of Directors of the Corporation;

3. At the meeting of the Board of Directors of the Corporation held on 11 December 2017, wherein a quorum was present and acted throughout, the following Resolution was unanimously approved and adopted:

"**RESOLVED**, That the Corporation be, as it is hereby authorized to purchase the vessel MT "Aristotelis" from Aenos Product Carriers SA for the amount of US$29,400,000.00;

**RESOLVED FURTHER**, That the Chief Operating Officer of the Corporation, CHRYSS ALFONSUS V. DAMUY, is hereby designated as the Corporation's authorized representative to execute and sign the Memorandum of Agreement, and all other documents necessary to implement the foregoing Resolution."

4. The above Resolution has not been modified and is still in full force and effect.

**IN WITNESS WHEREOF**, I have hereunto affixed my signature on this 22 day of December 2017 at Taguig City.

/s/ MA. Henedina V. San Juan

**MA. HENEDINA V. SAN JUAN**
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 22 day of December 2017 at Taguig City, affiant exhibited to me her Driver's License # NO6-84-035705 valid until 1 September 2022.

Doc. No. 145;
Page No. 30;
Book No. 93;
Series of 2017.

**Exhibit 8.1**

**LIST OF SIGNIFICANT SUBSIDIARIES**

| Name of Subsidiary | Jurisdiction of Incorporation | Proportion of Ownership Interest |
|---|---|---|
| Capital Product Operating L.L.C | Republic of The Marshall Islands | 100% |
| Crude Carriers Corp. | Republic of The Marshall Islands | 100% |

**Exhibit 12.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Gerasimos (Jerry) Kalogiratos, certify that:

1. I have reviewed this annual report on Form 20-F of Capital Product Partners L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Dated: March 5, 2018

| | |
|---|---|
| By: | /s/ Gerasimos Kalogiratos |
| Name: | Gerasimos (Jerry) Kalogiratos |
| Title: | Chief Executive Officer |

**Exhibit 12.2**

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Nikolaos Kalapotharakos, certify that:

1. I have reviewed this annual report on Form 20-F of Capital Product Partners L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: March 5, 2018

By: /s/ Nikolaos Kalapotharakos
Name: Nikolaos Kalapotharakos
Title: Chief Financial Officer

**Certification Pursuant to**
**18 U.S.C. Section 1350**
**As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 20-F of Capital Product Partners L.P., a master limited partnership organized under the laws of the Republic of The Marshall Islands (the “Company”), for the period ending December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 5, 2018

| | |
|---|---|
| By: | /s/ Gerasimos Kalogiratos |
| Name: | Gerasimos (Jerry) Kalogiratos |
| Title: | Chief Executive Officer |

**Exhibit 13.2**

**Certification Pursuant to**
**18 U.S.C. Section 1350**
**As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 20-F of Capital Product Partners L.P., a master limited partnership organized under the laws of the Republic of The Marshall Islands (the “Company”), for the period ending December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 5, 2018

By: /s/ Nikolaos Kalapotharakos
Name: Nikolaos Kalapotharakos
Title: Chief Financial Officer

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-210394 on Form F-3 of our reports dated March 5, 2018, relating to the consolidated financial statements of Capital Product Partners L.P. (the “Partnership”), and the effectiveness of the Partnership’s internal control over financial reporting, appearing in this Annual Report on Form 20-F of the Partnership for the year ended December 31, 2017.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece

March 5, 2018