

**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, 2021

OR

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

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: _____

For the transition period from _____ to _____

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	Trading Symbol(s)	Name of each exchange on which registered
Common units representing limited partnership interests	CPLP	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.

19,394,696 Common Units

348,570 General Partner 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 every Interactive Data File required to be submitted 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 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 whether the registrant has filed a report on an attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

	Page
Part I	
Item 1. Identity of Directors, Senior Management and Advisors	5
Item 2. Offer Statistics and Expected Timetable	5
Item 3. Key Information	5
Item 4. Information on the Partnership	48
Item 5. Operating and Financial Review and Prospects	67
Item 6. Directors, Senior Management and Employees	82
Item 7. Major Unitholders and Related-Party Transactions	89
Item 8. Financial Information	99
Item 9. The Offer and Listing	109
Item 10. Additional Information	109
Item 11. Quantitative and Qualitative Disclosures about Market Risk	119
Item 12. Description of Securities Other than Equity Securities	120
Part II	
Item 13. Defaults, Dividend Arrearages and Delinquencies	121
Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds	121
Item 15. Controls and Procedures	121
Item 16A. Audit Committee Financial Expert	123
Item 16B. Code of Ethics	123
Item 16C. Principal Accountant Fees and Services	124
Item 16D. Exemptions from the Listing Standards for Audit Committees	124
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	124
Item 16F. Change in Registrant’s Certifying Accountant	125
Item 16G. Corporate Governance	125
Item 16H. Mine Safety Disclosure	126
Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	126

Part III	
Item 17.	Financial Statements
Item 18.	Financial Statements
Item 19.	Exhibits

127
127
127

ABOUT THIS REPORT

This annual report on Form 20-F (this “Annual Report”) should be read in conjunction with our audited consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of comprehensive income/(loss), changes in partners’ capital, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes included herein (the “Financial Statements”).

In this Annual Report, unless the context otherwise requires:

- the “Partnership”, “CPLP”, “we”, “us” or “our” refer to Capital Product Partners L.P. and, unless the context otherwise requires, its consolidated subsidiaries;
- “CPLP PLC” refers to CPLP Shipping Holdings PLC, a public limited liability company and wholly owned subsidiary of CPLP, which issued a €150.0 million of senior unsecured bonds guaranteed by CPLP (the “Bonds”) listed on the Athens Stock Exchange in October 2021.
- “Capital Maritime” or “CMTC” refer to Capital Maritime & Trading Corp., our sponsor;
- “General Partner” refers to Capital GP L.L.C., our general partner;
- the “Managers” or “Capital-Executive”, “Capital Ship Management” and “Capital Gas” refer to our managers, Capital-Executive Ship Management Corp., Capital Ship Management Corp. and Capital Gas Ship Management Corp.;
- “financing arrangements” refers to our debt financing arrangements as well as to our sale-leaseback financing arrangements, seller’s credit agreements and the Bonds and “debt” includes indebtedness under such financing arrangements.

ACQUISITION OF SIX LNG CARRIERS AND ISSUANCE OF €150.0 MILLION OF SENIOR UNSECURED BONDS LISTED ON THE ATHENS STOCK EXCHANGE

On August 31, 2021, CPLP agreed to acquire three 174,000 cubic meter (“CBM”) latest generation X-DF liquefied natural gas carriers (“LNG/C”) from CGC Operating Corp., (“CGC Operating”), a related party for total consideration of \$599.8 million comprised of (i) \$147.1 million of cash on hand, (ii) the assumption of the \$427.4 million of secured debt, (iii) the issuance of 1,153,846 (or \$15.3 million in value) of new common units of CPLP at a premium to the trading unit price at the time of the agreement and (iv) \$10.0 million of unsecured, interest free seller’s credit, (the “CGC Seller’s Credit”). The three vessels are the LNG/C Aristos I built in 2020, and the LNG/C Aristarchos and the LNG/C Aristidis I built in 2021, all three constructed at Hyundai Heavy Industries Co., Ltd (“Hyundai”). The LNG/C Aristos I and the LNG/C Aristarchos were delivered to the Partnership on September 3, 2021, while the LNG/C Aristidis I was delivered on December 16, 2021. The LNG/C Aristos I and the LNG/C Aristidis I are under long-term time charters with BP Gas Marketing Limited (“BP”), with earliest expiration in October 2023 and December 2023, respectively. The LNG/C Aristarchos is under a long-term time charter with Cheniere Marketing International LLP (“Cheniere”), which expires at the earliest in February 2025.

Furthermore, on August 31, 2021 the Partnership secured an option, which was exercised on November 4, 2021, to acquire an additional three X-DF LNG/C sister vessels for a total consideration of \$623.0 million comprised of (i) \$184.0 million of cash on hand and (ii) the assumption of the \$439.0 million of secured debt. The three vessels are the LNG/C Attalos, the LNG/C Asklipios and the LNG/C Adamastos, all built in 2021, at Hyundai. The LNG/C Attalos and the LNG/C Asklipios were delivered to the Partnership on November 18, 2021, while the LNG/C Adamastos was delivered on November 29, 2021. The LNG/C Attalos is under a long-term time charter with BP with earliest expiration in October 2025; the LNG/C Asklipios is under a long-term time charter with Cheniere, expected to expire at the earliest in January 2025 and the LNG/C Adamastos is under a long-term time charter with Engie Energy Marketing Singapore Pte Ltd. (“Engie”), which expires at the earliest in September 2026.

We believe that these acquisitions illustrate the continued transition of CPLP to a growth-oriented Partnership with assets in the most attractive seaborne transportation sectors. They are also an important step towards improving the environmental footprint of the Partnership and being part of the transition to carbon neutral shipping.

On October 20, 2021, the wholly owned subsidiary of the Partnership, CPLP PLC, issued €150.0 million of senior unsecured bonds listed on the Athens Exchange. The Bonds are guaranteed by CPLP, mature in October 2026 and have a coupon of 2.65%, payable semi-annually. The trading of the Bonds on the Athens Exchange commenced on October 25, 2021. The net proceeds of the Bonds offering were used to partially finance the acquisition of the LNG/C Attalos, the LNG/C Asklipios and the LNG/C Adamastos. As of the date of this Annual Report, we own a fleet of 21 vessels, consisting of 11 Neo-Panamax container carriers, three Panamax container carriers, one Cape-size Bulk carrier and six X-DF LNG carriers.

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. Key Information—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;
- our ability to increase our cash available for distribution over time;
- expectations regarding global economic outlook and growth;
- expectations regarding shipping conditions and fundamentals, including the balance of supply and demand, as well as trends and conditions in the newbuild markets and scrapping of older vessels;
- developments with regard to the COVID-19 pandemic and its impact on the global economy, international trade and shipping markets;
- our current and future business and growth strategies and other plans and objectives for future operations;

- future acquisitions of vessels from Capital Maritime or third parties;
- our continued ability to enter into medium- or long-term, fixed-rate time charters with our charterers and to re-charter our vessels as their existing charters expire at attractive rates;
- the relationships and reputations of our Managers and our General Partner in the shipping industry;
- the financial condition, viability and sustainability of our charterers, including their ability to meet their obligations under the terms of our charter agreements;
- our ability to maximize the use of our vessels;
- our ability to access debt, credit and equity markets;
- our ability to service, refinance or repay our financing under our financing arrangements and settle our hedging arrangements;
- planned capital expenditures and availability of capital resources to fund capital expenditures;
- the expected lifespan and condition of our vessels;
- changes to the regulatory requirements applicable to the shipping industry, including, without limitation, stricter requirements adopted by international organizations and the European Union (“EU”), or by individual countries or charterers and actions taken by regulatory authorities overseeing such areas as safety and environmental compliance;
- our ability to successfully operate exhaust gas cleaning systems (“scrubbers”) on certain or all of our vessels;
- the expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards, including new environmental regulations and standards, as well as 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;
- the adequacy of our insurance arrangements and our ability to obtain insurance and required certifications;
- the anticipated taxation of our partnership and distributions to our common unitholders;
- the ability of our General Partner to retain its officers and the ability of our Managers to retain key employees; and
- anticipated funds for liquidity needs and the sufficiency of cash flows.

The preceding list is not intended to be an exhaustive list of all our forward-looking statements. 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. Key Information—D. Risk Factors” below. The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

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

PART I

Item 1. Identity of Directors, Senior Management and Advisors.

Not Applicable.

Item 2. Offer Statistics and Expected Timetable.

Not Applicable.

Item 3. Key Information.

A. [Reserved.]

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 risks described below relate to the industries and the countries in which we operate as of the date of this Annual Report. Please read “Item 4. Information on the Partnership” for information on the current scope of our operations. While we currently own 21 vessels consisting of 11 neo-Panamax container vessels, three Panamax container vessels, one drybulk vessel and six LNG carriers, we may in the future re-enter the tanker market or enter into new markets. If that happens, we will be exposed to additional risks.

Furthermore, we are organized as limited partnership under the laws of the Republic of the Marshall Islands. Although many of the risks relating to our business and operations 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 and involve additional risks.

If any of the following risks actually occurs, our business, financial condition, operating results and cash flow could be materially adversely affected. If that happens, we might not be able to pay distributions on our common units, the trading price of our common units could decline and you could lose all or part of your investment.

The risks described below 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.

SUMMARY OF RISK FACTORS

The following is a summary of some of the principal risks we face. The list below is not exhaustive, and you should read this “Risk factors” section in full.

- The ocean-going LNG, container and drybulk and LNG shipping industries are cyclical and volatile.

- An oversupply of LNG carrier or containership capacity may depress current charter rates and adversely affect our ability to re-charter our existing LNG carriers or containerships at profitable rates or at all.
- A decrease in the level of export and import of goods or LNG production and exports, as a result of trade protectionism, economic sanctions, changes in commodity prices or other factors affecting global markets, could affect demand for shipping.
- Vessel values may decrease and over time may fluctuate substantially, which may cause us to recognize losses if we sell our vessels or record impairments.
- We may not be able to grow or to effectively manage our growth.
- If our 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.
- We currently derive a significant part 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.
- 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.
- 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.

RISKS RELATED TO OUR INDUSTRY

We are exposed to various risks in the ocean-going LNG, container and drybulk shipping industries, which are cyclical and volatile.

The LNG shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The LNG charter market has only recently begun to recover after experiencing a prolonged period of historically low rates. The degree of charter hire rate volatility among different types of LNG vessels has varied widely, and time charter and spot market rates for LNG vessels have in the recent past declined below operating costs of vessels.

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. In the first half of 2020, container charter rates fell close to historical lows due to the initial impact of COVID-19 on the container industry, as international containerized trade stalled. However from the second half of 2020 onwards, change in worldwide consumer behaviour, reduced ports capacity due to social distancing and quarantine measures imposed in various countries worldwide and dislocation of container boxes and containerized trade have resulted in a rapid increase in charter rates, which ultimately reached record levels in 2021. However the recent Russia-Ukraine conflict combined with inflationary pressures across most major economies may lead to a global economic slowdown, which might in turn-+ adversely affect demand for container vessels and containerized goods.

Liner companies have experienced for the most part of the last decade 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 on certain of our charterers. Currently liner companies are experiencing record high profitability due to the increased freight rates, but a drop in freight rates in the future could result in diminished profitability or losses, and could adversely impact certain of our charterers. In a number of instances in the past, 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. During 2021, demand growth in global trade had increased by 6.0%.

The drybulk shipping industry 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 have declined significantly and reached historically low levels in 2016. Capesize charter rates remained below historical averages in 2020, partly due to the COVID-19 pandemic and its impact on demand for raw materials but recovered in 2021. Our sole drybulk carrier, the M/V Cape Agamemnon is currently deployed in the spot market, which is highly volatile and which may affect our earnings and the value of that vessel. If we cannot enter into a period time charter for the M/V Cape Agamemnon on acceptable terms, we may have to continue 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 factors affecting the supply and demand for LNG and products shipped in containers and for LNG carriers, containerships and/or drybulk vessels are outside our control and the nature, timing, direction and degree of changes in industry conditions are difficult to predict. Some of the factors that influence demand for LNG carriers, containerships and/or drybulk vessels include:

- the price of LNG, which may be affected, among other things, by:
 - o The prices and availability of crude oil, petroleum products and natural gas, including to the extent that natural gas prices are benchmarked to the price of crude oil, which could negatively affect the economies of potential new LNG production projects.
 - o the cost of natural gas derived from LNG relative to the cost of natural gas generally and the cost of alternative fuels, including renewables and coal, and the impact of increases in the cost of natural gas derived from LNG on consumption of LNG;
- changes in the exploration, development, production or transportation of LNG, including the availability and allocation of capital by developers to new LNG projects, events that may affect the availability of sufficient financing for LNG projects and the location of regional and global exploration, production and manufacturing facilities;
- the location of consuming regions for LNG and increases in the production of lower cost domestic natural gas in natural gas consuming markets, which could further depress prices for natural gas in those markets;
- changes in global production of products transported by containerships and/or drybulk vessels;
- seaborne and other transportation patterns, including the distances over which LNGs, container and/or drybulk cargoes are transported and changes in such patterns and distances;
- the globalization of production and manufacturing;
- developments in international trade and in the market for exports of containerized goods and raw materials;

- global and regional economic and political conditions, including political and military conflicts;
- developments in international trade including threats and/or imposition of trade tariffs;
- any significant explosion, spill or other incident involving an LNG facility or carrier;
- economic growth in China, India and other emerging markets, including trends in the market for imports of raw materials to such markets;
- developments with regard to the ability of nations worldwide to contain the COVID-19 pandemic and its impact on economic activity;
- laws and regulations, including but not limited to new taxes, environmental protection laws and other regulatory developments;
- regional, national or international energy policies that constrain the production or consumption of hydrocarbons including natural gas;
- currency exchange rates;
- changes in weather patterns, including warmer winters in the northern hemisphere and lower gas demand in the traditional peak heating season and severe weather events resulting from climate change; and
- cost of bunkers.

Some of the factors that influence the supply of LNG carriers, containerships and/or vessel capacity for drybulk carriers include the following:

- the number of newbuild orders and deliveries, which among other factors depend upon the ability of shipyards to meet contracted delivery dates and the ability of purchasers to finance such new acquisition;
- the extent of newbuild vessel deferrals;
- the scrapping rate of LNG, containerships and/or drybulk vessels;
- newbuild prices and LNG, containership and/or drybulk vessel owner access to capital to finance the construction of newbuilds;
- 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 vessels;
- the number of LNG, containerships and/or drybulk vessels that are slow-steaming or extra slow-steaming to conserve fuel;
- the number of LNG, containerships and/or drybulk vessels that are off-charter and the number of vessels otherwise not in service (for example, as a result of vessel casualties);
- port and canal congestion and closures; and
- demand for fleet renewal.

If the charter market is depressed when time charters for our vessels expire, we may be forced to re-charter our vessels 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.

We currently anticipate that the future demand for the M/V Cape Agamemnon 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. The recent hostilities between Russia and Ukraine, in addition to sanctions imposed on Russia and Belarus and certain entities and individuals in these countries may also adversely impact our business. Our business could be harmed by trade tariffs, as well as any trade embargoes or other economic sanctions by the United States or other countries against Russia and countries in the Middle East, Asia or elsewhere as a result of terrorist attacks, hostilities or diplomatic or political pressures that limit trading activities with those countries. 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.

An oversupply of vessel capacity may prolong or depress current charter rates and adversely affect our ability to re-charter our vessels at profitable rates or at all.

Since 2014 the LNG market has been characterized by an oversupply of LNG tonnage, mainly caused by delays in new LNG capacity coming on stream and the reduced intro basin trading. In addition, following a decline in ordering of newbuildings during 2016 and 2017, ordering increased in 2018 and through 2021, driven by cyclically low shipyard prices for newbuild vessels, strengthening of charter rates and increasing expectations for long-term LNG supply and demand. The resulting overhang of tonnage in previous years caused freight rates to be depressed. In the more recent period, the market has seen strong growth in LNG production, particularly in the US, leading to a more balanced market.

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 in the subsequent years through 2020, it increased substantially to 24.3% of the existing worldwide fleet as at the end of January 2022. Deliveries of vessels ordered will significantly increase the size of the container fleet over the next two to three years. The number of drybulk vessels on order as of the start of February 2022 was estimated by market sources to be approximately 6.8% of the then-existing global drybulk fleet in dwt terms, with deliveries expected mainly during the next 24 months, although available data with regard to cancellations of existing newbuild orders or delays in newbuild deliveries are not always accurate or may not be readily available. Our sole drybulk carrier, the M/V Cape Agamemnon is currently deployed in the spot market.

An oversupply of newbuild vessels or re-chartered or idle vessel capacity entering the market, combined with any decline in the demand for LNG, containerships or drybulk vessels, may depress charter rates and may decrease our ability to re-charter our vessels other than for reduced rates or unprofitable rates or to re-charter our vessels 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 decrease in the level of export and import of goods, in particular from and to Asia, as a result of trade protectionism, economic sanctions or other factors affecting global markets, could affect demand for shipping, resulting in a material adverse impact on our charterers' business and, in turn, 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, trade embargoes or other economic sanctions or other factors affecting global markets 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.

In the United States, there is significant uncertainty about the future relationship between the United States and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. Any future trade barriers or restrictions on trade in the United States may trigger retaliatory actions by others, potentially resulting in a "trade war." The United Kingdom withdrawal from the European Union on January 31, 2020 has increased the risk of trade protectionism.

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.

The recent hostilities between Russia and Ukraine, in addition to sanctions imposed against Russia and Belarus and certain entities and individuals in these countries, may also adversely impact our business, given Russia's role as a major global exporter of crude oil and natural gas. Our business could be harmed by trade tariffs, as well as any trade embargoes or other economic sanctions by the United States or other countries against Russia and countries in the Middle East, Asia or elsewhere as a result of terrorist attacks, hostilities or diplomatic or political pressures that limit trading activities with those countries. In addition, the change in trade patterns of LNG, as a result of the conflict, might adversely affect the demand for shipping and as a consequence might impair our capacity to re-charter the vessels after the expiration of their current charters. For example the increased demand for LNG in Europe might adversely affect demand for LNG carriers, as LNG carriers will need to cover shorter distances compared to transportation of LNG to Asia.

Any new or increased trade barriers, trade embargoes 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.

LNG, container and drybulk vessel values have been volatile over the last five years. Vessel values may decrease and over time may fluctuate substantially, which may cause us to recognize losses if we sell our LNG carriers, container vessels or the M/V Cape Agamemnon, or record impairments and affect our ability to comply with our loan covenants or refinance our debt.

The market values of LNG, drybulk and container vessels have generally experienced high volatility. LNG, container and drybulk vessel values can fluctuate substantially over time due to a number of different factors, including:

- prevailing economic and market conditions affecting the shipping industry (including the level of worldwide LNG production and exports);
- reduced demand for vessels, including as a result of a substantial or extended decline in world trade;
- supply of vessels and capacity;
- types, sizes and ages of vessels;
- prevailing charter rates, the need to upgrade vessels as a result of charterer requirements 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, including regulations or standards which relate to the reduction of greenhouse emissions;
- prevailing newbuild prices for similar vessels;
- prevailing demolition prices for similar vessels;
- availability of capital for investment in vessels, including ship finance and public equity;
- supply of containerships in the market for sale, including mass disposals of containerships controlled by financing institutions, “fire sales” of vessels by some of our competitors or other fleet-owners that may be in distress, or commercial banks foreclosing on collateral from time to time; and
- competition from other shipping companies and the availability of other modes of transportation.

If the market values of our vessels deteriorate, 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 our vessels at a reasonable price however could result in a loss. A decline in the market value of our vessels could also lead to a default under our financing arrangements 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 operations, cash flows and ability to make distributions may be materially and adversely affected.

Our growth and our ability to re-charter our LNG vessels and 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 and LNG vessels is highly competitive, generally involves an intensive screening process and competitive bids, and often extends for several months.

LNG and 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;
- LNG and container shipping experience and quality of vessel operations, including cost effectiveness;
- quality and experience of seafaring crew;
- the ability to finance LNGs and 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 vessels according to charterers' 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 vessel 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 LNG and containership sector, including many with strong reputations and extensive resources and experience in the marine transportation industry. Furthermore, both markets are highly fragmented. Due in part to the highly fragmented market, competitors with greater resources could enter the LNG and container shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates than we are able to offer. Although we believe that no single competitor has a dominant position in the markets in which we compete, we are aware that certain competitors may be able to devote greater financial and other resources to their activities than we can, resulting in a significant competitive threat to us. This increased competition in both the LNG and containership shipping markets 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 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. Currently, three of our container vessels are chartered for less than two years and our sole drybulk vessel, the M/V Cape Agamemnon, is deployed in the spot market. Our LNG carriers are under long-term time charters expiring at the earliest in 2023 (two carriers), 2025 (three carriers), and 2026 (one carrier). On redelivery from their present charters, our vessels may operate in the short-term or spot market unless we are unable to secure long-term charters. As more vessels 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.

In recent years, global natural gas and crude oil prices have been volatile. Any decline in oil prices can depress natural gas prices and lead to a narrowing of the difference in pricing between geographic regions, which can adversely affect the length of voyages in the spot LNG shipping market and the spot rates and medium-term charter rates for charters which commence in the near future. In addition, advances in LNG carrier technology may negatively impact our ability to recharter our LNG carriers on attractive rates and may result in lower levels of utilization.

Operating vessels in the spot market or being unable to recharter vessels on long-term charters with similar or better rates may mean that our revenues and cash flows from these vessels will decline following the expiration of our current charter arrangements. These factors could have a material adverse effect on our business results or operations, cash flows and our ability to make cash distributions and service or refinance our debt. In particular, a sustained decline in our charter rates and employment opportunities could adversely affect the market value of our vessels, on which certain ratios and financial covenants with which we are required to comply are based. A significant decline in the market value of our vessels could impact our compliance with covenants in our financing arrangements and, if the values are lower at a time when we are attempting to dispose of vessels, could cause us to incur a loss.

A negative change in the economic conditions in Asia, especially in China, Japan or India, could reduce drybulk trade and demand, which would affect charter rates and have a material adverse effect on the profitability of our drybulk vessel.

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. If economic growth declines in China, Japan, India and other countries in Asia, drybulk trade and demand and, as a result, charter rates for drybulk vessels, may decrease and adversely affect our ability to re-charter the M/V Cape Agamemnon at a profitable rate or 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 involves 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-Executive 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 OUR BUSINESS AND OPERATIONS

Pandemics such as the novel coronavirus (COVID-19) have, in the short to medium term, had an adverse effect on our operations and financial condition and may have unpredictable long-term effects, including on the demand and supply for LNG, container and drybulk vessels.

On March 11, 2020, the World Health Organization declared the spread of a novel coronavirus (COVID-19) to be a global pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, created significant volatility and disruption in financial markets and increased unemployment levels. In addition, the pandemic has resulted in the imposition of various travel restrictions, health protocols and changing quarantine regimes in the countries in which we operate. These have so far translated into, among other things, increased costs and off-hire related to crewing, crew rotation and crew related expenses, higher forwarding expenses and longer lead times to delivery, as well as increased dry-docking duration and costs. While most economies have begun re-opening in varying degrees, it is impossible to predict the course the virus will take, how governments would respond to additional waves of the virus and the long-term effectiveness of vaccines against the virus. In the long run, the impact of COVID-19 on the global economy, consumer behavior, globalization and international trade remains uncertain.

The main effects of the COVID-19 pandemic on the Partnership so far are as follows:

- Our vessels have been subject to quarantine checks upon arriving at certain ports. This has often resulted in delays in completing vessel operations and in off-hire days in certain cases where a positive COVID-19 case has been identified.
- Due to quarantine restrictions placed on persons and additional procedures for crew rotation, our crew has had difficulty embarking and disembarking on our ships. This has not, thus far, affected our ability to rotate crew but has resulted in increased expenses.

In addition, the COVID-19 pandemic has resulted in reduced industrial activity in various countries around the world, with temporary closures of factories and other facilities such as port terminals, which led to a temporary decrease in supply of goods and congestion in warehouses and terminals. Government-mandated shutdowns in various countries have also decreased consumption of goods during certain periods, negatively affecting trade volumes and the shipping industry globally.

We expect that pandemics generally, including the COVID-19 pandemic, could affect our business in the following ways, among others:

- (1) Pandemics may reduce the demand for LNG or goods worldwide without a commensurate corresponding change in the number of vessels worldwide, thereby increasing competition and decreasing the market price for transporting LNG, containerized and drybulk products;

- (2) Countries could impose quarantine checks and hygiene measures on arriving vessels, causing delays in loading and delivery of cargo;
- (3) The process of buying, selling, and maintaining vessels may become more onerous and time-intensive. For instance, delays may be caused at shipyards for newbuildings, dry-docks and other work, in vessel inspections and related certifications by class societies, customers or government agencies, as well as delays and shortages or a lack of access to required spare parts and lack of berths or shortages in labor, which may in turn delay any repairs to, scheduled or unscheduled maintenance or modifications, or dry-docking of our vessels;
- (4) We may experience a decrease in productivity, generally, as people—including our Managers' office employees and crews, as well as our counterparties—fall ill and take time off from work. We are particularly vulnerable to our crew members getting sick, as if even one of our crew members is ill, local authorities could require us to detain and quarantine the applicable vessel and its entire crew for an unspecified amount of time, disinfect and fumigate the vessel, or take similar precautions, which would add costs, decrease our utilization, and substantially disrupt our cargo operations. If a vessel's entire crew falls seriously ill, we may have substantial difficulty operating that vessel which may necessitate extraordinary external aid;
- (5) International transportation of personnel could be limited or otherwise disrupted. In particular, our crews generally work on a rotation basis, relying largely on international air transport for crew changes plan fulfillment. Any such disruptions could impact the cost of rotating our crew and our ability to maintain a full crew synthesis onboard all our vessels at any given time. It may also be difficult for our in-house technical teams to travel to ship yards to observe vessel maintenance, and we may need to hire local experts who may vary in skill and are difficult to supervise remotely, to conduct work we ordinarily address in-house;
- (6) Governments may impose new regulations, directives or practices, which we may be obligated to implement at our own expense;
- (7) Any or all of the foregoing could lead our charterers to try to invoke force majeure clauses; and
- (8) Credit tightening or declines in global financial markets, including to the prices of our publicly traded securities and the securities of our peers, could make it more difficult for us to access capital, including to finance our existing debt obligations.

Any of these public health threats and related consequences could adversely affect our financial results.

These and other impacts of the COVID-19 pandemic could have the effect of heightening many of the other risk factors disclosed in this Annual Report. It is early to assess the full long-term impact of the pandemic on global markets, and particularly on the shipping industry. The actual impact of the COVID-19 pandemic in the longer run, as well as the efficacy of any measures we take in response to the challenges presented by it, will depend on how the pandemic will continue to develop, the duration and extent of the restrictive measures that are associated with the pandemic and their further impact on global economy and trade. Such impact may take some time to materialize and may not be fully reflected in the results for the year ending December 31, 2021. We continue to monitor the impact of the COVID-19 pandemic on our financial condition and operations and on the LNG, container and dry bulk industry in general.

We may not be able to grow, or to effectively manage our growth, which could negatively affect our competitiveness and financial condition.

Our success depends on our ability to grow our business. The growth of our business depends upon a variety of factors, some of which we cannot control. These factors include, among other things, our ability to:

- capitalize on opportunities in the markets in which we operate by fixing time charters for our vessels at attractive rates;
- obtain required financing and access to capital markets for new and existing operations;
- identify additional new markets;
- identify vessels and/or shipping companies for acquisitions;
- complete accretive transactions;
- 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;
- comply with existing and new regulations, such as those imposed by the International Maritime Organization (“IMO”) 2020 and the Ballast Water Management Convention; and
- maintain our commercial and technical management agreements with our Managers or other competent managers.

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 newbuilds 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.

In view of the relative small size of our current operations, failure to effectively identify, purchase, develop, employ and integrate any vessels or businesses could negatively affect our competitiveness, business, financial condition, results of operations, cash flows and our ability to make cash distributions and service or refinance our debt.

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

Our LNG and container vessels that are chartered to BP, Cheniere, Engie, Hyundai Merchant Marine Co Ltd. (“HMM”), Mediterranean Shipping Co. S.A. (“MSC”), Ocean Network Express (“ONE”) and Hapag-Lloyd Aktiengesellschaft (“Hapag-Lloyd”) are each currently employed under medium-to-long-term time charters.

Given that the rates we charge to these charterers may at times be significantly higher than the underlying charter market, failure to perform by any of them 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 faces, or continues to face, financial difficulties forcing it to declare bankruptcy, 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 BP, Cheniere, Engie, HMM, MSC, ONE or Hapag-Lloyd 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.

If our 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.

Many charterers are highly leveraged. 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 charterers in the recent past, including liner companies, and their ability to make charter payments, which resulted in a material increase in the credit and counterparty risks to which we were exposed and our ability to re-charter our vessels at competitive rates.

For example, HMM, the charterer of five of our container vessels, completed a financial restructuring in July 2016. In connection with this restructuring, we agreed a reduction of the charter rate payable to us of 20% to \$23,480 per day (from a gross daily rate of \$29,350) for a three and a half year period ended in December 2019 and 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 in August 2016 for aggregate cash consideration of \$29.7 million.

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 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 number of our charterers are private companies and we may have limited access to their financial information, which may result in us having limited information on their financial strength and ability to meet their financial obligations.

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.

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, 2021 our charterers who individually accounted for more than 10% of total revenues were HMM and Hapag-Lloyd, who accounted for 29% and 24% 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 circumstances described in “—Certain of our vessels may be under time charters at rates that are at a substantial premium to the spot and period markets, and our charterers’ failure to perform under these time charters could result in a significant loss of expected future revenues and cash flows.”

We mostly depend on our Managers, which are privately held companies for the commercial and technical management of our fleet. If, for any reason, any of our Managers is unable to provide us with the necessary level of services to support and expand our business or qualify for long-term charters, our business, financial condition, results of operations, cash flows and our ability to make cash distributions and service or refinance our debt may be materially affected.

Our Managers are privately held companies and not part of the group of companies controlled by Capital Maritime. Accordingly, they do not benefit from the financial and operational support of Capital Maritime as parent company.

Under the arrangements we have with our Managers, they provide us with significant commercial and technical management services, including the commercial and technical management for all our vessels, class certifications, vessel maintenance, crewing, procurement, insurance and shipyard supervision, as well as administrative, financial and other support services. Please read “Item 4. Information on the Partnership—B. Business Overview—Our Management Agreements.” Accordingly, our operational success and ability to execute our growth strategy depend significantly upon our Managers’ satisfactory performance of these services.

Furthermore, our success in securing new charters and expanding our relationships with charterers depend largely on our Managers’ reputation, relationships in the shipping industry and ability to qualify for long-term business with major charterers.

If our Managers’ reputation or industry relationships are harmed, justifiably or not, or if any of our Managers does not perform satisfactorily under our management agreements, 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, access capital markets, or maintain satisfactory relationships with suppliers and other third parties may be materially affected.

If any of the above risks were to materialize, our business, financial condition, results of operations, cash flows and our ability to make cash distributions and service or refinance our debt may be materially affected.

The fees and expenses we pay to our Managers for services provided to us are substantial, fluctuate, cannot be easily predicted and may reduce our cash available for distribution to our unitholders.

In the light of the floating fee structure of our management agreements, any increase in the costs and expenses associated with the provision of our Managers' 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.

Expenses incurred to manage our fleet depend upon a variety of factors, many of which are beyond our or our Managers' 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.

Fees charged by our Managers and compensation for expenses and liabilities incurred on our behalf, as well as the costs associated with future dry-dockings or intermediate surveys on our vessels, can be significant. Accordingly, these fees and expenses 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 depend on our General Partner, a private company under the ownership of Mr. Miltiadis E. Marinakis, for the day-to-day management of our affairs.

Our General Partner, Capital GP L.L.C., is a privately held company initially formed and controlled by Capital Maritime. In April 2019, Capital Maritime transferred all membership interests in our General Partner to Mr. Miltiadis E. Marinakis. Please read "*—Risks Inherent in an Investment in Us—The control of our General Partner may be transferred to a third party without unitholder consent.*" Mr. Miltiadis E. Marinakis, born in 1999, is the son of Mr. Evangelos M. Marinakis. Although not engaged in day-to-day management, Mr. Miltiadis E. Marinakis holds and oversees certain shipping interests on behalf of the Marinakis family.

To date, our board of directors has not exercised its power to appoint officers of the Partnership. As a result, we rely, and expect to continue to rely, solely on the officers of our General Partner. Please read "*—Risks Inherent in an Investment in Us—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.*" Accordingly, the proper management of our business depends significantly upon our General Partner.

If the reputation, industry relationships or standing in the market of the General Partner and, in turn, the Partnership, are harmed, justifiably or not, or if our General Partner fails to properly manage our affairs, our ability to secure new charters, interact with counterparties, obtain financing on commercially acceptable terms, access capital markets, or maintain satisfactory relationships with suppliers and other third parties may be materially affected. If any of these risks were to materialize, our business, financial condition, results of operations, cash flows and our ability to make cash distributions and service or refinance our debt may be materially affected.

Our vessels' present and future employment could be adversely affected by an inability to clear charterers' risk assessment process.

Shipping has been, and will remain, heavily regulated. Concerns for the environment have led charterers 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, in addition to factors discussed under “—*Our growth and our ability to re-charter our LNG vessels and 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 following factors may be 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;
- shipping industry relationships, reputation for customer service, technical and operating expertise; and
- compliance with the charterer's codes of conduct, policies and guidelines, including transparency, anti-bribery and ethical conduct requirements and relationships with third parties.

Should our Managers not continue to successfully clear major charterers' 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 major charterers' 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.

If we decide to install scrubbers on additional vessels, the number of off-hire days of our fleet will increase and we will incur expenses related to the dry-dockings and, as a result, our cash available for distribution to our unitholders may decrease.

As of the date of this Annual Report, seven of our vessels have been retrofitted with scrubbers. We may decide to retrofit the rest of our fleet with scrubbers in the future, subject to market developments and shipyard availability. In particular, we have experienced, and may continue to experience, delays in installation works as a result of the COVID-19 pandemic. The installation of scrubber equipment requires the vessel to be dry-docked and incur off-hire days. We estimate that the installation of a scrubber (without any unforeseen delays) requires 40 to 75 off-hire days per vessel.

In addition to the installation of scrubbers or other equipment we may decide to put a vessel into dry-dock before the scheduled dry-docking date in anticipation of regulatory changes, opportunities in the charter market or if we deem that, due to the location of the vessel, it will be less costly to put the vessel into dry-dock at the time.

Once one of our vessels is dry-docked, it is automatically considered to be off-hire for the duration of the special or intermediate survey or dry-docking, which means that for such period of time that vessel will not be earning any revenues. During that period, we however may incur, or may be required to reimburse our applicable Managers for, on-going operating expenses or other expenses related to the dry-dock. Accordingly, dry-docking may materially affect our cash available for distribution to our unitholders.

If our vessels suffer damage due to the inherent operational risks of the shipping industry, we may experience unexpected dry-docking 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 (including severe weather events resulting from climate change), business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy and other circumstances or events. For the LNG carriers, there is a risk of damage in the membrane of the cargo tanks due to sloshing in extreme weather.

If our vessels suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking 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 dry-docking facilities is sometimes limited and not all dry-docking facilities are conveniently located. We may be unable to find space at a suitable dry-docking facility or our vessels may be forced to travel to a dry-docking 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 dry-docking facilities may adversely affect our business and financial condition. In cases, where the unexpected off-hire period exceeds the maximum allowed under the respective charter party, the charterer may elect to terminate the charter party. Furthermore, 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.

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 secondhand vessels, we may be exposed to increased operating costs and capital expenditure associated with new regulations, which could adversely affect our results of operations.

Our fleet of 21 vessels had an average age of approximately 8.3 years as at March 31, 2022. In particular, the average age of our container carrier vessels was 11.2 years compared to the industry average of 13.8 years as at March 31, 2022. See "Item 4. Information on the Partnership—B. Business Overview—Our Fleet".

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 debt covenants and/or raise financing.

In particular, nine of our vessels are not "eco-type" designs. Recent orders of container and drybulk vessels are based on new designs purporting to offer material bunker savings compared to older designs and greater carrying capacity. Such savings could result in a substantial reduction of bunker cost for charterers on a per unit basis. 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 at all. This could adversely affect our business, financial condition, results of operations, cash flows and ability to make cash distributions and service our debt.

If we purchase secondhand vessels, we will not have the same knowledge about their condition as the knowledge we have about the condition of the vessels that were 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.

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 (including severe weather events resulting from climate change);
- 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;
- 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.

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

The operation of ocean-going vessels in international trade is inherently risky. Not all risks can be adequately insured against, and any particular claim upon our insurance may not be paid for any number of reasons. We do not currently maintain off-hire insurance covering loss of revenue during extended vessel off-hire periods such as may occur 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.

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 marine disaster could exceed our insurance coverage. 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 may 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 third party liability incurred in consequence of commercial operations is provided through membership in Protection & Indemnity (“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 crew employment agreements that manning agents enter into on behalf of our Managers, 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 Capital-Executive and the Pan-Hellenic Seamen’s Federation, effective August 1, 2021, expires on July 31, 2022. 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.

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 significant costs of discharging the maritime lien, loss of earnings for the related off-hire period and other expenses and negatively affect our reputation, which could negatively affect the market for our common units and 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 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 “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. Although we believe we are adequately insured to cover loss attributable to such incidents, there is still a risk that such incidents may result in significant unrecoverable loss which could have a material adverse effect on us.

Political and government instability 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, 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 and the continuing response of countries to these attacks, as well as other current and future conflicts, contribute to world economic instability and uncertainty in global financial markets. Terrorist attacks and political instability 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. Any such attacks could lead to, among other things, bodily injury or loss of life, vessel or other property damage and increased vessel operational costs, including insurance costs.

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. 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.

The recent conflict between Russia and Ukraine may lead to further regional and international conflicts or armed action. It is possible that such conflict could disrupt supply chains and cause instability in the global economy. Additionally, the ongoing conflict could result in the imposition of further economic sanctions by the United States and the European Union against Russia. While much uncertainty remains regarding the global impact of the conflict in Ukraine, it is possible that such tensions could adversely affect our business, financial condition, results of operation and cash flows. In 2021, Russian gas accounted for 15% of total gas produced and Russian LNG exports for 8% of the global trade. It is noteworthy that Russia gas accounted for 32% of all natural gas consumed in Europe during 2021. Furthermore, it is possible that third parties with whom we have charter contracts may be impacted by events in Russia and Ukraine, which could adversely affect our operations.

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' dry-docking, we are responsible for the cost of fuel 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, and 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 (such as the ongoing military conflict between Russia and Ukraine), 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, a global 0.5% sulphur cap on marine fuels imposed by the International Maritime Organization came 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 "*— Regulatory Risks —The maritime transportation industry is subject to substantial environmental and other regulations and international standards, which have become stricter over time and which may significantly limit our operations, result in substantial penalties 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 container and drybulk 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. Specifically for LNG, technological developments in containment systems and reliquification technology could affect the value of the vessels as well as their commercial life, as is now demonstrated in the market with older generation vessels trading at a significant discount as compared to modern vessels. 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.

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 dry-docking costs associated with scheduled dry-dockings, 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.

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 newbuilds 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 cost of a vessel is further increased by financing, construction supervision, vessel start-up and other costs.

If we enter into contracts for newbuilds 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.

To fund the acquisition of a vessel or a business or 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. We financed the acquisition of the six LNG Carrier vessels in 2021 for a total consideration of \$1,222.8 million using cash on hand, the issuance of new common units to the seller, the issuance of the CGC Seller’s Credit and the assumption of debt and the issuance of the Bonds. See “Acquisition of Six LNG Carriers and Issuance of €150.0 million of Senior Unsecured Bonds listed on the Athens Stock Exchange.” 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 increase or make cash distributions.

We may decide to retrofit the rest of our fleet with scrubbers and we are in the process of retrofitting ballast water treatment systems on a number of our vessels. Failure of the scrubber or ballast water treatment equipment to operate effectively 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.

As of the date of this Annual Report, seven of our vessels have been retrofitted with scrubbers and six have been retrofitted with a ballast water treatment system (“BWTS”) while 12, including our six LNG carriers, were delivered from the building yard with BWTS attached. We expect that the three vessels we acquired in January 2020 will be retrofitted with a BWTS in 2022. We may decide to retrofit the rest of our fleet with scrubbers in the future, subject to market developments and yard availability. Failure of the scrubber and/or BWTS equipment to operate effectively after installation might affect our ability to comply with regulatory requirements and/or our charter party agreements, which 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 RELATED 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 the past 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 Hamburg Commercial Bank AG ("HCOB"), was mandatorily privatized.

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, LNG, 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 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, 2021, our total debt was \$1,317.4 million in total. Please also refer to "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Borrowings (Financing Arrangements)."

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

- principal amortization under our financing arrangements 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, our creditors (senior or, if any, subordinated) and creditors (senior or, if any, subordinated) of our subsidiaries will be entitled to payment in full prior to any distributions to our unitholders; and
- our ability to secure additional financing, or to refinance our existing financing arrangements, may be substantially restricted by the existing level of our indebtedness and the restrictions contained in them.

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.”

Our financing arrangements contain, and we expect that any new or amended credit facilities or other financing arrangements we may enter into in the future 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 existing financing arrangements and any new financing arrangements we may 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 current financing arrangements 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 our management agreement.

Our existing financing arrangements 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. Our financing arrangements require us to comply with certain financial covenants:

- to maintain minimum free consolidated liquidity of at least \$0.5 million 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;
- 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 0.75; and
- to 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 the respective outstanding amount under the applicable Financing Arrangement between 110% and 125%.

Our financing arrangements prohibit the payment of distributions that are not in compliance with certain of these financial covenants or security coverage ratios or upon the occurrence of any other event of default.

Furthermore, the Bonds we issued on October 20, 2021 require us to (a) maintain a pledged Debt Service Reserve Account (the “DSRA”) with a minimum balance €100,000, (b) deposit to the DSRA 50% of any cash disbursements to our unitholders (e.g., dividends) exceeding €20.0 million per annum, capped at 1/3 of the par value of the Bonds outstanding at the time and (c) if our market value adjusted net worth (“MVAN”) falls below \$300.0 million, to deposit to the DSRA the difference between the MVAN and \$300.0 million (capped at 1/3 of the par value of the Bonds outstanding).

Our ability to comply with the covenants and restrictions contained in our financing arrangements 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 financing institutions 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 financing arrangements, or if we trigger a cross-default currently contained in our financing arrangements, 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 certain of our financing arrangements are secured by our vessels or through the ownership of the vessels, and if we are unable to repay, or otherwise default on, our obligations under our financing arrangements, the lenders could seek to take control of these assets.

Furthermore, any contemplated vessel acquisitions will have to be at levels that do not impair the required ratios described above. Depressed shipping markets, lack of capital in the industry and prolonged overcapacity have 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 financing arrangements, 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 are in breach of any of the terms of our financing arrangements, a significant portion of our obligations may become immediately due and payable. This could affect our ability to execute our business strategy or make cash distributions.

A default under our financing arrangements could result in foreclosure on any of our vessels and other assets secured or a loss of our rights as lessee under such arrangements.

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

In the event we default under our financing arrangements or we are not able to refinance our existing indebtedness with new financing arrangements on commercially acceptable terms, or if our operating results are not sufficient to service current or future indebtedness, or to make relevant interest, principal or lease 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 and leasing obligations, or seeking additional equity capital or bankruptcy protection. In addition, the terms of any refinancing or alternate financing arrangement may restrict our financial and operating flexibility and our ability to make cash distributions.

We may not be able to reach agreement with our financiers to amend the terms of the then existing financing arrangements 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.

Events of default under our financing arrangements include:

- failure to pay principal or interest when due;
- breach of certain undertakings, negative covenants and financial covenants contained in the financing arrangements, any related security document or guarantee, including failure to maintain unencumbered title to any of the vessel-owning subsidiaries and failure to maintain proper insurance;
- any breach of the financing arrangements, any related security document or guarantee (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 breach of representation, warranty or statement made by us in our financing arrangements or related security document or guarantee or the interest rate swap agreements (if any);
- a cross-default of our other indebtedness of \$5.0 million or greater;
- our inability, in the reasonable opinion of the lenders, to pay our debts when due;
- 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 financing arrangements, of any of the related finance and guarantee documents;
- failure of effectiveness of security documents or guarantee;
- delisting of our common units from the Nasdaq Global Select Market or on any other recognized securities exchange;

- 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, Hapag-Lloyd, BP and Cheniere 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 financing arrangements; or
- any other event that occurs or circumstance that arises in light of which our financiers under our financing arrangements reasonably consider that there is a significant risk that we will be unable to discharge our liabilities under our financing arrangements and related security or guarantee documents.

In addition, certain dealings in connection with sanctioned countries could trigger a mandatory prepayment event. See “—Regulatory Risks—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 debt could have similar or more onerous restrictions. Please see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Borrowings (Financing Arrangements)” for further information on our existing facilities.

The phase-out of the London Interbank Offered Rate (LIBOR), or the replacement of LIBOR with a different benchmark rate, may adversely affect interest rates and our cost of capital.

On July 27, 2017, the UK Financial Conduct Authority (“FCA”) announced that it would phase-out LIBOR by the end of 2021. On March 5, 2021 the FCA announced that LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings and immediately after June 30, 2023, in the case of the remaining US dollar settings. Changes in the method of calculating LIBOR, or the replacement of LIBOR with an alternative rate or benchmark, may adversely affect interest rates. While there is no consensus on what interest rate may become accepted as the alternative to LIBOR, the Alternative Reference Rates Committee, a steering committee comprised of U.S. financial market participants, has selected the Secured Overnight Finance Rate (“SOFR”) as published by the Federal Reserve Bank of New York since May 2018. SOFR is a broad measure of the cost of borrowing cash in the overnight U.S. treasury repo market. At this time, it is not possible to predict whether SOFR or another reference rate will become an accepted alternative to LIBOR.

We cannot predict the effect of the potential changes to LIBOR or the establishment and use of alternative rates or benchmarks. Our existing financing arrangements provide for the use of replacement rates if LIBOR is discontinued. We are in the process of evaluating the impact of LIBOR discontinuation on us. Such replacement rates could be higher or more volatile than LIBOR prior to its discontinuation. The full impact of the expected transition away from LIBOR is unclear, but these changes could adversely affect our cash flow, financial condition and results of operations. We may need to renegotiate our financing arrangements or incur indebtedness to refinance our debt, all of which may materially and adversely affect our financial condition and ability to make cash distributions.

As of December 31, 2021 \$988.0 million out of \$1,317.4 million total debt is floating rate, which means we pay interest on such debt at a margin on top of LIBOR or its replacement. A potential rise in interest rates, which would translate into an increase in LIBOR or its replacement could translate into increased interest expense and in turn may materially and adversely affect our financial condition and ability to make cash distributions.

REGULATORY RISKS

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 certain regions of Ukraine, Russia, Belarus, Cuba, Iran, North Korea 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 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.

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. 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 2021, none of the vessels in our fleet made any port calls in Crimea, Cuba, North Korea, Iran or Syria.

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. 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 negatively affect our reputation and result in some investors deciding, or being required, to divest their interest, or not to invest, in our common units. As noted above, any such violation or conduct would trigger a mandatory payment event under our financing arrangements. Finally, future expansion of sanctions or the imposition of sanctions on other jurisdictions 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.

The maritime transportation industry is subject to substantial environmental and other regulations and international standards, which have become stricter over time and which may significantly limit our operations, result in substantial penalties or increase our expenditures.

Our operations are affected by extensive and increasingly stringent 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. Further legislation, or amendments to existing legislation, applicable to international and national maritime trade is expected over the coming years relating to environmental matters. See "Item 4. Information on the Partnership—B. Business Overview—Regulation" for more information on regulation applicable to our business.

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 risks or result in the denial of access to certain jurisdictional waters or ports, or detention in certain ports. 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. In addition we 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.

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.

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.

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 have its underwater parts inspected by class every two to three years, but for vessels subject to enhanced survey requirements and above 15 years of age, its underwater parts must be inspected in dry-dock.

If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to maintain insurance arrangements and 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.

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.

General Risk Factors

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 Managers. 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.

Most recently, the conflict between Russia and Ukraine has been accompanied by cyber-attacks against the Ukrainian government and other countries in the region. It is possible that these attacks could have collateral effects on additional critical infrastructure and financial institutions globally, which could adversely affect our operations. It is difficult to assess the likelihood of such threat and any potential impact at this time.

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, companies registered with the SEC 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 anti-corruption policy, may not adequately prevent or detect possible violations under applicable anti-bribery and anti-corruption legislation.

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 anticipate that we will continue to incur incremental general and administrative expenses as a publicly traded limited partnership taxed as a corporation.

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. Capital Ship Management 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.

RISKS INHERENT IN AN INVESTMENT IN US

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 makes 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 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.

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 and the establishment by our board of directors of cash reserves. 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 debt, additional borrowings, compliance with the covenants in our financing arrangements, our anticipated future cost of capital, access to financing and equity and debt capital markets, including for the purposes of refinancing or repaying existing debt, 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 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.

Negative media coverage and public and judicial scrutiny relating to Mr. Evangelos M. Marinakis may adversely affect our reputation and operations, investor confidence and the trading price of our common units.

Mr. Evangelos M. Marinakis is the chairman of Capital Maritime, our sponsor. In addition, as of April 18, 2022, the Marinakis family, including Mr. Evangelos M. Marinakis, may be deemed to beneficially own a 27.4% interest in us, excluding treasury units of 487,892, through its beneficial ownership of, among other entities, Capital Maritime. Furthermore, Mr. Miltiadis E. Marinakis, Mr. Evangelos M. Marinakis's son, is the owner of Capital GP L.L.C., our General Partner and Capital Gas Corp.

Mr. Evangelos M. Marinakis holds significant other interests in Greece and abroad. Among other things, Mr. Marinakis is the principal owner of Olympiacos, a Greek professional football team, and the Nottingham Forest football club in England. Mr. Marinakis also owns the Greek media company Alter Ego Media S.A. Furthermore, Mr. Marinakis is a member of the Piraeus city council.

Mr. Marinakis has been the subject of intense and at times negative media scrutiny in Greece. Given the relationships of Mr. Marinakis and certain members of his family with Capital Maritime and us described above, any past or future negative media coverage, public and judicial scrutiny or criminal proceedings in relation to Mr. Marinakis, regardless of the factual basis for the assertions being made or the final outcome of any investigation or proceeding, may affect the reputation and operations of Capital Maritime, as well as our reputation and operations. Such coverage, scrutiny and proceedings may also adversely impact investor confidence and the trading price of our common units.

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

Our General Partner is a limited liability company initially formed and controlled by Capital Maritime as sole member. In April 2019, Capital Maritime transferred all membership interests in our General Partner to Mr. Miltiadis E. Marinakis.

Our partnership agreement does not restrict the ability of the member or members from time to time of our General Partner from transferring control of our General Partner or its assets to a third party, whether in a merger, sale of all membership interests or sale of all or substantially all of its assets, without the consent of our unitholders.

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.

Please read “—Risks Related to our Business and Operations—We depend on our General Partner, a private company under the ownership of Mr. Miltiadis E. Marinakis, for the day-to-day management of our affairs.”

Our General Partner, which may have conflicts of interest, has limited fiduciary and contractual duties, which may permit it to favor its own interests or the interest of its affiliates or related persons to the detriment of other unitholders.

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 our directors have a fiduciary duty to manage us in a manner beneficial to us and our unitholders. However, this duty is limited under our partnership agreement. Please see “—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.” In addition, Mr Kalogiratos who is an officer of our General Partner and a director of the Partnership, serves also as officer and director of Capital Maritime, and as such 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. Conflicts of interest may arise between Capital Maritime, our General Partner and their affiliates, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, the officers of our General Partner and Capital Maritime may favor their own interests over the interests of our unitholders.

These conflicts include, among others, the following situations:

- neither our partnership agreement nor any other agreement requires our General Partner or its affiliates to pursue a business strategy that favors us or utilizes our assets, and Capital Maritime’s officers and directors in their capacity as such have a fiduciary duty to make decisions in the best interests of the shareholders of Capital Maritime, which may be contrary to our interests;
- 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.”

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 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.

Capital Maritime and its affiliates 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 voting rights reallocated as a result of such limitations.

Accordingly, Capital Maritime and its affiliates may favor their own interests or the interests of our General Partner 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 “—*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.

Capital Maritime and its affiliates may compete with us.

The omnibus agreement that we and Capital Maritime have entered into imposes certain mutual restrictions on the acquisition, ownership and operations, and provides for certain rights of first refusal in respect, of product and crude oil tankers. The omnibus agreement however contains significant exceptions. It also does not apply to LNG, container and drybulk vessels and other shipping markets. Accordingly, Capital Maritime and its controlled affiliates have significant ability to compete with us, which could harm our business. Please read “Item 7. Major Unitholders and Related Party Transactions—B. Related-Party Transactions” for further information.

We currently do not have any officers and rely, and expect to continue to rely, solely on officers of our General Partner and/or our Managers, 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 the Partnership 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 Capital Maritime and/or its affiliates.

For example, our General Partner's Chief Executive Officer, Chief Financial Officer and Chief Commercial Officer (appointed on January 24, 2022) are also executive officers or employees of Capital Maritime, Capital Ship Management and/or their respective affiliates. Capital Maritime and our Managers each 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 Capital Maritime, our Managers and/or their respective 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. 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 "Item 7. Major Unitholders and Related-Party Transactions—B. Related-Party Transactions."

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. Currently our board has seven members, of which five were elected by common unitholders. 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 unitholders by the affirmative vote of the holders of a majority of the outstanding common units.

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 two thirds of the outstanding units, including any units owned by our General Partner and its affiliates, and a majority vote of our board of directors. Currently, 14,247,514 common units excluding treasury units of 487,892, representing 73.9% of our common units are owned by public unitholders.

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 an affiliate of our General Partner, Capital Maritime is not subject to such limitation and will be attributed its pro rata share of any units reallocated as a result of such limitation. Further, this limitation does not apply to unitholders who acquire more than 5% of any class of units then outstanding with the prior approval of our board of directors.

As of April 18, 2022, based on 19,637,624 units issued and outstanding (excluding treasury units of 487,892 and including 348,570 general partner units), the Marinakis family, including Mr. Miltiadis E. Marinakis, who beneficially owns 100% of Capital Gas Corp. , and Evangelos M. Marinakis, the chairman of Capital Maritime, may be deemed to beneficially own an 27.4% interest in us, through:

- Capital Maritime, which beneficially owns 3,887,694 common units, representing 19.8% of the outstanding units;
- Capital Gas Corp., which beneficially owns 1,153,846 common units, representing 5.9% of the outstanding units; and
- our General Partner, which may be deemed to beneficially own 348,570 general partner units representing a 1.8% interest in us.

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.

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 or related persons own sufficient units to be able to prevent such removal. The vote of the holders of at least two thirds 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 April 18, 2022, based on a total of 19,637,624 units issued and outstanding (excluding treasury units of 487,892 and including 348,570 general partner units), the Marinakis family, including Mr. Miltiadis E. Marinakis and Evangelos M. Marinakis, the chairman of Capital Maritime, may be deemed to beneficially own a 27.4% interest in us;
- 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 have limited voting rights, as described under “—*Unitholders have limited voting rights and our partnership agreement restricts the voting rights of unitholders owning 5% or more of our units*”; and
- 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.

Our General Partner has a limited call right that may require unitholders 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 defined in our partnership agreement). As a result, unitholders may be required to sell their units at an undesirable time or price and may not receive any return on their investment. Unitholders may also incur a tax liability upon a sale of their units.

Our common units are equity securities and are subordinated to our existing and future indebtedness and will be subject to prior distribution and liquidation rights of any preferred units we may issue in the future.

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 preferred units we may issue in the future. 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. Any actual or possible reduction in the amount of distributions made on our common units could materially and adversely affect the market price of the common units.

Future sales of our common units, or the issuance of 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 such equity securities.

Since our initial public offering, we conducted a number of issuances of common and preferred units, and we may engage in 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.

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 "The Partnership Agreement—Limited Liability" in Exhibit 2.1 to this Annual Report 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 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Borrowings (Financing Arrangements)".

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.

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.

As a Marshall Islands limited partnership with principal executive offices in Greece and having subsidiaries in the Marshall Islands and other offshore jurisdictions such as Liberia, our operations may be subject to economic substance requirements.

We are a Marshall Islands limited partnership with principal executive offices in Greece. Our subsidiaries are organized in the Marshall Islands, Liberia and Cyprus. The Marshall Islands has enacted economic substance regulations with which we may be obligated to comply. Regulations adopted in the Marshall Islands require certain entities that carry out particular activities to comply with an economic substance test whereby the entity must show that it (i) is directed and managed in the Marshall Islands in relation to that relevant activity, (ii) carries out core income-generating activity in relation to that relevant activity in the Marshall Islands (although it is being understood and acknowledged by the regulators that income-generated activities for shipping companies will generally occur in international waters) and (iii) having regard to the level of relevant activity carried out in the Marshall Islands has (a) an adequate amount of expenditures in the Marshall Islands, (b) adequate physical presence in the Marshall Islands and (c) an adequate number of qualified employees in the Marshall Islands.

If we fail to comply with our obligations under this legislation or any similar law applicable to us in any other jurisdictions, we could be subject to financial penalties and spontaneous disclosure of information to foreign tax officials, or could be struck from the register of companies, in related jurisdictions. Any of the foregoing could be disruptive to our business and could have a material adverse effect on our business, financial condition and operating results.

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 10. Additional Information—E. 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 10. Additional Information—E. 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 10. Additional Information—E. 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 our Managers, and the way we carry on business or conduct operations, all of which may change over time. The laws of Greece or any other foreign country may also change, which could cause the country’s taxing authorities to determine that we are carrying on business in such country and are subject to its taxation laws. Any foreign taxes imposed on us or any subsidiaries 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 completed our initial public offering in April 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. Our website address is www.capitalplp.com. The SEC maintains an internet website at www.sec.gov that contains reports and other information regarding issuers, including us, that file electronically with the SEC. The information contained on, or that can be accessed through these websites is not part of, and is not incorporated into, this Annual Report.

2021 Developments

Acquisition of six LNG carrier vessels

On August 31, 2021, CPLP agreed to acquire three 174,000 CBM latest generation X-DF LNG carriers, namely, the LNG/C Aristos I, the LNG/C Aristarchos and the LNG/C Aristidis I, constructed at Hyundai, from CGC Operating, for a total consideration of \$599.8 million comprised of (i) \$147.1 million of cash on hand, (ii) the assumption of the \$427.4 million of secured debt, (iii) the issuance of 1,153,846 (or \$15.3 million in value) of new common units of CPLP at a premium to the unit trading price at the time of the agreement and (iv) \$10.0 million of unsecured, interest free seller's credit. The LNG/C Aristos I and the LNG/C Aristarchos were delivered to the Partnership on September 3, 2021, while the LNG/C Aristidis I was delivered on December 16, 2021. The LNG/C Aristos I and the LNG/C Aristidis I are under long-term time charters with BP with earliest expiration in October 2023 and December 2023, respectively. The LNG/C Aristarchos is under a long-term time charter with Cheniere, which expires the earliest in February 2025.

Furthermore, on August 31, 2021, the Partnership secured an option, which was exercised on November 4, 2021, to acquire an additional three X-DF LNG/C sister vessels, namely, the LNG/C Attalos, the LNG/C Asklipios and the LNG/C Adamastos, constructed at Hyundai, for a total consideration of \$623.0 million comprised of (i) \$184.0 million of cash on hand and (ii) the assumption of the \$439.0 million of secured debt. The LNG/C Attalos and the LNG/C Asklipios were delivered to the Partnership on November 18, 2021, while the LNG/C Adamastos was delivered on November 29, 2021. The LNG/C Attalos is under long-term time charter with BP with earliest expiration in October 2025, the LNG/C Asklipios is under long-term time charter with Cheniere expected to expire at the earliest in January 2025 and the LNG/C Adamastos is under a long-term time charter with Engie which expires at the earliest in September 2026.

Sale of M/V CMA CGM Magdalena and M/V Adonis

On April 7, 2021 the Partnership entered into memorandums of agreement for the sale of the M/V CMA CGM Magdalena and the M/V Adonis to an unaffiliated third party for a total consideration of \$195.0 million. The M/V CMA CGM Magdalena and the M/V Adonis were delivered to their new owners on May 17, 2021, and December 13, 2021, respectively.

Acquisition of three Panamax container carrier vessels

In February 2021, the Partnership completed the acquisition of the three 5,100 Twenty-foot Equivalent Unit ("TEU") sister container vessels, namely the M/V Long Beach Express, M/V Seattle Express and the M/V Fos Express built in 2008 at Hanjin Heavy Industries, South Korea, for a total consideration of \$40.5 million. The vessels are employed under long-term time charters with Hapag-Lloyd with the earliest expiration in June 2025 (for the M/V Long Beach Express) or September 2025 (for the M/V Seattle Express and the M/V Fos Express).

Financing Arrangements entered into and/or assumed

On October 20, 2021, the wholly owned subsidiary of the Partnership, CPLP PLC, issued €150.0 million of Bonds listed on the Athens Stock Exchange.

In connection with the issuance of the Bonds, we entered into certain cross-currency swap agreements, including on December 2, 2021 a cross currency agreement with Piraeus Bank SA, exchanging €120.0 million with \$139.7 million paying fixed annual rate of 3.655% and on December 14, 2021 a cross currency agreement with Alpha Bank SA, exchanging €30.0 million with \$34.9 million paying fixed annual rate of 3.690%.

On December 16, 2021, upon the delivery of the LNG/C Aristidis I, we assumed a syndicated secured credit facility with ING Bank N.V., London Branch, (“ING”) acting as agent of \$123.0 million.

On November 29, 2021, upon the delivery of the LNG/C Adamastos, we assumed debt in the form of a sale and leaseback agreement with Shin Doun Kisen Co., Ltd. (“Shin Doun”) of \$143.1 million.

On November 18, 2021, upon the delivery of the LNG/C Attalos and the LNG/C Asklipios we assumed debt in the form of sale and leaseback agreement with CMB Financial Leasing Co., Ltd, (“CMBFL”) of \$146.3 million and \$149.6 million respectively.

On September 3, 2021, upon the delivery of the LNG/C Aristos I and the LNG/C Aristarchos we assumed debt in the form of sale and leaseback agreement with Bank of Communications Financial Leasing Co., Ltd, (“Bocomm”) of \$148.9 million and \$155.4 million respectively. Furthermore, we entered into the CGC Seller’s Credit in order to defer \$10.0 million of the total purchase price of the LNG/C Aristos I and the LNG/C Aristarchos for up to twelve months from the Vessels’ delivery date.

On January 22, 2021, we entered into an agreement for the sale and lease back of the vessels M/V Long Beach Express, M/V Seattle Express and M/V Fos Express with CMBFL for \$10.0 million each. Furthermore, we entered into the Seller’s Credit Agreement with CMTC (“CMTC Seller’s Credit”) in order to defer \$6.0 million of the purchase price of the M/V Long Beach Express, M/V Seattle Express and M/V Fos Express for up to five years from the Vessels’ delivery date.

See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Borrowings (Financing Arrangements)” below for information regarding our financing arrangements.

Unit Repurchase Program

On January 25, 2021, the Partnership’s Board of Directors approved a unit repurchase plan for an amount of \$30.0 million to be used for repurchasing the Partnership’s common units over the period of two years. During 2021, we completed the repurchase of 382,250 units, paying an average price per unit of \$11.74 plus repurchasing expenses. These units are held as treasury units by the Partnership and the amount of \$4.5 million is recorded as a reduction in the Partnership’s Partners’ Capital.

2020 Developments

Change of Manager of the M/V Cape Agamemnon

On November 30, 2020, we completed the process of changing the manager of our Capesize bulk carrier vessel, the M/V Cape Agamemnon, from Capital Ship Management to Capital-Executive, a privately held company ultimately controlled by Mr. Miltiadis E. Marinakis, resulting in Capital-Executive becoming the sole manager of our container and drybulk vessels. The agreement with Capital-Executive has the same terms and conditions of the floating fee management agreement we had with Capital Ship Management.

Acquisition of three Neo-Panamax container vessels

In January 2020 the Partnership completed the acquisition of the three 10,000 TEU sister container vessels, namely the M/V Athos, the M/V Aristomenis and the M/V Athenian built in 2011 at Samsung Heavy Industries Co. Ltd South Korea, for a total consideration of \$162.6 million from Capital Maritime. The vessels are employed under long-term time charters with Hapag-Lloyd which will expire in April 2026.

Financing Arrangements

On January 17, 2020 the Partnership entered into a new term loan facility with HCOB of up to \$38.5 million.

On January 20, 2020 we entered into an agreement for the sale and lease back of the vessels M/V Athos and M/V Aristomenis with CMBFL for \$38.5 million each.

In December 2019 we entered into a non-binding term sheet and in May 2020 into agreements with ICBC Financial Leasing Co., Ltd. (“ICBCFL”) for the sale and lease back of three vessels then mortgaged under the 2017 credit facility, namely the M/V Akadimos (ex CMA CGM Amazon), the M/V Adonis (ex CMA CGM Uruguay) and the CMA CGM Magdalena, for a total amount of \$155.4 million. Following the sale of the M/V CMA CGM Magdalena and the M/V Adonis, in May and December 2021, respectively, we fully repaid the amount of \$96.2 million related to the two of the three ICBCFL agreements. See also “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Borrowings (Financing Arrangements)” below for information regarding our financing arrangements.

2019 Developments

Completion of the DSS Transaction

On November 27, 2018, we entered into a definitive transaction agreement with DSS Holdings L.P. (“DSS”), pursuant to which we agreed to spin off our then existing crude and product tanker business (the “Tanker Business”) into a separate publicly listed company, Diamond S Shipping Inc. (“DSSI”), which would then combine with DSS’s businesses and operations in a share-for-share transaction (the “DSS Transaction”). The DSS Transaction was completed on March 27, 2019.

Change of Manager of Container Vessels

In August 2019, we completed the process of changing the manager of our container vessels from Capital Ship Management to Capital-Executive. Each vessel-owning subsidiary for our ten container vessels then owned entered into a floating rate management agreement with Capital-Executive under which the vessel-owning subsidiary is charged actual expenses incurred by Capital-Executive, each with an initial term of five years. According to this agreement, Capital-Executive provides certain commercial and technical services for a daily technical management fee that is revised annually based on the United States Consumer Price Index. The vessel-owning subsidiary also compensates Capital-Executive for all of its costs, expenses and liabilities incurred in providing the above services, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating costs. Costs and expenses associated with the vessel’s next scheduled dry-docking are borne by the owning company and not by Capital-Executive. Our Capesize bulk carrier vessel, the M/V Cape Agamemnon, remained under the management of Capital Ship Management, until November 29, 2020, under our floating fee management agreement with Capital Ship Management.

As of December 31, 2018, all restricted units issuable under our Omnibus Incentive Compensation Plan (the “Plan”) had been issued. In July 2019, our board of directors adopted an amended and restated Plan, so as to reserve for issuance a maximum number of 740,000 restricted common units.

Change of Ownership of our General Partner

Our General Partner is a limited liability company initially formed and controlled by Capital Maritime as sole member. In April 2019, Capital Maritime transferred all membership interests in our General Partner to Mr. Miltiadis E. Marinakis. See “Item 3. Key Information—D. Risk Factors—Risks Related to our Business and Operations—*We depend on our General Partner, a private company under the ownership of Mr. Miltiadis E. Marinakis, for the day-to-day management of our affairs.*”

B. Business Overview

We are an international owner of ocean-going vessels. Our fleet consists of 21 vessels including, 11 Neo-Panamax container carrier vessels (1.0 million dwt and total TEU capacity of 80,797), three Panamax container carrier vessels (0.2 million dwt and total TEU capacity of 15,267), one Capesize bulk carrier vessel (0.2 million dwt) and six latest generation LNG carrier vessels (0.5 million dwt and total capacity of 1.0 million CBM), with an average fleet age of approximately 8.3 years as at March 31, 2022.

All of our container carrier vessels are currently chartered under medium- to long-term charters (with remaining revenue-weighted charter of approximately 3.1 years as of March 31, 2022 based on earliest expiration) to reputable charterers, such as MSC, HMM, ONE and Hapag-Lloyd.

All of our LNG carrier vessels are currently chartered under medium- to long-term charters (with remaining revenue-weighted charter of approximately 3.2 years as of March 31, 2022, based on earliest expiration) to reputable charterers, such as BP, Cheniere and Engie.

Our fleet is managed by our Managers, which are private companies.

Business Strategies

Our primary business objective is to increase cash available for distributions to our unitholders, while maintaining a strong financial position. We aim to realize our business objectives through the following 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 provide visibility of revenues and cash flows. As our vessels come up for re-chartering, we aim to redeploy them under period contracts that reflect our expectations of prevailing market conditions. In the pursuit of our strategies, we evaluate growth opportunities across all shipping sectors. We believe that the average age of our fleet of approximately 8.3 years as of March 31, 2022, compared to an industry average of 12.9 years (adjusted for the composition of our fleet) and the high specifications of our vessels, position us favorably to continue to secure medium- to long-term charters for our vessels.
- **Expand our fleet through accretive acquisitions.** Subject to available required financing, we intend to evaluate potential acquisitions of both newbuilds and second-hand vessels across the shipping markets. We also intend to take advantage of opportunities afforded to us by our relationship with our sponsor, Capital Maritime. In January 2020, we acquired three 10,000 TEU container carrier vessels; in February 2021 an additional three 5,100 TEU container carrier vessels and during the second half of 2021 we acquired six LNG carrier vessels. For future acquisitions, we may consider increases in our overall leverage, provided that we are able to deliver stable distributions to our unitholders and grow our fleet. In addition, we may pursue opportunities for acquisitions of, or combinations with, other shipping businesses.
- **Maintain and build on our ability to meet rigorous industry and regulatory safety standards.** We believe that in order for us to be successful in growing our business, we need to maintain our vessel safety record and further build on our high level of customer service and support. We believe that our Managers, have strong records of vessel safety and compliance with rigorous health, safety and environmental protection standards, and are committed to providing our charterers with a high level of customer service and support.

Our Customers

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

- **Hyundai Merchant Marine Co. Ltd.**, an integrated logistics company, operating around 130 vessels. HMM has worldwide global service networks and diverse logistics facilities.
- **Mediterranean Shipping Co. S.A.** is part of the Cargo Division of the MSC Group shipping conglomerate, a global business engaged in the shipping and logistics sector.
- **Hapag Lloyd- Aktiengesellschaft**, is a German international shipping and container transportation company. It is currently the world's fifth largest container carrier in terms of vessel capacity.
- **Ocean Network Express** is a result of the integration by three Japanese shipping companies providing a wide service coverage with the 6th largest fleet in the world.
- **BP Gas Marketing Limited** is part of the wider BP group and produces and distributes oil and natural gas. The company offers biofuels, motor oil, lubricants, petrol, crudes, liquified natural gas, marine fuels, natural gas liquids, and petrochemicals. BP markets its products worldwide.
- **Cheniere Marketing International LLP** is part of Cheniere Energy Inc., a liquefied natural gas company headquartered in Houston, Texas. Cheniere is a full-service LNG provider, with capabilities that include gas procurement and transportation, liquefaction, vessel chartering, and LNG delivery. Cheniere has one of the largest liquefaction platforms in the world, consisting of the Sabine Pass and Corpus Christi liquefaction facilities on the U.S. Gulf Coast, with expected total production capacity of approximately 45.0 million tonnes per annum of LNG operating or in commissioning.
- **Engie Energy Marketing Singapore Pte Ltd.**, a part of the wider Engie SA group, a French multinational utility company, headquartered in Paris, France, which operates in the fields of energy transition, electricity generation and distribution, natural gas, nuclear, renewable energy and petroleum. Engie supplies electricity in 27 countries in Europe and 48 countries worldwide.

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. 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."

Our Management Agreements

Under our management agreements:

- we pay our Managers a daily technical management fee per vessel, which is revised annually based on the United States Consumer Price Index;
- we indemnify our Managers for expenses and liabilities they incur on our behalf in the provision of the contracted for services, including, for example, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating costs; and
- we bear all costs and expenses associated with a vessel's dry-docking.

We expect that vessels acquired in the future will be managed under similar floating fee management arrangements. See Note 5 (Transactions with Related Parties) to our Financial Statements for additional information on fees paid under our management agreements.

Our Fleet

At the time of our initial public offering in 2007, our fleet consisted of eight vessels. As of December 31, 2018, our fleet consisted of 36 vessels. We completed the spin-off of our 25 vessel Tanker Business on March 27, 2019. In January 2020 we completed the acquisition of three Neo-Panamax container carrier vessels and in February 2021, we completed the acquisition of three Panamax container carrier vessels. In the second half of 2021 we completed the acquisition of six LNG carrier vessels. In May and December 2021, respectively, we completed the sale of two Neo-Panamax container carrier vessels. As a result, we currently own 21 vessels including, 11 Neo-Panamax container carrier vessels (1.0 million dwt and total TEU capacity of 80,797) with an average age as at March 31, 2022, of approximately 10.5 years, three Panamax container carrier vessels (0.2 million dwt and total TEU capacity of 15,267) with an average age as at March 31, 2022, of approximately 13.9 years, one Capesize bulk carrier vessel (0.2 million dwt) with an age as at March 31, 2022, of approximately 11.7 years and six LNG carrier vessels (0.5 million dwt and total capacity of 1.0 million CBM) with an average age as at March 31, 2022, of approximately 0.9 years.

We intend, subject to prevailing shipping, charter and financing market conditions, to make strategic acquisitions in a prudent manner that is accretive to our unitholders and to long-term distributable cash flow growth. In addition, we may pursue opportunities for acquisitions of, or combinations with, other shipping businesses.

The table below provides summary information about the vessels in our current 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. 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 ownership of sister vessels provides 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 Lloyd's Register of Shipping ("Lloyd's"), Bureau Veritas ("BV"), DNV GL, Korean Register ("KR") or the American Bureau of Shipping ("ABS").

VESSELS IN OUR FLEET

Vessel Name	Sister Vessels⁽¹⁾	Year Built	DWT-TEU-CBM⁽⁵⁾	Management Agreement Expiration⁽²⁾	Charter Duration/Type⁽³⁾	Expiry of Charter⁽⁴⁾	Charterer	Description
DRYBULK VESSEL								
Cape Agamemnon	A	2010	179,221	Nov-25	Spot	-	-	Cape Size Dry Cargo
CONTAINER CARRIER VESSELS								
Archimidis	B	2006	108,892-8,266 TEU	Aug-24	4-yr TC	Feb-24	MSC	Container Carrier
Agamemnon	B	2007	108,892-8,266 TEU	Aug-24	4.5-yr TC	Feb-24	MSC	Container Carrier
Hyundai Prestige	C	2013	63,010-5,023 TEU	Aug-24	12-yr TC	Dec-24	HMM	Eco Wide Beam Container Carrier
Hyundai Premium	C	2013	63,010-5,023 TEU	Aug-24	12-yr TC	Jan-25	HMM	Eco Wide Beam Container Carrier
Hyundai Paramount	C	2013	63,010-5,023 TEU	Aug-24	12-yr TC	Feb-25	HMM	Eco Wide Beam Container Carrier
Hyundai Privilege	C	2013	63,010-5,023 TEU	Aug-24	12-yr TC	Mar-25	HMM	Eco Wide Beam Container Carrier
Hyundai Platinum	C	2013	63,010-5,023 TEU	Aug-24	12-yr TC	Apr-25	HMM	Eco Wide Beam Container Carrier
Akadimos (ex CMA CGM Amazon) ⁽¹⁰⁾	D	2015	115,534-9,288 TEU	Aug-24	2.4-yr TC	Feb-23	ONE	Eco-Flex, Wide Beam Container
Athos	E	2011	118,888-9,954 TEU	Jan-25	6.8-yr TC	Apr-26	Hapag-Lloyd	Container Carrier
Aristomenis	E	2011	118,712-9,954 TEU	Jan-25	7.5-yr TC	Apr-26	Hapag-Lloyd	Container Carrier
Athenian	E	2011	118,834-9,954 TEU	Jan-25	6.8-yr TC	Apr-26	Hapag-Lloyd	Container Carrier
Long Beach Express ⁽⁶⁾	F	2008	68,618-5,089 TEU	Feb-26	4.7-yr TC	Jun-25	Hapag-Lloyd	Container Carrier
Seattle Express ⁽⁶⁾	F	2008	68,411-5,089 TEU	Feb-26	4.7-yr TC	Sep-25	Hapag-Lloyd	Container Carrier
Fos Express ⁽⁶⁾	F	2008	68,579-5,089 TEU	Feb-26	4.7-yr TC	Sep-25	Hapag-Lloyd	Container Carrier
LNG CARRIER VESSELS								
Aristos I ⁽⁷⁾	G	2020	81,978-174,000 CBM	Sep-26	3-yr TC	Oct-23	BP	LNG Carrier
Aristarchos ⁽⁸⁾	G	2021	81,956-174,000 CBM	Sep-26	3.7-yr TC	Feb-25	Cheniere	LNG Carrier
Aristidis I ⁽⁷⁾	G	2021	81,898-174,000 CBM	Dec-26	3-yr TC	Dec-23	BP	LNG Carrier
Attalos ⁽⁷⁾	G	2021	81,850-174,000 CBM	Nov-26	4.2-yr TC	Oct-25	BP	LNG Carrier
Adamastos ⁽⁹⁾	G	2021	82,095-174,000 CBM	Nov-26	5-yr TC	Sep-26	Engie	LNG Carrier
Asklipios ⁽⁸⁾	G	2021	81,882-174,000 CBM	Nov-26	3.3-yr TC	Jan-25	Cheniere	LNG Carrier
TOTAL FLEET DWT-TEU-CBM:			1,881,290 - 96,064 TEU - 1,044,000 CBM					

(1) Sister vessels and shipyards of origin are denoted in the tables by the following letters: (A) this vessel was built by Sungdong Shipbuilding & Marine Engineering Co., Ltd., South Korea; (B): these vessels were built by Daewoo Shipbuilding & Marine Engineering Co. LTD. South Korea; (C): these vessels were built by Hyundai Heavy Industries Co. Ltd, South Korea; (D): these vessels were built by Daewoo-Mangalia Heavy Industries S.A; (E): these

vessels were built by Samsung Heavy Industries Co. Ltd; (F): these vessels were built by Hanjin Heavy Industries & Construction Co., Ltd.; (G): these vessels were built by Hyundai Heavy Industries Co., Ltd.

- (2) Our vessels are managed under floating fee management agreements entered into with our Managers. For additional details regarding our management agreement, please see “—Our Management Agreements” above.
- (3) TC: Time Charter.
- (4) Earliest possible redelivery date.
- (5) DWT: Dead Weight Ton, TEU: Twenty-foot Equivalent Units, CBM: Cubic Meter.
- (6) In September 2020, each of the vessel-owning companies of the M/V Long Beach Express, the M/V Seattle Express and the M/V Fos Express entered into a time charter agreement with Hapag-Lloyd for a period of 56 to 60 months. The charterer has the option to extend the time charters of the vessels by 24 months (+/- 60 days) plus 12 months (+/- 45 days). The charter of the M/V Long Beach Express commenced in October 2020 and of the M/V Seattle Express and the M/V Fos Express in January 2021.
- (7) In 2019, each of the vessel-owning companies of the LNG/C Aristos I, the LNG/C Aristidis I and the LNG/C Attalos, entered into a time charter agreement with BP for a period of 3 years (+/- 30 days). The charterers have two two-year options (+/- 30 days) plus one two-year option (+/- 30 days) and one three-year option (+/- 30 days). The charters of the LNG/C Aristos I and the LNG/C Aristidis I commenced in November 2020 and January 2021 respectively. The charter of the LNG/C Attalos will commence in November 2022. Currently the vessel is under a 15 month (+/- 30 days) time charter with BP.
- (8) In April 2021, each of the vessel-owning companies of the LNG/C Aristarchos and the LNG/C Asklipios, entered into a time charter agreement with Cheniere until March 15, 2025 (+/- 30 days) and February 5, 2025 (+/- 30 days). Each charter has two one-year option (+/- 30 days). The charters of the LNG/C Aristarchos and the LNG/C Asklipios commenced in June 2021 and September 2021, respectively.
- (9) In July 2021, the vessel-owning company of the LNG/C Adamastos, entered into a time charter agreement with Engie for a period of 1,890 days (+90/-45 days) or for a period of 2,620 days (+90/-45 days) if the charterer exercises his option on or prior to May 2023. The charter of the LNG/C Adamastos commenced in August 2021.
- (10) In September 2020, the vessel-owning company of the M/V Akadimos commenced a new time charter with ONE for a period of 20 to 24 months. In January 2022 the charterer exercised its option to extend the time charter of the vessel by 6 months (+/- 30 days).

Our Charters

Our vessels are currently chartered with remaining revenue-weighted charter duration of approximately 3.2 years as of March 31, 2022. 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 “—Our Fleet” above for more information on our time 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 rates 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.

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. The customer undertakes to maintain the vessel in a good state of repair and efficient operating condition and dry-dock the vessel during this period at its cost and as per the classification society requirements. None of our vessels are currently under bareboat charters.

Spot Charters

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

Voyage / Trip Charter

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

Seasonality

We seek to operate our vessels 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

Our objective is to run our operations in a safe, efficient and cost-effective manner. To that end, our Managers, provide expertise in various functions critical to our operations. Specifically, pursuant to the management and administrative services agreements we have entered into with them, our Managers grant 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), procurement, insurance and shipyard supervision.

In compliance with the International Maritime Organization's ISM code, our Managers operate under safety management systems certified by Lloyd's Register of Shipping ("LRS"). Capital-Executive's management systems also comply with the Quality Standard ISO 9001, the Environmental Management Standard ISO 14001, the Occupational Health & Safety Management System ISO 45001 and the Energy Management Standard 50001, all of which are certified by LRS. In addition, Capital-Executive has implemented an "Integrated Management System Approach" verified by the LRS and adopted "Business Continuity Management" principles in cooperation with LRS.

One of the key strategies of our Managers is the implementation of a regime of responsible, safe and clean shipping in an effort to operate our vessels in a manner intended to protect the safety and health of our Managers' employees, the general public and the environment. Our Managers' senior management teams aim to actively manage the risks inherent in our business and are committed to eliminating incidents that threaten safety, such as groundings, fires, collisions and spills, as well as reducing emissions and waste generation.

Capital-Executive and Capital Gas currently outsource in part or in full the technical management and crewing of six container carrier vessels and six LNG carrier vessels to third parties.

Crewing and Staff

Capital-Executive, through a Capital Maritime subsidiary in Romania and crewing offices in Romania, Russia and the Philippines, recruits senior officers and crews for our vessels. Our vessels are currently manned primarily by Romanian and Russian officers and Filipino ratings. We believe that Capital-Executive has significant experience in operating vessels in this configuration and has access to a pool of certified and experienced crew members whom it can recruit to man our vessels.

Capital Gas also recruits crew through a third-party manager.

The LNG vessels are currently manned primarily by Romanian, Ukrainian and Russian officers and Filipino ratings. The recent hostilities between Russia and Ukraine might adversely impact our ability to safely repatriate Russian and Ukrainian officers and make the ability to perform regular crew changes problematic, as travel may not be available. This could impact the smooth operations of vessels as new officers and crews are sourced which may not have the familiarity of the vessel that they are joining. The extent to which this war will impact the Partnership's future results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. Accordingly, an estimate of the impact cannot be made at this time.

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 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 inspections that are required by regulations and requirements of the flag state administration 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 occasional 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.
- A bottom survey, which is an examination of the outside of the ship's bottom and related items, and is normally carried out with the ship in dry-dock. However, the classification society may give consideration to alternate examination while the ship is afloat as an in-water survey. An in-water survey is not permitted for ships 15 years of age and over that are assigned the notation ESP. A minimum of two bottom surveys are to be held in each five-year special survey period and the maximum interval between successive bottom surveys may not exceed three years. One of the two bottom surveys required in each five-year period is to coincide with the special survey. Non-ESP vessels (i.e., containers and LNG) are eligible to apply to the flag administration for the vessel to be placed on an Extended Dry-Docking ("EDD") regime thus extending the bottom surveys to 7.5 years. The EDD scheme provides commercial flexibility and reduced operating expenses during the survey periods.

- 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 newbuilds 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 dry-docking the vessel. Intermediate surveys may be carried out on the occasion of the second or third annual survey.
- Vessels above 15 years of age, subject to enhanced survey requirements, are also dry-docked twice during each five year cycle 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 classification society. The classification surveyor in this case will issue a “recommendation” which must be rectified by the ship-owner within prescribed time limits.
- 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 the International Convention for the Safety of Life at Sea (“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 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 (IACS). All of our vessels are certified as being “in class” by IACS members including ABS, BV, DNV, KR, and Lloyd’s Register. All new and second-hand 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 have resulted in increased costs for, and may result in the lack of availability of, insurance against the risks of environmental damage or pollution. 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; and
- Freight, demurrage and defense cover, which is a form of legal costs insurance covering certain costs of prosecuting or defending commercial (usually uninsured operating) claims.

Not all risks are insured and not all risks are insurable. The principal insurable risks which nevertheless remain uninsured across our fleet are "loss of hire" and "strikes".

The following table sets forth certain information regarding our insurance coverage as of December 31, 2021:

Type	Aggregate Sum Insured for All Vessels in Our Existing Fleet
Hull and Machinery	\$2.1 billion
Increased Value (including Excess Liabilities)	\$545.5 million additional "total loss" coverage
Hull & Machinery (War Risks)	\$2.7 billion
Protection and Indemnity (P&I) Pollution	
Liability Claims	Up to \$1.0 billion per incident per vessel

Competition

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

Competition for charters 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 operate, 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. However, we believe our ability to comply better with the rigorous standards of major charterers 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, National Maritime Regulations of Country of Registry, Classification Rules and Regulations, IACS Quality Standards, U.S. federal, state and local as well as non-U.S. health, safety and environmental protection laws and regulations, including, the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), the U.S. Ports and Waterways Safety Act of 1972, the Act to Prevent Pollution from Ships, the U.S. Clean Air Act (“Clean Air Act”), the U.S. Water Pollution Control Act (“Clean Water Act”), Japanese Marine traffic safety laws, Australian Marine Orders regarding stevedores safety, as well as regulations adopted by the IMO and the EU, State air emission requirements, IMO/United States Coast Guard (“USCG”)/Environmental Protection Agency (“EPA”) pollution regulations and various SOLAS amendments, International Labour Organization (“ILO”) regulations, International Telecommunications Union (“ITU”) regulations, as well as insurance requirements and 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, and designating local air emission control areas. 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 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, Port State Control (“PSC”) officers, ILO inspectors, charterers, and particularly terminal operators 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, 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.

The United States regulates the shipping industry with extensive environmental protection requirements and a liability regime addressing violations and the cleanup of oil spills, primarily through the Oil Pollution Act of 1990 (“OPA 90”), CERCLA and certain coastal state laws.

Under OPA 90, vessel operators, including vessel owners, managers and bareboat or “demise” charterers, are “responsible parties” who share strict joint and several liability for all containment and clean-up costs and other damages arising from oil spills from their vessels. These “responsible parties” would not be liable if the spill results solely from the act or omission of a third party, an act of God or an act of war. The limits of OPA90 liability are the greater of \$2,200 per gross ton or \$18.8 million for any tanker other than single-hull tank vessels, over 3,000 gross tons (subject to possible adjustment for inflation). OPA 90 specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters.

CERCLA applies to the discharge of hazardous substances (other than oil) whether on land or at sea, and contains a liability regime that provides for cleanup costs and damages to natural resources. 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 the greater of \$300 per gross ton or \$0.5 million for any other vessel, per release of or incident involving hazardous substances. As with OPA 90, these limits of liability do not apply if the incident is caused by gross negligence, willful misconduct, violation of certain regulations or if the responsible party fails or refuses to report the incident or cooperate and assist in the substance removal activities, in which case, liability is unlimited. While OPA 90 and CERCLA would not apply to the discharge of LNG, these laws may affect us because we carry oil as fuel and lubricants for our engines, and the discharge of these could cause an environmental hazard. 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.

The Clean Water Act requires 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.

U.S. 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 EPA 2013 Vessel General Permit (“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 IMO. 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. As of the date of this Annual Report, six of our vessels have been retrofitted with a BWTS while 12 vessels, including our six LNG carriers, were delivered from the building yard with BWTS attached.

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 IMO designates areas extending 200 miles from the U.S. territorial sea baseline adjacent to the Atlantic/Gulf and Pacific coasts and the eight main Hawaiian Islands as Sulphur Emission Control Areas and NOx 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.

China Requirements

China established coastal emission control areas (ECA) that capped the sulphur content of marine fuels. The three ECAs are the Pearl River Delta, the Yangtze River Delta and Bohai Bay. These coastal ECAs are designated under Chinese domestic law and are not MARPOL Annex VI designated ECAs and exclude the waters under the jurisdiction of Hong Kong, Macao and Taiwan. Since 1 January 2019, vessels operating within such a coastal ECA have been required to use fuel with a maximum sulphur content of 0.50%. The China Maritime Safety Administration issued an “Implementation Scheme of 2020 Global Marine Fuel Oil Sulphur Cap” according to which, among other requirements, from 1 January 2022 a sulphur cap of 0.10% will apply to seagoing vessels entering Hainan Waters within the coastal ECA.

Korea Requirements

From 1 September 2020, the South Korea government implemented mandatory SOx Emission Control Areas (SECAs) requiring the use of 0.1% sulphur fuel by ships in specified port areas. The following seaport areas became Korean SECAs, Incheon (including Gyeongin port), Pyeongtaek·Dangjin Yeosu·Gwangyang (including Hadong port) Busan Ulsan.

Effective from 1 September 2020, all ships (including foreign-flagged vessels) berthed or at anchorage in the above SECAs must ensure that, one hour after mooring (or anchoring) and one hour before de-berthing (or heaving anchor), sulphur content of fuel oils used on board does not exceed 0.1% m/m (or an approved equivalent arrangement is used).

Effective from 1 January 2022, all ships (including foreign-flagged vessels) entering or leaving the SECAs must comply with the same 0.1% m/m sulphur fuel limit using the appropriate fuel oils (or approved equivalent arrangement).

In September 2020, the EU agreed to cut GHG emissions by at least 55% by 2030 and to become climate neutral by 2050. The “Fit for 55” proposed legislative package issued on July 2021 to meet the new targets. It includes:

- New Fuel EU Maritime Regulation: New policy measures to drive shift to low carbon fuels Revision of Alternative Fuels Directive and Revision of Energy Taxation Directive

European Trading System (ETS) Directive: Shipping will become subject to the ETS as of 2023, with the ships presently reporting emissions under the EU MRV regulation required to purchase CO2 emission credits. All intra-EU emissions will be included, but only 50% of the emissions for voyages when arriving in or departing from the EU. There will also be a phase-in period starting with 20% coverage in 2023 and increasing to 100% in 2026. Non-compliance is fined and may eventually lead to a ban from EU waters. A recent draft issued by the EU Parliament dated January 2022 envisages a more stringent ETS scheme, moving forward the date of full implementation of the ETS for the maritime sector by one year, from 2026 to 2025. It also provides for the option of being able to extend the EU measures to cover 100% of the emissions for in/out voyages (currently 50% as per Commission’s text), in the event that there has been insufficient progress at IMO level. In the event of adoption by IMO of a global market-based measure to reduce GHG before the 2028, the EU Parliament and the Council shall examine any such measure and consider to amend accordingly the EU ETS for shipping.

Fuel EU Maritime Regulation: This is a new regulation coming into effect in 2025, imposing life cycle GHG footprint requirements on the energy used onboard vessels. It will apply to the same vessels that are covered by the EU MRV regulation and will, in addition to CO2, cover methane and nitrous oxide, from a well-to-wake perspective. The GHG intensity of the energy used will be required to improve by 2% in 2025 relative to 2020, ramping up to 75% by 2050. Credits will be granted for energy generated on board, such as by wind power. The regulation will also require container and passenger vessels to connect to shore power from 2030 for stays longer than two hours. Similar to the ETS, non-compliance may lead to fines and vessels being banned from EU waters.

Alternative Fuels Infrastructure Regulation: This regulation is an update of an existing directive and will require EU member states to ramp up the availability of LNG by 2025 and onshore electrical power supply by 2030 in core EU ports.

Energy Taxation Directive: This directive is being revised to remove the tax exemption for conventional fuels used between EU ports as of 1 January 2023. International bunker for extra-EU voyages remains tax exempt. For heavy fuel oil, the new tax rate will be approximately €37 per tonne. LNG will initially be taxed at a rate of €0.6 per GJ. Alternative fuels will be tax exempt for a ten-year period.

International Requirements

In September 1997, the IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships to address air pollution from ships. Annex VI sets limits on sulphur 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 sulphur content of fuel oil and allows for special sulphur emission control areas to be established with more stringent controls on sulphur emissions (“SECA areas”).

Amendments to Annex VI to the MARPOL address particulate matter, nitrogen oxide and sulphur oxide emissions. The revised Annex VI reduces air pollution from vessels by, among other things (i) implementing a progressive reduction of sulphur 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. A global 0.5% sulphur cap on marine fuels came 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 (SO_x) and nitrous oxides (NO_x) emissions from ships, which present both environmental and health risks. The 0.5% sulphur cap marks a significant reduction from the prior global sulphur cap of 3.5%, which came into effect on January 1, 2012. 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 would require a substantial capital expenditure and prolonged off-hire 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 \$176.56/mt over the last five years and \$138 /mt in the first week of April 2021. 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 sulphur 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 sulphur 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.

In general, as our vessels are employed under time charter arrangements, our charterers are responsible for procuring compliant bunkers for our vessels and incur the cost of these bunkers.

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

Vessels that transport gas, including LNG carriers, are also subject to the International Gas Carrier Code (“IGC”) which provides a standard for the safe carriage of LNG and certain other liquid gases by prescribing the design and construction standards of vessels involved in such carriage. Each of our vessels is in compliance with the IGC Code. Our ship manager holds a document of compliance under the ISM code for operation of Gas Carriers.

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

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

As of the date of this Annual Report, seven of our vessels have been retrofitted with scrubbers and six have been retrofitted with a BWTS while 12 vessels, including our six LNG carriers, were delivered from the building yard with BWTS attached. We may also decide to retrofit the rest of our fleet with scrubbers over the coming years, subject to market developments and yard availability.

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 EU also has indicated that it intends to propose an expansion of the existing EU 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, above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels with regular five-year reviews of progress beginning in 2023. National and multilateral efforts to meet these goals could result in reductions in the use of carbon fuels generally, and stricter limits on greenhouse gas emissions from ships in particular. Any passage of climate control legislation or other regulatory initiatives by the IMO, EU, 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.

IMO continues to contribute to the global fight against climate change, in support of the UN Sustainable Development Goal 13, to take urgent action to combat climate change and its impacts. In 2018, IMO adopted an initial strategy on the reduction of GHG emissions from ships, setting out a vision which confirms IMO's commitment to reducing GHG emissions from international shipping and to phasing them out as soon as possible. The initial GHG strategy envisages, in particular, a reduction in carbon intensity of international shipping (to reduce CO2 emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008), and that total annual GHG emissions from international shipping be reduced by at least 50% by 2050 compared to 2008. In June 2021, the IMO adopted extensive new CO2 regulations applicable to existing ships. The Energy Efficiency Existing Ship Index (EEXI) addressing the technical efficiency of ships, the Carbon Intensity Indicator (CII) rating scheme addressing the operational efficiency. The EEXI will impose a requirement similar to EEDI to existing ships of specific ship types as a one-off certification. The EEXI is to be verified and a new Energy Efficiency Certificate issued no later than the first annual, intermediate or renewal IAPP survey or the initial IEE survey after 1 January 2023. An EEXI Technical File must be issued including the calculation of the attained EEXI, which must be below a required EEXI value. From 2023, the CII requirements will take effect for the entire fleet where vessels will need to demonstrate reductions of carbon intensity between January 2023 and 2030. Within 3 months after the end of each calendar year, ships shall calculate the attained annual operational CII over a 12-month period using data from the IMO Data Collection System and shall report it to its flag administration or recognized organization who shall:

- determine whether the data has been properly reported,
- verify the attained annual operational CII,
- determine the operational carbon intensity rating (A, B, C, D or E)
- will issue a Statement of Compliance related to fuel oil consumption reporting and annual operational carbon intensity rating.

For ships rated as D for 3 consecutive years or rated as E, the SEEMP shall be amended with a plan of corrective actions to achieve the required annual operational CII.

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

During 2021, none of our vessels made any port calls to Iran.

In 2021, three vessels owned by CMTC made port call to Iran to discharge vegetable oils, while chartered out to an unaffiliated sub-charterer under the instructions of such sub-charterer. The aggregate revenue generated from this voyage charters represented approximately 2.4% of CMTC's total revenues for the year ended December 31, 2021. The United States maintains broad authorizations and exceptions that allow for the sale of agricultural commodities and food to Iran. The position is similar under the relevant EU Regulations. 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.

C. Organizational Structure

CPLP is a limited partnership organized in the Republic of the Marshall Islands. As of the date of this annual report, it has 26 subsidiaries which are incorporated in the Marshall Islands, Liberia and Cyprus. Of our significant subsidiaries, 21 either own or leaseback vessels in our fleet. Our subsidiaries are wholly-owned by us. A list of our significant subsidiaries as of the date of this annual report, is set forth in Exhibit 8.1 to this annual report.

Please also see Note 1 (Basis of Presentation and General Information) to our Financial Statements for a list of our significant subsidiaries as of December 31, 2021.

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 “—B: Business Overview—Our Fleet” and “—Regulation” above. Our obligations under our financing arrangements are secured by all our vessels. For further details regarding our financing arrangements, please read “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Borrowings (Financing Arrangements).”

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 Financial Statements. 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.

For a discussion of the year ended December 31, 2020, compared to the year ended December 31, 2019, please refer to Part A, Item 5, “Operating and Financial Review and Prospects” in our Annual Report on Form 20-F for the year ended December 31, 2020, filed with the SEC on April 27, 2021.

The following discussion contains forward-looking statements that 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 and uncertainties discussed in “Item 3. Key Information—D. Risk Factors” These 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. Forward-looking statements are not guarantees and actual results could differ materially from those expressed or implied in the forward-looking statements.

A. Operating Results Overview

We are an international owner of ocean-going 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 primary business objective is to make distributions to our unitholders on a quarterly basis and increase the level of our distributable cash flow 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 our Managers’ 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 and its affiliates 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 cash flow growth, subject to approval of our board of directors, overall market conditions and our ability to obtain required financing and access financial markets.

We generally rely on external financing sources, including bank borrowings and sale-leaseback arrangements 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, 2021, the Marinakis family, including Evangelos M. Marinakis, the chairman of Capital Maritime, our sponsor, may be deemed to beneficially own a 27.3% interest in us through, among others, Capital Maritime and CGC Operating.

Our Charters

We generate revenues by charging our charterers for the use of our vessels.

Historically, our vessels were chartered under time or bareboat charter agreements. As of December 31, 2021, with the exception of the M/V Cape Agamemnon, all of our vessels, were trading in the period market.

Our vessels are currently under contracts with HMM, Hapag-Lloyd, MSC, ONE, BP, Cheniere and Engie.

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. Please read “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.*”.

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.

As of the date of this Annual Report, we are exposed to the container and LNG markets to a significant extent, as our fleet is comprised of 14 container carrier vessels, six LNG carrier vessels and one drybulk vessel. We have one time charter that will expire in the coming 12 months and one vessel trading in the spot market.

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 dry and containerized goods and liquified natural gas 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 in particular.

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

- supply and demand for containerized goods, LNG and dry cargo;
- supply and orderbook of vessels, including, container vessels, liquefied natural gas and drybulk vessels;
- the continuing demand for goods from China, India, Brazil and Russia and other emerging markets and developments in international trade including threats and/or imposition of trade tariffs;
- the impact of COVID-19 on the container, LNG and drybulk charter market and on our operations;
- time charter hire levels and our ability to enter our vessels into long-term charters at competitive rates as their current charters expire;
- our ability to comply with the covenants in our financing arrangements, including covenants relating to the maintenance of vessel value ratios;
- developments in vessel values, which might affect our ability to comply with certain covenants under our financing arrangements and/or refinance our debt;
- the relationships and reputation of our Managers, our General Partner and Capital Maritime in the shipping industry;
- the effective and efficient technical management of our vessels;
- the strength of and growth in the number of our customer relationships;
- continued and consistent support from our Managers at comparable rates;
- the prevailing spot market rates and the number of our vessels which we may operate in the spot market;
- our level of debt and the related interest expense and amortization of principal;
- the ability to increase the size of our fleet and make additional acquisitions that are accretive to our unitholders;
- our access to debt and equity financing, and the cost of capital required to acquire additional vessels or to implement our business strategy;
- our ability to comply with maritime regulations and standards, including new environmental regulations and standards, and the costs associated therewith; and
- the costs associated with upcoming dry-docking of our vessels.

Please read “Item 3. Key Information—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 size of our fleet when evaluating our results of operations. In February 2021, we completed the acquisition of three Panamax container carrier vessels, the M/V Long beach Express, the M/V Seattle Express and the M/V Fos Express. During the second half of the year 2021 we completed the acquisition of six LNG carrier vessels, the LNG/C Aristos I and the LNG/C Aristarchos on September 3, 2021, the LNG/C Attalos and the LNG/C Asklipios on November 18, 2021, the LNG/C Adamastos on November 29, 2021 and the LNG/C Aristidis I on December 16, 2021. In May and December 2021, respectively, we completed the sale of the disposal of two Neo-Panamax container carrier vessels, the M/V CMA-CGM Magdalena and the M/V Adonis, resulting in an increase in the weighted average number of vessels for the year 2021 of 3.1 compared to the year 2020. 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.

Results of Operations

We have derived the following selected historical financial data for the years ended December 31, 2021 and 2020 from our Financial Statements. The table below should be read together with, and is qualified in its entirety by reference to, the Financial Statements. 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. All numbers are in thousands of U.S. Dollars, except numbers of units and earnings per unit.

	<u>2021</u>	<u>2020</u>
Income Statement Data:		
Revenues	\$ 184,665	\$ 140,865
Expenses / (income), net:		
Voyage expenses	10,698	6,301
Vessel operating expenses	41,199	33,745
Vessel operating expenses – related parties	5,923	4,976
General and administrative expenses	8,662	7,195
Gain on sale of vessels	(46,812)	—
Vessel depreciation and amortization	46,935	41,405
Total operating expenses	66,605	93,622
Operating income	118,060	47,243
Other income / (expense), net:		
Interest expense and finance cost	(20,129)	(16,741)
Other income / (expense)	247	(135)
Partnership's net income	<u>98,178</u>	<u>30,367</u>

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Our results of operations for the years ended December 31, 2021 and 2020 differ primarily due to:

- the net increase in the weighted average number of vessels in our fleet by 3.1 vessels following the acquisition of three Panamax container carrier vessels and six LNG carrier vessels which are earning revenues and are incurring operating expenses at a higher rate compared to the rest of our fleet, and the disposal of two Neo Panamax container carrier vessels during 2021;
- the off-hire days and costs incurred from five vessels which underwent their special survey (including three vessels on which we installed scrubbers) during the twelve months ended December 31, 2020, compared to none during the year ended December 31, 2021; and
- the gain on sale of vessels of \$46.8 million, we recognized after the sale of the M/V CMA-CGM Magdalena and the M/V Adonis.

Total Revenues

Total revenues, consisting of time and voyage charter revenues, amounted to \$184.7 million for the year ended December 31, 2021 compared to \$140.9 million for the year ended December 31, 2020.

The increase of \$43.8 million was primarily a result of the net increase in the average number of vessels in our fleet by 3.1 vessels during the year ended December 31, 2021, the higher average charter rates earned by certain of our vessels and the decrease in off-hire days incurred in connection to special surveys which certain of the Partnership's vessels underwent during the year 2020 compared to none during the year 2021.

Time and voyage charter revenues are mainly comprised of the charter hires received from unaffiliated third-party charterers 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, 2021, HMM and Hapag-Lloyd accounted for 29% and 24% of our total revenues from continuing operations, 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 4. Information on the Partnership—B. 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 \$10.7 million for the year ended December 31, 2021, compared to \$6.3 million for the year ended December 31, 2020. The increase of \$4.4 million was primarily attributable to the increase in the average number of vessels in our fleet and one of the vessels in our fleet being employed under voyage charters for the entirety of 2021, whereas it was only partially employed under a voyage charter in 2020, resulting in increased voyage expenses incurred by that vessel in 2021.

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 charters are paid for by the charterer, except for commissions, which are paid for by us. Voyage expenses incurred during voyage charters or off hire periods are paid for by us. Please also refer to Note 11 (Voyage Expenses and Vessel Operating Expenses) to the Financial Statements for information on the composition of our voyage expenses.

Vessel Operating Expenses

For the year ended December 31, 2021, our total vessel operating expenses amounted to \$47.1 million compared to \$38.7 million for the year ended December 31, 2020. The \$8.4 million increase in total vessel operating expenses primarily reflects the increase in the number of vessels in our fleet during 2021 including the six LNG carriers which are incurring operating expenses at a higher rate compared to the rest of our fleet, partly offset by the disposal of two Neo Panamax container carrier vessels and the operating expenses incurred by certain of our vessels passing their special survey during the year 2020.

Total vessel operating expenses for the year ended December 31, 2021 include expenses of \$5.9 million incurred under the management agreements we have with our Managers, compared to \$5.0 million during the year ended December 31, 2020.

See Note 11 (Voyage Expenses and Vessel Operating Expenses) to the Financial Statements for information on the composition of our vessel operating expenses.

General and Administrative Expenses

General and administrative expenses amounted to \$8.7 million for the year ended December 31, 2021, compared to \$7.2 million for the year ended December 31, 2020. The \$1.5 million increase in general and administrative expenses is primarily attributable to fees and expenses incurred in connection to the acquisition of vessels during 2021 and the Bonds issued on the Athens Stock Exchange which were not eligible for capitalization.

General and administrative expenses include board of directors' fees and expenses, audit and certain legal fees, compensation cost related to our Omnibus Incentive Compensation Plan and other fees related to the expenses of the publicly traded partnership.

Gain on sale of vessels

Gain on sale of vessels amounted to \$46.8 million for the year ended December 31, 2021, compared to nil for the year ended December 31, 2020. Gain on sale of vessels includes the gain that we recognized after the sale of the two Neo Panamax container carrier vessels during 2021. No sale occurred during 2020.

Vessel Depreciation and Amortization

Depreciation and amortization amounted to \$46.9 million for the year ended December 31, 2021, compared to \$41.4 million for the year ended December 31, 2020. The \$5.5 million increase in vessel depreciation and amortization primarily reflects the net increase in the number of vessels in our fleet during the year ended December 31, 2021.

Generally, depreciation is expected to increase if the average number of vessels in our fleet increases.

Total Other Expense, Net

Total other expense, net for the year ended December 31, 2021 amounted to \$19.9 million, compared to \$16.9 million for the year ended December 31, 2020. Total other expense, net includes interest expense and finance costs of \$20.1 million for the year ended December 31, 2021, compared to \$16.7 million for the year ended December 31, 2020. The increase of \$3.4 million primarily reflects higher interest costs incurred mainly as a result of the increase in the weighted average debt outstanding during 2021 partly offset by the decrease in the LIBOR weighted average interest rate for the year ended December 31, 2021 compared to 2020.

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

The weighted average interest rate on the debt outstanding under our financing arrangements for the year ended December 31, 2021 was 2.9%, compared to 3.6% for the year ended December 31, 2020. Please also refer to Note 8 (Long-Term Debt) to our Financial Statements.

Net Income

Net income for the year ended December 31, 2021 amounted to \$98.2 million compared to \$30.4 million for the year ended December 31, 2020.

B. Liquidity and Capital Resources

As of December 31, 2021, total cash and cash equivalents (including restricted cash) were \$31.0 million. Restricted cash under our financing arrangements amounted to \$10.6 million.

We do not have any undrawn amounts under our financing arrangements. See also “—Borrowings (Financing Arrangements)” below for information regarding our financing arrangements.

Generally, our primary sources of funds have been cash from operations, bank borrowings, sale-leaseback arrangements and equity and debt securities offerings.

Cash from operations depends on our chartering activity. 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 in “Item 3. Key Information— D. Risk Factors”. We expect that one of our charters will expire in the coming 12 months.

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 equity and debt securities offerings, to fund replacement, expansion and investment capital expenditures, and to refinance or repay outstanding indebtedness.

In particular, since 2011, our board of directors has elected not to provision cash reserves for estimated replacement capital expenditures. Accordingly, our ability to maintain and grow our asset base, including through further dropdown opportunities from Capital Maritime and its affiliates 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.

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. 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.

Subject to our ability to obtain required financing and access financial markets, we expect to continue to evaluate opportunities to acquire vessels and businesses.

As of December 31, 2021, total partners’ capital amounted to \$525.5 million, an increase of \$103.4 million compared to \$422.1 million as of December 31, 2020. The increase reflects net income for the year ended December 31, 2021, \$15.3 million representing the value of 1.15 million common units issued as part of the consideration paid for the acquisition of the LNG/C Aristos I and the LNG/C Aristarchos on September 3, 2021 and the amortization associated with the equity incentive plan, partly offset by distributions declared and paid during the period in the total amount of \$7.6 million and the repurchase of the Partnership’s common units for an aggregate amount of \$4.5 million.

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.

For more information on our anticipated future cash requirements and resources please refer to Note 8 (Long-Term Debt) and Note 16 (Commitments and Contingencies) to our Financial Statements.

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.

	2021	2020
Net Cash Provided by Operating Activities	\$ 111.2	\$ 80.7
Net Cash Used in Investing Activities	\$ (175.1)	\$ (185.2)
Net Cash Provided by Financing Activities	\$ 40.6	\$ 95.4

Net Cash Provided by Operating Activities

Net cash provided by operating activities was \$111.2 million for the year ended December 31, 2021 compared to \$80.7 million for the year ended December 31, 2020. The increase of \$30.5 million was mainly attributable to the net increase in the number of vessels in our fleet following the acquisition of the three Panamax container carrier vessels in February 2021 and the six LNG carrier vessels during the second half of the year 2021, an increase in pre-collections of revenue to be earned in future periods, a decrease in the amounts we reimbursed our Managers for expenses paid on our behalf, a decrease in the amounts we owed for operating and other expenses and a decrease in payments for dry-docking costs partly offset by an increase in our trade receivables.

Net Cash Used in Investing Activities

Net cash used in investing activities refers primarily to cash used for vessel acquisitions and improvements, including installation of scrubbers and BWTS, partly offset by proceeds from the sale of vessels. Net cash used in investing activities for the year ended December 31, 2021 amounted to \$175.1 million compared to \$185.2 million during the year 2020. The decrease of \$10.1 million in net cash flows used in investing activities, was primarily attributable to the \$193.0 million net proceeds from the sale of two container vessels during 2021, compared to 2020, where no sale of vessel occurred, which partly offset the \$365.7 million paid to acquire three Panamax container carrier vessels and six LNG carrier vessels during the year 2021 and \$2.4 million paid for vessel improvements compared to \$162.6 million paid to acquire three Neo-Panamax container carrier vessels in January 2020 and \$22.6 million for vessel improvements including advances relating to the installation of BWTS and scrubbers equipment for the year 2020.

Net Cash Provided by Financing Activities

Net cash provided by financing activities for the year ended December 31, 2021, was \$40.6 million representing mainly cash proceeds of \$204.3 million from the financing arrangements we entered into during the year 2021, to partly finance the acquisition of the M/V Long beach Express, the M/V Seattle Express and the M/V Fos Express and the issuance of the Bonds in October 2021, partly offset by \$6.1 million paid for the issuance of these financing arrangements, \$49.3 million of scheduled principal payments, \$96.2 million prepayment of the ICBCFL financing arrangement as a result of the sale of the two Neo-Panamax container carrier vessels in 2021, \$7.6 million of dividends paid to our common unit holders and \$4.5 million paid to acquire CPLP units under our repurchase program. Net cash provided by financing activities for the year ended December 31, 2020, was \$95.4 million representing mainly cash proceeds of \$270.9 million from the three new financing arrangements we entered into during the year 2020 to partly finance the acquisition of the M/V Athenian, the M/V Aristomenis and the M/V Athos and to partly refinance the 2017 credit facility, partly offset by \$4.8 million paid for the issuance of these financing arrangements, \$116.5 million prepayment of the 2017 credit facility in connection with the refinancing, \$37.1 million of scheduled principal payments and \$17.1 million of dividends paid to our common unit holders.

Borrowings (Financing Arrangements)

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

As of December 31, 2021 and 2020 our total borrowings were \$1,317.4 million and \$379.7 million respectively. See Note 8 (Long-Term Debt) to our Financial Statements for further discussion of our long-term debt.

The 2017 Credit Facility

On September 6, 2017, we entered into the 2017 credit facility with a syndicate of lenders led by HCOB and ING, as mandated lead arrangers and bookrunners, and BNP Paribas and National Bank of Greece S.A., as arrangers. In October 2017, we drew \$460.0 million thereunder.

The 2017 credit facility initially consisted of two tranches repayable in 24 equal quarterly instalments of \$13.2 million in aggregate in addition to a balloon instalment of \$143.0 million payable, together with the final quarterly instalment, in the fourth quarter of 2023.

In connection with the DSS Transaction, on March 27, 2019, we amended the 2017 credit facility and prepaid an amount of \$89.3 million thereunder. The amended 2017 credit facility consists of a single tranche required to be repaid in 19 equal quarterly instalments of \$7.7 million in addition to a balloon installment of \$139.1 million payable, together with the final quarterly installment, in the fourth quarter of 2023. On May 27, 2020 upon the closing of the ICBCFL facility described below, we repaid \$116.5 million to release three vessels under the 2017 credit facility. As of December 31, 2021 the balance outstanding under the 2017 credit facility was \$106.0 million.

The 2020 Credit Facility

On January 17, 2020 we entered into a new term loan facility with Hamburg Commercial Bank A.G. (the “2020 Credit Facility”) of up to \$38.5 million for the purpose of partially financing the acquisition of M/V Athenian. The full amount of the facility was drawn on January 22, 2020. As of December 31, 2021 the balance outstanding under the 2020 Credit Facility was \$32.5 million.

The 2020 CMBFL Sale and Lease Back

On January 20, 2020 we entered into an agreement for the sale and lease back of the vessels M/V Athos and M/V Aristomenis with “CMBFL” for \$38.5 million each. The lease agreement has a duration of five years and includes a purchase option for us to acquire each vessel on expiration of the lease at the predetermined price of \$22.5 million, and requires us to pay the amount of \$7.5 million to CMBFL if the option is not exercised. In addition, we have various purchase options commencing from the first anniversary of the lease. The full amounts were drawn on January 23, 2020. As of December 31, 2021 the balance outstanding under the 2020 CMBFL facility was \$65.8 million.

The ICBCFL Sale and Lease Back

In December 2019 we entered into a non-binding term sheet and in May 2020 into an agreement with ICBCFL for the sale and lease back of three vessels then mortgaged under the 2017 credit facility, namely the M/V Akadimos (ex CMA CGM Amazon), the M/V Adonis (ex CMA CGM Uruguay) and the M/V CMA CGM Magdalena, for a total amount of \$155.4 million. The lease has a duration of seven years after drawdown and includes mandatory purchase obligations for us to repurchase the vessels on expiration of the agreement, at the predetermined price of \$77.7 million. In addition, we have various purchase options commencing from the first anniversary of the lease. The full amount was drawn on May 27, 2020. The amount we repaid to release these three vessels under the 2017 credit facility was \$116.5 million. On April 7, 2021 the Partnership entered into memorandums of agreement for the sale of the M/V CMA CGM Magdalena and the M/V Adonis to an unaffiliated third party for a total consideration of \$195.0 million. The M/V CMA CGM Magdalena and the M/V Adonis were delivered to their new owners on May 17, 2021 and December 13, 2021, respectively. The amount repaid to ICBCFL on the delivery of the vessels to their new owners was \$96.2 million in total. As of December 31, 2021, the balance outstanding under the ICBCFL Facility was \$45.7 million.

The 2021 CMBFL Panamax Sale and Lease Back

On January 22, 2021, we entered into an agreement for the sale and lease back of the vessels M/V Long Beach Express, M/V Seattle Express and M/V Fos Express with CMBFL for \$10.0 million each. The lease agreement has a duration of five years. In addition, we have various purchase options commencing from the first anniversary of the lease, including an option to purchase the vessel on the 5th anniversary of the lease for a predetermined price of \$4.5 million. The full amounts were drawn on February 25, 2021. As of December 31, 2021, the balance outstanding under the 2021 CMBFL Panamax Facility was \$27.6 million.

The CMTC Seller's Credit

In connection to the acquisition of the M/V Long Beach Express, the M/V Seattle Express and the M/V Fos Express, the Partnership entered into a seller's credit agreement with Capital Maritime to defer \$6.0 million of the purchase price of the vessels for up to five years from the delivery of the vessels".

The 2021 BoComm Sale and Lease Back

Upon the acquisition of the LNG/C Aristos I and the LNG/C Aristarchos on September 3, 2021, we assumed indebtedness, previously entered by the companies owning the vessels, of \$148.9 million and \$155.4 million, respectively, under sale and lease back transactions (the "2021 BoComm Facility"). At maturity on October 2027 and May 2028, the lease provides for a purchase obligation to acquire each vessel at the predetermined price of \$84.7 million. In addition, the lease agreement includes various purchase options commencing from the inception of the lease. As of December 31, 2021 the balance outstanding under the 2021 BoComm Facility was \$296.0 million.

The CGC Seller's Credit

In connection to the acquisition of the vessels LNG/C Aristos I and Aristarchos, the Partnership entered into a seller's credit agreement with CGC to defer \$10.0 million of the purchase price of the vessels for up to twelve months from the delivery of the vessels. The CGC Seller's Credit is unsecured and interest free.

The 2021 CMBFL LNG/C Sale and Lease Back

Upon the acquisition of the LNG/C Attalos and the LNG/C Asklipios on November 18, 2021, we assumed debt previously incurred by the companies owning the vessels, of \$146.3 million and \$149.6 million, respectively, under sale and lease back transactions with CMBFL. At maturity on August 2028 and September 2028, the lease provides for a purchase option to acquire each vessel at the predetermined price of \$90.7 million and \$91.4 million respectively. In addition, the lease agreement includes various purchase options commencing from the first anniversary of the lease. As of December 31, 2021 the balance outstanding under the 2021 CMBFL LNG/C Facility was \$293.8 million.

The 2021 Shin Doun Sale and Lease Back

Upon the acquisition of the LNG/C Adamastos on November 29, 2021, we assumed debt previously incurred by the company owning the vessel, of \$143.1 million, under sale and lease back transaction with Shin Doun. The lease agreement has a duration of 15 years maturing in July 2036 and includes a purchase obligation at the end of the lease at a predetermined price of \$30.0 million. As of December 31, 2021 the balance outstanding under the 2021 Shin Doun Facility was \$142.6 million.

The 2021 Credit Facility

Upon the acquisition of the LNG/C Aristidis I on December 16, 2021, we assumed debt previously incurred by the Seller, of \$123.0 million, under a syndicate credit facility led by ING. As of December 31, 2021 the 2021 Credit Facility has a remaining duration of six years, maturing in December 2027. As of December 31, 2021 the balance outstanding under the 2021 Credit Facility was \$120.6 million.

Senior Unsecured Bonds

On October 20, 2021, the wholly owned subsidiary of the Partnership, CPLP Shipping Holdings PLC, issued €150.0 million of senior unsecured bonds in Greece. The Bonds are guaranteed by the Partnership, mature in October 2026 and have a coupon of 2.65%, payable semi-annually. The trading of the Bonds on the Athens Stock Exchange commenced on October 25, 2021.

The required annual payments to be made subsequently to December 31, 2021 with reference to our financing arrangements are as follows:

For the year ending December 31,	In millions
2022	\$ 100.1
2023	163.3
2024	66.2
2025	124.0
2026	243.4
Thereafter	620.4
Total	\$ 1,317.4

On December 2, 2021 we entered into a cross currency agreement with Piraeus Bank SA exchanging €120.0 million with \$139.7 million paying fixed annual rate of 3.655%. The agreements effective date is October 21, 2021 and its maturity date is October 21, 2025.

On December 13, 2021 we entered into a cross currency agreement with Alpha Bank SA exchanging €30.0 million with \$34.9 million paying fixed annual rate of 3.69%. The agreements effective date is October 21, 2021 and its maturity date is October 21, 2025.

Our financing arrangements other than the Bonds, 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 financing arrangements including the Bonds also contain financial covenants:

- to maintain minimum free consolidated liquidity of at least \$0.5 million per collateralized vessel;
- to maintain a ratio of EBITDA (as defined therein) 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 0.75.

In addition, the Bonds require that:

- we maintain a pledged (DSRA) with a minimum balance €0.1 million
- we deposit to the DSRA 50% of any cash disbursements to unitholders (e.g., dividends) exceeding \$20.0 million per annum, capped at 1/3 of the par value of the Bonds outstanding at the time; and
- if our MVAN falls below \$300.0 million then to deposit to the DSRA the difference between the MVAN and the \$300.0 million (capped to 1/3 of the par value of the Bonds outstanding).

Furthermore, all our financing arrangements other than the Bonds provide that:

- we are required to 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 the respective outstanding amount under the applicable financing arrangement between 110% and 125%;
- the vessel-owning subsidiaries 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; and
- the earnings, insurances and requisition compensation of the vessels are required to be assigned as collateral and additional security, including pledge and charge on current account, corporate guarantee from each of the vessel-owning subsidiaries and mortgage interest insurance, is also required.

These financing arrangements are secured by first-priority mortgages over all our vessels and are guaranteed by each vessel-owning subsidiary and 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.

As of December 31, 2021, we were in compliance with all financial debt covenants under all our financing arrangements.

Our ability to comply with the covenants and restrictions contained in our financing arrangements 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 financing institutions 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 financing arrangements, or if we trigger a cross-default currently contained in our financing arrangements, we may be forced to suspend our distributions, a significant portion of our obligations may become immediately due and payable and our lenders’ commitment to make further loans to us (if any) may terminate. We may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, obligations under certain of our credit facilities are secured by our vessels or through the ownership of the vessels, and if we are unable to repay, or otherwise default on, our financing arrangements, the lenders could seek to take control of these assets.

Furthermore, any contemplated vessel acquisitions will have to be at levels that do not impair the required ratios described above. 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 financing arrangements. A decline in the market value of our vessels could also affect our ability to refinance our debt and/or limit our ability to obtain additional financing. A decrease of 20% in the fair market values of our vessels would not cause any violation of the indebtedness to market value covenants, contained in our financing arrangements.

C. Research and Development. Not applicable.

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 container, the LNG and drybulk markets at the time of re-chartering a vessel. For other trends affecting our business please see other discussions in “—A. Operating Results” above.

E. Critical Accounting Estimates

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 estimates are those estimates made in accordance with U.S. GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. We have described below what we believe our critical accounting estimates are. For a description of our significant accounting policies, see Note 2 (Significant Accounting Policies) to our Financial Statements.

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 newbuilds. In the past several years, market conditions have changed significantly as a result of the credit crisis and the resulting slowdown in world trade. During 2021, charter rates for vessels have increased.

The table below specifies (i) the carrying value of each of our vessels as of December 31, 2021 and 2020 and (ii) which of those vessels we believe had a charter-free market value below its carrying value. We believe that the aggregate carrying value of the vessels indicated with an asterisk below exceeded their aggregate basic charter-free market value by approximately \$3.3 million and \$57.0 million as of December 31, 2021 and 2020, respectively. 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, to a willing buyer in circumstances 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 the 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 the vessels received from third-party independent shipbrokers approved by our financing providers. Vessel values are highly volatile. Accordingly, as such, our estimates may not be indicative of the current or future basic market value of the vessels or prices that could be achieved if the vessels were to be sold.

Vessels	Date acquired by us	Carrying value as of	
		December 31, 2021	December 31, 2020
		(in millions of United States dollars)	
M/V Cape Agamemnon	06/09/2011	\$ 32.3*	\$ 34.2*
M/V Archimidis	12/22/2012	\$ 40.3	\$ 43.8*
M/V Agamemnon	12/22/2012	\$ 43.3	\$ 46.8*
M/V Hyundai Prestige	09/11/2013	\$ 40.7	\$ 43.0*
M/V Hyundai Premium	03/20/2013	\$ 40.2	\$ 42.4*
M/V Hyundai Paramount	03/27/2013	\$ 40.1	\$ 42.4*
M/V Hyundai Privilege	09/11/2013	\$ 40.9	\$ 43.1*
M/V Hyundai Platinum	09/11/2013	\$ 40.9	\$ 43.2*
M/V Akadimos (ex CMA CGM Amazon)	06/10/2015	\$ 69.2	\$ 72.7
M/V Adonis (ex CMA CGM Uruguay)	09/18/2015	\$ —	\$ 73.6
M/V CMA CGM Magdalena	02/26/2016	\$ —	\$ 72.5
M/V Athenian	01/22/2020	\$ 48.6	\$ 51.5
M/V Athos	01/23/2020	\$ 48.6	\$ 51.5
M/V Aristomenis	01/23/2020	\$ 48.6	\$ 51.5
M/V Long Beach Express	02/25/2021	\$ 16.8	\$ —
M/V Seattle Express	02/25/2021	\$ 16.8	\$ —
M/V Fos Express	02/25/2021	\$ 16.8	\$ —
LNG/C Aristos I	09/03/2021	\$ 193.7	\$ —
LNG/C Aristarchos	09/03/2021	\$ 191.3	\$ —
LNG/C Aristidis I	12/16/2021	\$ 202.1	\$ —
LNG/C Attalos	11/18/2021	\$ 204.1	\$ —
LNG/C Adamastos	11/29/2021	\$ 207.9	\$ —
LNG/C Asklipios	11/18/2021	\$ 198.7	\$ —
Total		\$ 1,781.9	\$ 712.2

* Indicates vessels for which we believe that, as of December 31, 2021 and 2020, the carrying value exceeds the basic charter-free market value. As discussed below, we believe that the carrying values of our vessels as of December 31, 2021 and 2020 were recoverable as the undiscounted projected net operating cash flows of these vessels exceeded their carrying value by a significant amount.

We performed undiscounted cash flow tests as of December 31, 2021 and 2020, 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;
- dry-docking expenditures;
- an estimated gross daily time charter rate for the unfixed days (based on the ten-year historical average of time charters with duration of one year) over the remaining economic life of each vessel, excluding days of scheduled off-hires;

- residual value of vessels;
- commercial and technical management fees;
- a utilization rate of 99.6% 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, based on 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 container and bulk carrier vessels and 35 years for our LNG carrier 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 historical average 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 conducted 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, are based on the historical experience of our fleet;
- estimates of operating expenses and dry-docking expenditures are based on historical operating and dry-docking 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 based on the ten year historical average demolition prices 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, 2021 and 2020, 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

Type of vessels	Year ended December 31, 2021	Year ended December 31, 2020
Cape vessel	25.2%	19.6%
Container vessels 5,000 TEU	—	46.4%
Container vessels 8,000 TEU	—	46.4%

Based on the above assumptions we determined that the undiscounted cash flows support the vessels' carrying amounts as of December 31, 2021 and 2020.

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., manages our day-to-day activities consistent with the policies and procedures adopted by our board of directors. Our General Partner is a limited liability company initially formed and controlled by Capital Maritime as sole member. In April 2019, Capital Maritime transferred all membership interests in our General Partner to Mr. Miltiadis E. Marinakis. See "Item 3. Key Information—D. Risk Factors—Risks Related to our Business and Operations—*We depend on our General Partner, a private company under the ownership of Mr. Miltiadis E. Marinakis, for the day-to-day management of our affairs.*".

Our board of directors currently consists of seven members, including two members who are designated by our General Partner in its sole discretion and five members 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 23, 2021, Abel Rasterhoff and Dimitris P. Christacopoulos were elected to act as a Class II Directors until the Partnership's 2024 annual meeting of Limited Partners.

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, Mr. Gerasimos (Jerry) Kalogiratos, Chief Financial Officer, Mr. Nikolaos Kalapotharakos and Chief Commercial Officer, Spyridon Leousis, allocate their time between managing our business and affairs and the business and affairs of Capital Maritime, and/or its affiliates. The amount of time they allocate between our business and their other positions 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 the date of this Annual Report.

Name	Age	Position
Keith Forman ⁽⁴⁾	63	Director and Chairman of the Board ⁽⁵⁾
Gerasimos (Jerry) Kalogiratos ⁽¹⁾	44	Director and Chief Executive Officer of our General Partner
Gurpal Grewal ⁽¹⁾	75	Director
Rory Hussey ⁽²⁾	70	Director ⁽⁵⁾
Abel Rasterhoff ⁽³⁾	82	Director ⁽⁵⁾
Eleni Tsoukala ⁽⁴⁾	44	Director ⁽⁵⁾
Dimitris P. Christacopoulos ⁽³⁾	51	Director ⁽⁵⁾
Nikolaos Kalapotharakos	47	Chief Financial Officer of our General Partner
Spyridon Leousis	43	Chief Commercial Officer of our General Partner

(1) Appointed by our General Partner.

(2) Class I director (term expires in 2023).

(3) Class II director (term expires in 2024).

(4) Class III director (term expires in 2022).

(5) Member of our audit committee, our conflicts committee and compensation 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, audit committee and compensation committee. Mr. Forman joined our board on April 3, 2007. In January 2020, Mr. Forman began a fellowship at Harvard University's Advanced Leadership Initiative which ended on December 31, 2021. 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 of our General Partner in June 2015. He has also previously served as Chief Financial Officer of our General Partner 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 17 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. From March 2019 to July 2021, Mr. Kalogiratos served on the board of directors of NYSE listed DSSI.

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 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.

Spyridon Leousis, Chief Commercial Officer.

Mr. Leousis was appointed as Chief Commercial Officer of our General Partner on January 24, 2022. Mr. Leousis brings 18 years of global experience in the LNG shipping and finance industries. He currently serves as Business Development Director of Capital Gas and has previously worked as Head of Planning and Analysis for Nakilat, the largest LNG shipowner in the world and as Senior Consultant for the Treasury of National Bank of Greece. He holds an MEng in Naval Architecture and Marine Engineering from National Technical University of Athens and an MBA from Athens University of Economics and Business.

Gurpal Grewal, Director.

Mr. Gurpal Grewal joined our board of directors on November 16, 2017. Mr. Gurpal Grewal previously served as technical director of Capital Ship Management Corp. 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, audit committee and our compensation committee. Until his retirement in 2017, Mr. Hussey 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 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 N.V. 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 our compensation 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.

Ms. Tsoukala was appointed to our board of directors on February 28, 2018 and serves on our audit committee, conflicts committee and compensation committee. 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, audit committee and our compensation 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.

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. In 2021, these expenses for which our General Partner was reimbursed amounted to \$0.01 million.

Executive Compensation

The compensation of our General Partner's Chief Executive Officer, Chief Financial Officer, and Chief Commercial Officer (appointed on January 24, 2022) 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. For the year ended December 31, 2021 we paid our General Partner \$1,880,000 as compensation for services related to the management of our business and affairs, including the appointment and performance of relevant duties of the chief executive officer, chief finance officer, and a number of additional officers.

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, all of which have now vested. Please read "—E. Share Ownership—Omnibus Incentive Compensation Plan" below for additional information. For the year ended December 31, 2021, our directors, including our chairman, received an aggregate cash 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, 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, 2021, our board of directors held 16 meetings. As part of our board meetings, our independent directors meet without the non-independent directors in attendance. In addition, the board regularly holds sessions without the CEO and executive officers present. During the year ended December 31, 2021 our independent directors held three executive sessions. 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 is currently comprised of directors a majority of whom are independent and has established an audit committee, a conflicts committee and a compensation committee comprised solely of independent directors. Each of the committees operates under a written charter adopted by our board of directors which is available under "Corporate Governance" in the Investor Relations tab of our web site at www.capitalplp.com. The information contained on, or that can be accessed through this website is not part of, and is not incorporated into, this Annual Report. 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 Dimitris Christacopoulos (Chair), Abel Rasterhoff, Rory Hussey, Keith Forman and Eleni Tsoukala. 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, 2021, on January 21, April 26, July 21 and October 25.

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, Eleni Tsoukala 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 twelve times during the year ended December 31, 2021.

Compensation Committee. The compensation committee of our board of directors is composed of the same directors constituting the audit committee and conflicts committee, being Rory Hussey (chair), Keith Forman, Abel Rasterhoff, Eleni Tsoukala and Dimitris Christacopoulos. The compensation committee reviews compensation of the members of the board of directors and has overall responsibility for approving and evaluating our compensation plans, policies and programs, but not the compensation of the executive officers of the General Partner of the Partnership and related executive service agreements. The Compensation Committee met once during the year ended December 31, 2021.

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 and on the employees of our Managers to operate our vessels.

All of the executive officers of our General Partner and one of our directors also are executive officers, directors or employees of Capital Maritime, Capital Ship Management or their respective affiliates.

E. Share Ownership

As of December 31, 2021:

- the chairman of our board of directors, Keith Forman, has owned a small number of common units since the date of our IPO;
- 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 with Crude Carriers in 2011; and
- 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.

Omnibus Incentive Compensation Plan

On April 29, 2008, our board of directors adopted an omnibus incentive compensation plan (the "Plan"), according to which we were entitled to 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 Managers, Capital Maritime and certain key affiliates and other eligible persons. The Plan contemplated awards 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 was administered by our General Partner as authorized by our board of directors. The Plan was amended from time to time. As at December 31, 2018, all restricted units issuable under the Plan had been issued, and all restricted units allocated under the Plan had vested. Please read Note 14 (Omnibus Incentive Compensation Plan) to our Financial Statements.

In July 2019, the board of directors adopted an amended and restated Plan, so as to reserve for issuance a maximum number of 740,000 restricted common units. On the same day, the Partnership awarded 445,000 unvested units to employees and non-employees. Awards granted to certain employees and non-employees vested in three equal installments ending on December 31, 2021. All awards under the amended Plan are conditional upon the grantee's continued service until the applicable vesting date.

In January 2022, the board of directors adopted an amended and restated Plan, so as to reserve for issuance a maximum number of 750,000 restricted common units. As of the date of this Annual Report the total number of restricted common units reserved was 1,045,000.

Item 7. Major Unitholders and Related-Party Transactions.

As of December 31, 2021, our partners' capital consisted of 20,125,516 common units, of which 14,353,156 were beneficially owned by public unitholders, no subordinated units, 348,570 general partner units and 382,250 treasury units that the Partnership has purchased under the unit repurchase program currently in effect.

On January 25, 2021, the Partnership's Board of Directors approved a unit repurchase program, providing the Partnership with authorization to repurchase up to \$30.0 million of units of the Partnership's common units, effective for a period of two years. As of the date of this report, the Partnership had purchased 382,250 common units under the program. Please see "Item 16 – E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers."

Based on 19,637,624 units issued and outstanding (excluding treasury units of 487,892 and including 348,570 general partner units) on April 18, 2022, the Marinakis family, including Evangelos M. Marinakis, the chairman of Capital Maritime, may be deemed to beneficially own a 27.4% interest in us, through (i) Capital Maritime, which may be deemed to beneficially own 3,887,694 common units representing a 19.8% interest in us, (ii) Capital Gas Corp., which may be deemed to beneficially own 1,153,846 common units representing a 5.9% interest in us and (iii) our General Partner, which may be deemed to beneficially own 348,570 general partner units representing a 1.8% interest in us.

As of March 17, 2022, there were two holders of record of our common units, which have a U.S. mailing address. One of these two holders is CEDE & Co., a nominee company for The Depository Trust Company (a registered clearing agency with the SEC), which held approximately 80.0% of our outstanding common units as of such date. The beneficial owners of the common units held by CEDE & Co. may include persons who reside outside the United States.

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 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 (excluding treasury units of 487,892)
Capital Maritime (1)	3,887,694	20.2%
Capital Gas Corp. (2)	1,153,846	6.0%
Donald Smith & Co., Inc. (3)	1,442,246	7.5%
All executive officers and directors as a group (seven persons) (4)	*	*

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

(2) The Marinakis family, including Miltiadis E. Marinakis, through its ownership of the 100% of Capital Gas Corp., may be deemed to beneficially own all of our units held by Capital Gas Corp.

(3) As reported in a Schedule 13G/A filed on February 7, 2022 by (i) Donald Smith & Co., Inc., a Delaware corporation (“DSCI”) and (ii) DSCO Value Fund, L.P., a Delaware limited partnership. According to the Schedule 13G, DSCI is an investment adviser, and the address of its principal office is 152 W 57th Street, New York NY 10019. According to the Schedule 13G/A, the ultimate power to direct the receipt of dividends paid with respect to, and the proceeds from the sale of, common units, is vested in the institutional clients for which DSCI serves as investment advisor. DSCI does not serve as custodian of the assets of any of its clients and accordingly, in each instance only the client or the client’s custodian or trustee bank has the right to receive dividends paid with respect to, and proceeds from the sale of, common units. According to the Schedule 13G/A, to the knowledge of DSCI, with respect to the common units reported in the Schedule 13G/A owned by advisory client of DSCI, not more than 5% of the common units is owned by any one client. With respect to the remaining common units owned, various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the common units. No one person’s interest in the common units is more than 5% of the total outstanding common units.

(4) See “Item 6. Directors, Senior Management and Employees—E. Share Ownership” above.

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, 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

Our General Partner, which is a private entity wholly owned by Mr. Miltiadis E. Marinakis, controls the appointment of up to three of the members of our board of directors. Capital Maritime and Capital Gas Corp. can vote the common units they hold 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). Accordingly, our General Partner, Capital Maritime and Capital Gas Corp. have the ability to exercise significant influence on important actions we may take.

Administrative and executive services agreements with Capital Ship Management and our General Partner

On April 4, 2007, we entered into an administrative services agreement with Capital Ship Management, pursuant to which Capital Ship Management 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 Capital Ship Management pursuant to which our Manager provides IT management services to CPLP. We also reimburse Capital Ship Management and our General Partner for reasonable costs and expenses incurred in connection with the provision of these services pursuant to both agreements after Capital Ship Management submits to us an invoice for such costs and expenses, together with any supporting detail that may be reasonably required.

In 2022, we amended the executive services agreement 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 relations and corporate support services to the Partnership, for a fee of US\$2.0 million per annum.

In 2018, Capital Ship Management conducted a management buy-out led by its senior management. Since then, Capital Ship Management is no longer part of the group of companies controlled by Capital Maritime.

See Note 5 (Transactions with Related Parties) to our Financial Statements for additional information on fees pays under our management agreements.

Transactions entered into during the year ended December 31, 2021

Share Purchase Agreements with CGC Operating for the Acquisition of the Companies Owning Six LNG Carriers and the CGC Seller's Credit

On August 31, 2021, CPLP agreed to acquire the shares of the companies owning three 174,000 CBM latest generation X-DF LNG carriers from CGC Operating for total consideration of \$599.8 million comprised of (i) \$147.1 million of cash on hand, (ii) the assumption of the \$427.4 million of secured debt, (iii) the issuance of 1,153,846 (or \$15.3 million in value) of new common units of CPLP at a premium to the trading unit price at the time of the agreement and (iv) the CGC Seller's Credit, which is \$10.0 million of unsecured, interest free seller's credit. The three vessels are the LNG/C Aristos I, the LNG/C Aristarchos and the LNG/C Aristidis I.

In connection with the acquisition of the LNG/C Aristos I and the LNG/C Aristarchos, the Partnership entered into the CGC Seller's Credit, which is a seller's credit agreement with CGC Operating to defer \$10.0 million of the purchase price for up to twelve months from the delivery of the vessels. The CGC Seller's Credit is unsecured and interest free. For a discussion of the financing of this acquisition, see "Item 4. Information on the Partnership—A. History and Development of the Partnership—2021 Developments."

Furthermore, on August 31, 2021, the Partnership secured an option, which was exercised on November 4, 2021, to acquire the shares of the companies owning an additional three X-DF LNG sister vessels for a total consideration of \$623.0 million comprised of (i) 184.0 million of cash on hand and (ii) the assumption of the \$439.0 million of secured debt. The three vessels are the LNG/C Attalos, the LNG/C Asklipios and the LNG/C Adamastos.

On March 30, 2022, CGC Operating transferred all 1,153,846 common units held by it to Capital Gas Corp. for no consideration. Mr. Miltiadis M. Marinakis beneficially owns 50% of CGC Operating and the remaining 50% of CGC Operating is beneficially owned by a U.S.-based financial sponsor. In connection with the transfer of common units from CGC Operating to Capital Gas Corp., Capital Gas Corp. paid \$9,029,877.39 to the U.S.-based financial sponsor in exchange for its interest in the common units held by CGC Operating. Mr. Miltiadis E. Marinakis beneficially owns of 100% of Capital Gas Corp.

Share Purchase Agreements for the Acquisition of the Companies Owning M/V Long Beach Express, M/V Seattle Express and the M/V Fos Express and the CMTC Seller's Credit

On January 27, 2021, we entered into three separate share purchase agreements with Capital Maritime for the acquisition of the shares of the companies owning the M/V Long Beach Express, M/V Seattle Express and the M/V Fos Express (three sister 5,100 TEU container vessels built in 2008 at Hanjin Heavy Industries, South Korea), for a consideration of \$13.5 million each. The vessels were delivered to the Partnership on February 25, 2021.

In connection with this acquisition, the Partnership entered into a seller's credit agreement with Capital Maritime to defer \$6.0 million of the purchase price for up to five years from the delivery of the vessels. The CMTC Sellers' Credit bears interest at a fixed rate of 5.0% per year. For a discussion of the financing of this acquisition, see "Item 4. Information on the Partnership—A. History and Development of the Partnership—2021 Developments."

Floating Rate Management Agreements with Capital Gas

On its acquisition date in 2021, each vessel-owning subsidiary of our six LNC/C vessels entered into a floating rate management agreement with Capital Gas, pursuant to which Capital Gas provides certain commercial and technical management services.

Floating Rate Management Agreement with Capital-Executive

In February 2021, each vessel-owning subsidiary of M/V Long Beach Express, M/V Seattle Express and the M/V Fos Express, entered into a floating rate management agreement with Capital-Executive, pursuant to which Capital-Executive provides certain commercial and technical management services.

Transactions entered into during the year ended December 31, 2020

Share purchase Agreements for the acquisition of M/V Athenian, the M/V Athos and M/V Aristomenis. On January 22, 2020, we entered into three separate share purchase agreements with Capital Maritime for the Acquisition of the Companies owning the M/V Athenian, the M/V Athos and M/V Aristomenis for a consideration of \$54.2 million each.

Change of Management Agreement for M/V Cape Agamemnon. On November 30, 2020 the M/V Cape Agamemnon, the last vessel to which Capital Ship Management provided technical management services entered into a technical management agreement with Capital-Executive with the same terms.

Transactions entered into during the year ended December 31, 2019

Termination Agreement of the Crude Carriers Commercial and Technical Management Agreement. On March 27, 2019, our subsidiary Crude Carriers Corp. and Capital Ship Management agreed to terminate the commercial and technical management agreement, dated as of March 17, 2010, between them as all vessels covered by this agreement were to be spun off as part of the Tanker Business in connection with the DSS Transaction.

Amendment Agreement Regarding the Floating Rate Management Agreement. On March 27, 2019, we entered into an amendment agreement with Capital Ship Management to reflect that all our tankers to be spun off as part of the Tanker Business in connection with the DSS Transaction would no longer be managed under the floating rate management agreement.

Amendment Agreement Regarding the Floating Rate Management Agreement. On August 29, 2019, we entered into an amendment agreement with Capital Ship Management to reflect that all ten of our container vessels would no longer be managed under the floating rate management agreement with Capital Ship Management and that only M/V Cape Agamemnon would continue to be covered by the Floating Rate Management Agreement.

Floating Rate Management Agreement with Capital-Executive. In August 2019, each vessel-owning subsidiary of our ten container vessels owned at the time entered into a floating rate management agreement with Capital-Executive, pursuant to which Capital-Executive provides certain commercial and technical management services.

Executive services agreement with our General Partner. In 2019, we amended the executive services agreement 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 relations and corporate support services to the Partnership, for a fee of US\$1.9 million per annum. See “—Administrative and executive services agreement with Capital Ship Management and our General Partner” above.

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 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 owner. 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 our General Partner or its affiliates to pursue a business strategy that favors us or utilizes our assets or dictates what markets to pursue or grow.

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.

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. 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.

Our General Partner's Chief Executive Officer, Chief Financial Officer and Chief Commercial Officer are also executive officers or employees of Capital Maritime, Capital Ship Management or their respective affiliates.

If the activities of Capital Maritime, Capital Ship Management or their respective affiliates 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. The officers of our General Partner are not required to work full-time on our affairs.

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 Capital Maritime or our General Partner, on the other hand, will not be the result of arms'- length negotiations.

Neither our partnership agreement nor any of the other agreements, contracts and arrangements initially put in place among Capital Maritime or our General Partner and us were the result of arms'-length negotiations.

Our partnership agreement generally provides that any affiliated transaction, such as an agreement, contract or arrangement between us and our General Partner and its affiliates, must be:

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

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

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

Our General Partner may exercise its right to call and purchase limited partner interests, including common units, as provided in the partnership agreement and may assign this right to one of its affiliates (including us). Our General Partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise this right. As a result, a common unitholder may have common units purchased from the unitholder at an undesirable time or price. Please read “The Partnership Agreement—Limited Call Right” in Exhibit 2.1 to this Annual Report.

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, our General Partner or our Managers.

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 or our Managers and their respective affiliates, on the one hand, and us or the holders of common units, on the other hand, depending on the nature of the conflict. We do not intend to do so in most cases.

Capital Maritime may compete with us.

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

Fiduciary Duties

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

In addition, we have entered into services agreements, and may enter into additional agreements with Capital Ship Management. In the performance of its obligations under these agreements, Capital Ship Management is 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, 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.
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Partnership agreement modified standards

Our partnership agreement contains provisions that waive or consent to conduct by our General Partner and its affiliates and our directors that might otherwise raise issues as to compliance with fiduciary duties under the laws of the Marshall Islands. For example, Section 7.16 of our partnership agreement provides that when our General Partner is acting in its capacity as our General Partner, as opposed to in its individual capacity, it must act in “good faith” and will not be subject to any other standard under the laws of the Marshall Islands. In addition, when our General Partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act without any fiduciary obligation to us or the unitholders whatsoever. These standards reduce the obligations to which our General Partner and our board of directors would otherwise be held. Our partnership agreement generally provides that affiliated transactions and resolutions of conflicts of interest not involving a vote of unitholders and that are not approved by the conflicts committee of our board of directors must be:

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

If our board of directors does not seek approval from the conflicts committee, and our board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the bullet points above, then it will be presumed that, in making its decision, our board of directors acted in good faith. These standards reduce the obligations to which our board of directors would otherwise be held. In addition to the other more specific provisions limiting the obligations of our General Partner and our directors, our partnership agreement further provides that our General Partner and its officers and our directors, will not be liable for monetary damages to us for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that our General Partner or its officers or our directors acted in bad faith or engaged in actual fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was unlawful.

Rights and remedies of unitholders The provisions of the MILPA resemble the provisions of the limited partnership act of Delaware. For example, like Delaware, the MILPA favors the principles of freedom of contract and enforceability of partnership agreements and allows the partnership agreement to contain terms governing the rights of the unitholders. The rights of our unitholders, including voting and approval rights and the ability of the partnership to issue additional units, are governed by the terms of our partnership agreement. Please read “The Partnership Agreement” in Exhibit 2.1 to this Annual Report.

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

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

Under the partnership agreement, we must indemnify our General Partner and its officers and our directors to the fullest extent permitted by law, against liabilities, costs and expenses incurred by our General Partner or these other persons. We must provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons engaged in actual fraud or willful misconduct. We also must provide this indemnification for criminal proceedings when our General Partner or these other persons acted with no reasonable cause to believe that their conduct was unlawful. Thus, our General Partner and its officers and our directors could be indemnified for their negligent acts if they met the requirements set forth above. To the extent that these provisions purport to include indemnification for liabilities arising under the Securities Act, in the opinion of the Securities and Exchange Commission such indemnification is contrary to public policy and therefore unenforceable. Please read “The Partnership Agreement—Indemnification.” in Exhibit 2.1 to this Annual Report.

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 September 2019, one of our subsidiaries reached a settlement with the U.S. Department of Justice (“DOJ”) regarding the M/V CMA CGM Amazon for oil record book violations. Under the terms of the agreement, the subsidiary pled guilty to oil record book violations with respect to the M/V CMA CGM Amazon. The subsidiary paid a fine of \$500,000 and was placed on probation for 30 months. 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. The subsidiary is also required to implement an 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;
- 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 (on a pre-reverse split-adjusted basis) \$0.2325 per unit, which is equal to \$0.93 per unit per year, or \$1.6275 per unit, which is equal to \$6.51 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.

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.
- 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.
- 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 or anticipated cash needs.
- 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.

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 dry-docking, 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, subject to applicable law:

- first, 98.0% 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 and other similar disclosure in this Section assumes that our General Partner maintains its initial 2.0% general partner interest. As of the date of this Annual Report, our General Partner holds a 1.8% 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 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, 98.0% to all unitholders, pro rata, and 2.0% to our General Partner, until each unitholder receives a total of \$1.6975 per unit for that quarter (the “first target distribution”),
- second, 85.0% to all unitholders, pro rata, and 15.0% to our General Partner, until each unitholder receives a total of \$1.8725 per unit for that quarter (the “second target distribution”),
- third, 75.0% to all unitholders, pro rata, and 25.0% to our General Partner, until each unitholder receives a total of \$2.0475 per unit for that quarter (the “third target distribution”), and
- thereafter, 65.0% to all unitholders, pro rata, and 35.0% to our General Partner.

The percentage interests set forth above assume that our General Partner maintains its initial 2.0% general partner interest and has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities. As of the date of this Annual Report, our General Partner holds a 1.8% general partner interest.

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 \$1.6975 and \$1.75. This waiver effectively increases the first target distribution and the lower bound of the second target distribution (as referenced in the table below) from \$1.6975 to \$1.75.

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 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 our General Partner maintains its initial 2.0% general partner interest and that our General Partner has not transferred the incentive distribution rights. As of the date of this Annual Report, our General Partner holds a 1.8% general partner interest.

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions	
		Unitholders	General Partner
Minimum Quarterly Distribution	\$1.6275	98.0%	2.0%
First Target Distribution	up to \$1.6975 (1)	98.0%	2.0%
Second Target Distribution	above \$1.6975 (1) up to \$1.8725	85.0%	15.0%
Third Target Distribution	above \$1.8725 up to \$2.0475	75.0%	25.0%
Thereafter	above \$2.0475	65.0%	35.0%

- (1) As disclosed on our 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 \$1.6975 and \$1.75. 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 \$1.6975 to \$1.75.

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, 98.0% to the common unitholders, pro rata, and 2.0% 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 its initial 2.0% general partner interest and that we do not issue additional classes of equity securities. As of the date of this Annual Report, our General Partner holds a 1.78% general partner interest.

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 (as we did in connection with the DSS Transaction) 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 the 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.

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 (adjusted as our board of directors determines to be appropriate to give effect to any distribution, subdivision or combination, such as the reverse unit split we effected in March 2019 in connection with the DSS Transaction) (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 (adjusted as our board of directors determines to be appropriate to give effect to any distribution, subdivision or combination, such as the reverse unit split we effected in March 2019 in connection with the DSS Transaction) (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 (as adjusted) (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 initial 2.0% general partner interest and has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities. As of the date of this Annual Report, our General Partner holds a 1.8% general partner interest.

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—A. History and Development of the Partnership—Recent Developments” in Note 17 (Subsequent Events) to our Financial Statements and below, no significant changes have occurred since the date of our Financial Statements.

On January 24, 2022, the board of directors of the Partnership declared a cash distribution of \$0.15 per common unit for the fourth quarter of 2021. The fourth quarter common unit cash distribution was paid on February 10, 2022, to unitholders of record on February 3, 2022.

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.

Item 10. Additional Information.

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We were organized on January 16, 2007 and have perpetual existence. Our purpose under our 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 carries out our purpose.

Please refer to Exhibit 2.1 (Description of Securities registered under Section 12 of the Exchange Act) to this Annual Report for a summary of the material provisions of our partnership agreement. The partnership agreement and the amendments thereto are filed as Exhibit I to our Report on Form 6-K dated February 24, 2010, as Exhibit I to our Report on Form 6-K dated September 30, 2011, as Exhibit II to our Report on Form 6-K/A dated May 23, 2012, as Exhibit II to our Report on Form 6-K dated March 21, 2013 and as Exhibit A to Exhibit I to our 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—A. Consolidated Statements and Other 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. Major Unitholders and Related Party Transactions—B. Related-Party Transactions —Conflicts of Interest and Fiduciary Duties.”.

C. Material Contracts

For a discussion of material contracts, 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 please see “Item 4. Information on the Partnership—A. History and Development of the Partnership” and “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Borrowings (Financing Arrangements).” Please also refer to “Item 7. Major Unitholders and Related Party Transactions—B. Related-Party Transactions” for further detail on the transactions entered into with related parties.

D. Exchange Controls

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 persons that are both to non-resident and non-citizen holders of our securities.

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 carry on business or conduct transactions or operations in the Marshall Islands (“non-resident holders”). Because we, our subsidiaries and our controlled affiliates do not, and assuming that we and our subsidiaries will not carry on business or conduct transactions 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 and our subsidiaries will not carry on business or conduct transactions 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, (v) compliance, or penalties for noncompliance, with Marshall Islands law concerning books and records and economic substance regulations and (vi) 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 “—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 be attributable to the transportation of 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 provides, 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 21%) on a net income basis. 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 income 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 (in all cases, 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 other than the taxable year in which the Non-Electing Holder’s holding period in the common units begins 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 that preceded the current taxable year), 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.

Shareholder Reporting

A U.S. Holder that owns “specified foreign financial assets” (as defined in Section 6038D of the Code and applicable Treasury Regulations) with an aggregate value in excess of \$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with its tax return. “Specified foreign financial assets” may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Significant penalties may apply for failing to satisfy this filing requirement. U.S. Holders are urged to contact their tax advisors regarding this filing requirement.

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. "Effectively connected" distributions recognized by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate, or at a lower rate if the corporate Non-U.S. Holder is eligible for the benefits of an income tax treaty that provides for a lower rate.

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 gross proceeds of a disposition of our common units made within the United States 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;
- in the case of distributions, 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.

Payment of the gross proceeds of a disposition of our common units effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

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 are subject to the reporting requirements of the Exchange Act, as applied to foreign private issuers. The SEC maintains an internet website at www.sec.gov that contains reports and other information regarding issuers, including us, that file electronically with the SEC. The information contained on, or that can be accessed through this website is not part of, and is not incorporated into, this Annual Report.

Whenever a reference is made in this Annual Report to a contract or other document, such reference is not necessarily complete and reference should be made to the exhibits that are a part of this Annual Report for a copy of the contract or other document.

I. Subsidiary Information

Not applicable.

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

Financing activities

In connection with the issuance of our €150.0 million of 2.65% senior unsecured bonds, we entered into certain cross-currency swap agreements to manage the related foreign currency exchange risk by effectively converting the fixed-rate, Euro-denominated Bonds, including the semi-annual interest payments for the period from October 21, 2021 to October 21, 2025 to fixed-rate, U.S. Dollar-denominated debt. The economic effect of the swap agreement is to eliminate the uncertainty of the cash flows in U.S. Dollars associated with the issuance of the Bonds by fixing the principal amount of the Bonds at \$174.6 million with a fixed annual interest rate of 3.662%. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Borrowings (Financing Arrangements)—Senior Unsecured Bonds.”.

Operating activities

We do not have a material currency exposure risk in connection to our operating activities. 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. Dollars are translated into U.S. Dollars at the exchange rate prevailing on the date of each transaction. As of December 31, 2021, 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, 2021. We have not hedged currency exchange risks and our operating results could be adversely affected as a result.

Interest Rate Risk

The international shipping industry is capital intensive, requiring significant amounts of investment, a significant portion of which is provided in the form of long-term debt. Our existing financing arrangements contain interest rates that fluctuate with LIBOR. Therefore, we are exposed to the risk that our interest expense may increase if interest rates rise. In addition, the phase-out of LIBOR may adversely affect interest rates. See “Item 3. Key Information—D. Risk Factors —Risks Related to Financing Activities—*The phase-out of the London Interbank Offered Rate (LIBOR), or the replacement of LIBOR with a different benchmark rate, may adversely affect interest rates and our cost of capital.*”.

Currently we have, and during 2021 we had, no interest rate swap agreements outstanding. A possible market disruption in determining the cost of funds for our banks resulting in 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 \$4.6 million, \$3.7 million and \$2.8 million for the years ended December 31, 2021, 2020 and 2019 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.

Inflation

Inflation has had a minimal impact on vessel operating expenses, dry-docking expenses and general and administrative expenses to date. However, as inflation becomes a significant factor in the global economy, inflationary pressures are expected to result in increased operating, voyage and financing costs. For example, all our management agreements provide for an annual adjustment of management fees according to Consumer Price Index (CPI).

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, 2021, 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, 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, 2021, 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, 2021.

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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of Capital Product Partners L.P.
Majuro, Republic of 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, 2021, 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, 2021, 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, 2021 of the Partnership and our report dated April 27, 2022 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
April 27, 2022

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 16.

A. Audit Committee Financial Expert.

Our board of directors has determined that director Abel Rasterhoff 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.

B. 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 our Managers wherever located, as well as to all of the Partnership's subsidiaries and other business entities controlled by it worldwide. The Code of Ethics incorporates terms and conditions consistent with the FCPA and U.K. Bribery Act, and includes a Gifts and Entertainment policy.

This document is available under “Corporate Governance” in the Investor Relations area of our web site (www.capitalplp.com). We will also provide a hard copy of our Code of Ethics free of charge upon written request. We intend to disclose, under “Corporate Governance” in the Investor Relations area of our web site, any waivers to or amendments of the Code of Ethics for the benefit of any of our directors and executive officers within five business days of such waiver or amendment.

C. Principal Accountant Fees and Services.

Our principal accountant for 2021 and 2020 was Deloitte Certified Public Accountants S.A. (PCAOB ID No. 1163) 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	2021	2020
Audit Fees (1)	\$ 276.2	\$ 267.6
Audit-Related Fees (2)	119.4	—
Tax Fees (3)	17.2	10.8
Total	\$ 412.8	\$ 278.4

- (1) Audit fees represent fees for professional services provided in connection with the audit of our Financial Statements, 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) Audit related fees represent compensation for professional services provided in connection with the review of the prospectus and related services for the public offering and listing on the Athens Stock Exchange of senior unsecured bonds by CPLP PLC.
- (3) 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 2021 and 2020.

D. Exemptions from the Listing Standards for Audit Committees.

None.

E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

On January 25, 2021, the Partnership’s Board of Directors approved a unit repurchase program, providing the Partnership with authorization to repurchase up to \$30.0 million of units of the Partnership’s common unit, effective for a period of two years. The Partnership may repurchase these units in the open market or in privately negotiated transactions, at times and prices that are considered to be appropriate by the Partnership. As of the Partnership had purchased 382,250 common units under the program at a total cost of \$4.5 million.

The following table presents information with respect to repurchases of common units in 2021:

	(a) Total Number of Common Units Purchased	(b) Average Price Paid per Common Unit	(c) Total Number of Common Units Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Common Units that May Yet Be Purchased Under the Plans or Programs
January 1 – January 31, 2021	—	—	—	—
February 1 – February 28, 2021	26,644	\$ 10.052	26,644	\$ 29,732,184.51
March 1 – March 31, 2021	106,779	\$ 10.561	106,779	\$ 28,604,477.98
April 1 – April 30, 2021	34,791	\$ 10.984	34,791	\$ 28,222,332.42
May 1 – May 31, 2021	66,500	\$ 12.695	66,500	\$ 27,378,136.64
June 1 – June 30, 2021	96,500	\$ 12.807	96,500	\$ 26,142,262.39
July 1 – July 31, 2021	21,986	\$ 12.084	21,986	\$ 25,876,579.74
August 1 – August 31, 2021	13,160	\$ 11.767	13,160	\$ 25,721,729.18
September 1 – September 30, 2021	13,300	\$ 13.152	13,300	\$ 25,546,810.13
October 1 – October 31, 2021	2,590	\$ 13.095	2,590	\$ 25,512,893.43
November 1 – November 30, 2021	—	—	—	—
December 1 – December 31, 2021	—	—	—	—
Total	382,250	\$ 11.739	382,250	\$ 25,512,893.43

F. Change in Registrant’s Certifying Accountant.

Not applicable.

G. Corporate Governance.

The Nasdaq Global Select Market requires limited partnerships with listed units to comply with its corporate governance standards, subject to certain exceptions as set forth in Nasdaq Rule 5615(a)(4). 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, a conflicts committee and a compensation 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 6. Directors, Senior Management and Employees—C. Board Practices" and "Item 10. Additional Information—B. Memorandum and Articles of Association" for more detail regarding our corporate governance practices.

H. Mine Safety Disclosure.

Not applicable.

I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 17. Financial Statements

Not Applicable.

Item 18. Financial Statements.

INDEX TO FINANCIAL STATEMENTS CAPITAL PRODUCT PARTNERS L.P.

Report of Independent Registered Public Accounting Firm (PCAOB ID No. 1163)	F-1
Consolidated Balance Sheets as of December 31, 2021 and 2020	F-2
Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020 and 2019	F-3
Consolidated Statements of Changes in Partners' Capital for the years ended December 31, 2021, 2020 and 2019	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	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. ⁽³⁾
1.3	Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated September 30, 2011. ⁽⁴⁾
1.4	Second Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated May 22, 2012. ⁽⁶⁾
1.5	Third Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated March 19, 2013. ⁽⁷⁾
1.6	Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., dated August 25, 2014. ⁽⁹⁾
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⁾
2.1	Description of Securities registered under Section 12 of the Exchange Act
2.2	Certain long-term debt instruments, none of which relates to indebtedness that exceeds 10% of the consolidated assets of Capital Product Partners L.P., have not been filed as exhibits to this Form 20-F. Capital Product Partners L.P. agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any such instrument defining the rights of holders of long-term debt of Capital Product Partners L.P. and its consolidated subsidiaries.
4.1	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. ⁽¹¹⁾
4.2	Deed of Amendment and Restatement relating to the Loan Agreement with Hamburg Commercial Bank AG and ING Bank N.V., London Branch, dated March 8, 2019. ⁽¹²⁾
4.3	Term Loan Facility, dated January 17, 2020, between Capital Product Partners L.P. and Hamburg Commercial Bank A.G. ⁽¹⁴⁾
4.4	Deed of Accession, Amendment and Restatement dated September 10, 2021, among Atrotos Gas Carrier Corp., Capital Gas LLC, Capital Product Partners L.P. and ING Bank N.V., London Branch, relating to a facility agreement December 18, 2020
4.5	Form of Amended and Restated Term Loan Facility, among Atrotos Gas Carrier Corp., Capital Product Partners L.P. and ING Bank N.V., London Branch, relating to a facility agreement dated December 18, 2020

Exhibit

No.	Description
4.6	Amended and Restated Omnibus Agreement, dated September 30, 2011 ⁽⁴⁾
4.7	Form of Floating Rate Management Agreement with Capital-Executive Ship Management Corp. ⁽¹³⁾
4.8	Form of Floating Rate Management Agreement with Capital Gas Ship Management Corp.
4.9	Administrative Services Agreement with Capital Ship Management ⁽¹⁾
4.10	Amendment 1 to Administrative Services Agreement with Capital Ship Management Corp., dated April 2, 2012 ⁽⁸⁾
4.11	IT Agreement, dated April 3, 2007, by and between Capital Ship Management Corp. and Capital Product Partners L.P. ⁽¹⁴⁾
4.12	Addendum No. 1 to IT Agreement, dated April 2, 2012 ⁽¹⁴⁾
4.13	Addendum No. 2 to IT Agreement, dated April 2, 2017 ⁽¹⁴⁾
4.14	Addendum No. 3 to IT Agreement, dated April 2, 2022
4.15	Master Vessel Acquisition Agreement, dated July 24, 2014 ⁽¹⁰⁾
4.16	Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan, dated April 29, 2008 ⁽²⁾
4.17	Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan, amended July 22, 2010 ⁽⁹⁾
4.18	Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan, amended and restated August 21, 2014 ⁽⁹⁾
4.19	Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan, amended and restated July 23, 2019 ⁽¹⁴⁾
4.20	Capital Product Partners L.P. Omnibus Incentive Compensation Plan, amended and restated on January 24, 2022
4.21	Form of Restricted Unit Award of Capital Product Partners L.P. ⁽⁵⁾
4.22	Seller's Credit Agreement, dated January 27, 2021, with Capital Maritime & Trading Corp. ⁽¹⁵⁾
4.23	Seller's Credit Agreement, dated August 31, 2021, with CGC Operating Corp. relating to LNG/C Aristos I
4.24	Seller's Credit Agreement, dated August 31, 2021, with CGC Operating Corp. relating to the LNG/C Aristarchos
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	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (Inline XBRL)

(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 a Report on Form 6-K with the SEC on April 30, 2008.

(3) Previously filed as a Report on Form 6-K with the SEC on February 24, 2010.

(4) Previously filed as a Report on Form 6-K with the SEC on September 30, 2011.

- (5) 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.
 - (6) Previously furnished as a Report on Form 6-K with the SEC on May 23, 2012.
 - (7) Previously furnished as a Report on Form 6-K with the SEC on March 21, 2013.
 - (8) 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.
 - (9) Previously furnished as a Report on Form 6-K with the SEC on August 26, 2014.
 - (10) Previously furnished as a Report on Form 6-K with the SEC on July 29, 2014.
 - (11) Previously filed as Exhibit II to a Current Report on Form 6-K with the SEC on September 12, 2017 (14) Previously filed as an exhibit to Capital Product Partners L.P.'s Annual Report on Form 20-F for the year ended December 31, 2017 and filed with the SEC on March 5, 2018.
 - (12) Previously furnished as Exhibit I to a Report on Form 6-K with the SEC on March 14, 2019.
 - (13) Previously filed as Exhibit 10.1 to a registration statement on Form F-3 with the SEC on October 25, 2019.
 - (14) Previously filed as an exhibit to Capital Product Partners L.P.'s Annual Report on Form 20-F for the year ended December 31, 2019 and filed with the SEC on February 28, 2020.
 - (15) Previously filed as an exhibit to Capital Product Partners L.P.'s Annual Report on Form 20-F for the year ended December 31, 2020 and filed with the SEC on April 27, 2021.
- * Furnished only and not filed

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized. CAPITAL PRODUCT PARTNERS L.P.,

By:Capital GP L.L.C., its general partner
By:/s/ Gerasimos (Jerry) Kalogiratos
Name:Gerasimos (Jerry) Kalogiratos
Chief Executive Officer of Capital GP
Title:L.L.C.

Dated: April 27, 2022

INDEX TO FINANCIAL STATEMENTS

CAPITAL PRODUCT PARTNERS L.P.

	Page
Report of Independent Registered Public Accounting Firm (PCAOB ID No. 1163)	F-1
Consolidated Balance Sheets as of December 31, 2021 and 2020	F-2
Consolidated Statements of Comprehensive Income / (Loss) for the years ended December 31, 2021, 2020 and 2019	F-3
Consolidated Statements of Changes in Partners' Capital for the years ended December 31, 2021, 2020 and 2019	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	F-5
Notes to the Consolidated Financial Statements	F-6

[Table of Contents](#)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of
Capital Product Partners L.P.
Majuro, Republic of 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, 2021 and 2020, the related consolidated statements of comprehensive income/(loss), changes in partners' capital, and cash flows, for each of the three years in the period ended December 31, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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, 2021, 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 April 27, 2022, 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. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, 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.

Critical Audit Matters

Critical audit matters are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece
April 27, 2022

We have served as the Company's auditor since 2006.

Capital Product Partners L.P.
Consolidated Balance Sheets
(In thousands of United States Dollars, except number of units)

	As of December 31, 2021	As of December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 20,373	\$ 47,336
Trade accounts receivable	6,025	2,855
Prepayments and other assets	4,835	3,314
Inventories	5,009	3,528
Claims	1,442	746
Total current assets	37,684	57,779
Fixed assets		
Vessels, net (Note 6)	1,781,858	712,197
Total fixed assets	1,781,858	712,197
Other non-current assets		
Above market acquired charters (Note 7)	48,605	34,579
Deferred charges, net	2,771	6,001
Restricted cash (Note 8)	10,614	7,000
Prepayments and other assets	3,638	4,642
Total non-current assets	1,847,486	764,419
Total assets	\$ 1,885,170	\$ 822,198
Liabilities and Partners' Capital		
Current liabilities		
Current portion of long-term debt, net (including \$10,000 and nil payable to related party as of December 31, 2021 and 2020 respectively) (Notes 5, 8)	\$ 97,879	\$ 35,810
Trade accounts payable	9,823	9,029
Due to related parties (Note 5)	2,785	3,257
Accrued liabilities (Note 10)	11,395	10,689
Deferred revenue	8,919	2,821
Total current liabilities	130,801	61,606
Long-term liabilities		
Long-term debt, net (including \$6,000 and nil payable to related party as of December 31, 2021 and 2020 respectively) (Notes 5, 8)	1,211,095	338,514
Derivative liabilities (Note 9)	3,167	—
Below market acquired charters (Note 7)	14,643	—
Total long-term liabilities	1,228,905	338,514
Total liabilities	1,359,706	400,120
Commitments and contingencies (Note 16)	—	—
Partners' capital		
General Partner (348,570 General partner units at December 31, 2021 and 2020) (Note 13)	10,466	8,816
Limited Partners - Common (19,776,946 units issued and 19,394,696 units outstanding at December 31, 2021 and 18,623,100 units issued and outstanding at December 31, 2020) (Note 13)	519,497	413,262
Treasury Units (382,250 units repurchased as of December 31, 2021) (Note 13)	(4,499)	—
Total partners' capital	525,464	422,078
Total liabilities and partners' capital	\$ 1,885,170	\$ 822,198

The accompanying notes are an integral part of these consolidated financial statements.

Capital Product Partners L.P.
Consolidated Statements of Comprehensive Income / (Loss)
(In thousands of United States Dollars except number of units and net income / (loss) per unit)

	For the years ended December 31,		
	2021	2020	2019
Revenues (Note 4)	\$ 184,665	\$ 140,865	\$ 108,374
Expenses / (income), net:			
Voyage expenses (Note 11)	10,698	6,301	2,930
Vessel operating expenses (Note 11)	41,199	33,745	26,632
Vessel operating expenses - related parties (Notes 5, 11)	5,923	4,976	3,917
General and administrative expenses (including \$2,013, \$2,049 and \$2,146 to related parties, for the years ended December 31, 2021, 2020 and 2019, respectively) (Notes 5, 14)	8,662	7,195	5,502
Gain on sale of vessels (Note 6)	(46,812)	—	—
Vessel depreciation and amortization (Note 6)	46,935	41,405	29,261
Operating income	118,060	47,243	40,132
Other income / (expense), net:			
Interest expense and finance cost (Note 8)	(20,129)	(16,741)	(17,036)
Other income / (expense)	247	(135)	1,325
Total other expense, net	(19,882)	(16,876)	(15,711)
Partnership's net income from continuing operations attributable to:	\$ 98,178	\$ 30,367	\$ 24,421
Preferred unit holders' interest in Partnership's net income from continuing operations (Note 15)	\$ —	\$ —	\$ 2,652
Deemed dividend to preferred unit holders' (Note 15)	\$ —	\$ —	\$ 9,119
General Partner's interest in Partnership's net income from continuing operations (Note 15)	\$ 1,790	\$ 558	\$ 236
Common unit holders' interest in Partnership's net income from continuing operations (Note 15)	\$ 96,388	\$ 29,809	\$ 12,414
Partnership's net loss from discontinued operations (Note 3)	\$ —	\$ —	\$ (146,876)
Total Partnership's comprehensive income / (loss)	\$ 98,178	\$ 30,367	\$ (122,455)
Net income from continuing operations per (Note 15):			
• Common unit, basic and diluted	\$ 5.14	\$ 1.60	\$ 0.68
Weighted-average units outstanding:			
• Common units, basic and diluted	18,342,413	18,194,186	18,178,144
Net loss from discontinued operations per:			
• Common unit, basic and diluted	\$ —	\$ —	\$ (7.93)
Weighted-average units outstanding:			
• Common units, basic and diluted	18,342,413	18,194,186	18,178,144
Net income / (loss) from operations per:			
• Common unit, basic and diluted	\$ 5.14	\$ 1.60	\$ (7.25)
Weighted-average units outstanding:			
• Common units, basic and diluted	18,342,413	18,194,186	18,178,144

The accompanying notes are an integral part of these consolidated financial statements.

Capital Product Partners L.P.
Consolidated Statements of Changes in Partners' Capital
(In thousands of United States Dollars)

	General Partner	Common Unitholders	Treasury units	Preferred Unitholders	Total
Balance at January 1, 2019	\$ 15,436	\$ 755,372	\$ —	\$ 110,506	\$ 881,314
Distributions declared / paid (distributions of \$ 1.26 per common unit and \$ 0.42 per preferred unit)	(440)	(22,904)	—	(5,427)	(28,771)
Partnership's net (loss) / income	(2,339)	(122,768)	—	2,652	(122,455)
Deemed dividend to preferred unit holders' (Note 15)	(171)	(8,948)	—	9,119	—
Distribution of Diamond S Shipping Inc. stock to Partnership's unitholders (Note 1)	(3,914)	(203,494)	—	—	(207,408)
Redemption of Class B Convertible Preferred Units (Note 1)	—	—	—	(116,850)	(116,850)
Equity compensation expense (Note 14)	—	907	—	—	907
Balance at December 31, 2019	\$ 8,572	\$ 398,165	\$ —	\$ —	\$ 406,737
Distributions declared / paid (distributions of \$ 0.90 per common unit)	(314)	(16,761)	—	—	(17,075)
Partnership's net income	558	29,809	—	—	30,367
Equity compensation expense (Note 14)	—	2,049	—	—	2,049
Balance at December 31, 2020	\$ 8,816	\$ 413,262	\$ —	\$ —	\$ 422,078
Distributions declared / paid (distributions of \$0.40 per common unit)	(140)	(7,473)	—	—	(7,613)
Partnership's net income	1,790	96,388	—	—	98,178
Equity compensation expense (Note 14)	—	2,043	—	—	2,043
Issuance of common units in connection with the acquisition of vessel owning companies (Notes 5, 13)	—	15,277	—	—	15,277
Repurchase of common units (Note 13)	—	—	(4,499)	—	(4,499)
Balance at December 31, 2021	\$ 10,466	\$ 519,497	\$ (4,499)	\$ —	\$ 525,464

The accompanying notes are an integral part of these consolidated financial statements.

Capital Product Partners L.P.
Consolidated Statements of Cash flows
(In thousands of United States Dollars)

	For the years ended December 31,		
	2021	2020	2019
Cash flows from operating activities of continuing operations:			
Net income from continuing operations	\$ 98,178	\$ 30,367	\$ 24,421
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Vessel depreciation and amortization (Note 6)	46,935	41,405	29,261
Amortization and write-off of deferred financing costs	3,122	3,047	1,096
Amortization / accretion of above / below market acquired charters (Note 7)	7,287	11,696	14,380
Equity compensation expense (Note 14)	2,043	2,049	907
Change in fair value of derivatives (Note 9)	3,167	—	—
Unrealized gain from exchange difference of Euro denominated Bonds (Notes 8, 9)	(3,374)	—	—
Gain on sale of vessels (Note 6)	(46,812)	—	—
Changes in operating assets and liabilities:			
Trade accounts receivable	(3,170)	(165)	13,436
Prepayments and other assets	(201)	(1,384)	(1,195)
Inventories	(1,481)	(2,057)	45
Claims	(696)	339	(1,085)
Trade accounts payable	(252)	3,779	(9,406)
Due to related parties	(472)	(1,999)	(12,486)
Accrued liabilities	2,687	684	(9,558)
Deferred revenue	6,098	(1,005)	(3,585)
Dry-docking costs paid	(1,895)	(6,074)	(954)
Net cash provided by operating activities of continuing operations	\$ 111,164	\$ 80,682	\$ 45,277
Cash flows from investing activities of continuing operations:			
Vessel acquisitions and improvements including time charter agreements (Notes 6, 7)	(368,096)	(185,247)	(6,519)
Net proceeds from sale of vessels (Note 6)	193,031	—	—
Net cash used in investing activities of continuing operations	\$ (175,065)	\$ (185,247)	\$ (6,519)
Cash flows from financing activities of continuing operations:			
Proceeds from long-term debt (Note 8)	204,266	270,850	—
Payments of long-term debt (Note 8)	(145,471)	(153,573)	(32,733)
Deferred financing costs paid	(6,131)	(4,765)	(788)
Repurchase of common units (Note 13)	(4,499)	—	—
Redemption of Class B unit holders (Note 13)	—	—	(116,850)
Dividends paid (Note 13)	(7,613)	(17,075)	(28,771)
Net cash provided by / (used in) financing activities of continuing operations	\$ 40,552	\$ 95,437	\$ (179,142)
Net decrease in cash, cash equivalents and restricted cash from continuing operations	\$ (23,349)	\$ (9,128)	\$ (140,384)
Cash flows from discontinued operations			
Operating activities	—	—	8,905
Investing activities	—	—	(1,484)
Financing activities	—	—	158,228
Net increase in cash, cash equivalents and restricted cash from discontinued operations	\$ —	\$ —	\$ 165,649
Net (decrease) / increase in cash, cash equivalents and restricted cash	\$ (23,349)	\$ (9,128)	\$ 25,265
Cash, cash equivalents and restricted cash at the beginning of the year	\$ 54,336	\$ 63,464	\$ 38,199
Cash, cash equivalents and restricted cash at the end of the year	\$ 30,987	\$ 54,336	\$ 63,464
Supplemental cash flow information			
Cash paid for interest	\$ 15,750	\$ 15,347	\$ 20,138
Non-Cash Investing and Financing Activities			
Capital expenditures included in liabilities	\$ 1,008	\$ 2,507	\$ 15,004
Capitalized dry-docking costs included in liabilities	\$ 123	\$ 1,649	\$ 2,560
Deferred financing costs included in liabilities	112	6	—
Financing arrangements and credit facility assumed in connection with the acquisition of companies owning vessels (Notes 5, 8)	\$ 866,344	\$ —	\$ —
Seller's credit agreements in connection with the acquisition of companies owning vessels (Notes 5, 8)	\$ 16,000	\$ —	\$ —
Issuance of common units in connection with the acquisition of companies owning vessels (Notes 5, 13)	\$ 15,277	\$ —	\$ —
Expenses for sale of vessels included in liabilities (Note 6)	\$ 1,984	\$ —	\$ —
Reconciliation of cash, cash equivalents and restricted cash			
Cash and cash equivalents	\$ 20,373	\$ 47,336	\$ 57,964
Restricted cash - Non-current assets	\$ 10,614	\$ 7,000	\$ 5,500
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	\$ 30,987	\$ 54,336	\$ 63,464

The accompanying notes are an integral part of these consolidated financial statements.

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. Capital Product Partners, L.P. and its fully owned subsidiaries (collectively the “Partnership”) is an international shipping company. As of December 31, 2021, its fleet of 21 high specification vessels consisted of 11 Neo-Panamax container carrier vessels, three Panamax container carrier vessels, one Cape-size bulk carrier vessel and six X-DF Liquefied natural gas carrier (“LNG/C”) vessels. Its vessels are capable of carrying a wide range of cargoes including liquefied natural gas, containerized goods and dry bulk cargo under short-term voyage charters and medium to long-term time charters.

The DSS Transaction

On November 27, 2018, the Partnership entered into a definitive transaction agreement (the “Transaction Agreement”) with DSS Holdings L.P. (“DSS”), a privately held third party company, pursuant to which the Partnership agreed to spin off its Crude and Product tanker business into a separate publicly listed company which would combine with DSS’s businesses and operations in a share-to-share transaction (the “DSS Transaction”). Pursuant to the Transaction Agreement:

- (a) the Partnership agreed to establish a number of entities for the implementation of the DSS Transaction, including Athena SpinCo Inc. (“Athena”);
- (b) the Partnership agreed to contribute to Athena the Crude and Product tanker business, associated inventories, \$10,000 in cash plus prorated charter hire and net payments received from February 20, 2019 onwards with specific arrangements relating to the funding of working capital;
- (c) the Partnership agreed to distribute all 12,725,000 shares of common stock of Athena (renamed Diamond S Shipping Inc. or “Diamond S”) that it owned by way of a pro rata distribution to holders of the Partnership’s common and general partner units (the “distribution”);
- (d) Immediately following the distribution, there was a series of mergers as a result of which Diamond S would acquire the business and operations of DSS (the “combination”). In the combination, Diamond S issued additional shares of Diamond S common stock to DSS in such amount as to reflect the relative net asset values of the respective businesses and the agreed implied premium on the net asset value of the Crude and Product tanker business; and
- (e) DSS entered into several firm commitments for a syndicated five year term loan and revolving credit facility of up to \$360,000 with a syndicate of global shipping banks, and agreed to turn over net proceeds in such amount to partially prepay a portion of the loans outstanding under the Partnership’s existing credit facilities, redeem the Partnership’s Class B Units and fund transaction expenses.

The DSS Transaction was completed on March 27, 2019. Results of operations and cash flows of the Crude and Product tanker business and assets and liabilities that were part of the DSS Transaction are reported as discontinued operations for 2019 (Note 3).

Effective March 27, 2019, the Partnership effected a one for seven reverse unit split of its issued and outstanding common and general partner units (the “March 2019 Reverse Split”) (Note 13). All units and per unit amounts disclosed in the financial statements give effect to this reverse stock split retroactively, for all periods presented.

CPLP Shipping Holdings PLC

On August 14, 2021, the Partnership established CPLP Shipping Holdings PLC (“CPLP PLC”) a 100% subsidiary of the Partnership. CPLP PLC was established in Cyprus as a public limited liability company in accordance with the provisions of the Companies Law of Cyprus, Chapter 113. On October 20, 2021, the Partnership, through its fully owned subsidiary, CPLP PLC, issued €150,000,000 unsecured bonds (the “Bonds”) on the Athens Stock Exchange. The Bonds are guaranteed by the Partnership. The Bonds will mature in October 2026 and have a coupon of 2.65%, payable semi-annually. The net proceeds of the Bonds offering were used to partially finance the acquisition of three LNG/C sister vessels (Note 8).

Capital Product Partners L.P.
Notes to the Consolidated Financial Statements
(In thousands of United States Dollars)

1. Basis of Presentation and General Information – Continued

As of December 31, 2021, the consolidated financial statements include Capital Product Partners, L.P. and the following wholly owned significant subsidiaries which were all incorporated or formed under the laws of the Marshall Islands, Liberia and Cyprus.

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”) or CGC Operating Corp. (“CGC”)
Capital Product Operating L.L.C	01/16/2007	—	—	—	—
CPLP Shipping Holdings PLC	08/14/2021	—	—	—	—
CPLP Gas Operating Corp.	08/24/2021	—	—	—	—
Patroklos Marine Corp.	06/17/2008	M/V Cape Agamemnon	179,221	06/09/2011	01/25/2011
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
Anax Container Carrier S.A.	04/08/2011	M/V Hyundai Prestige	63,010	09/11/2013	02/19/2013
Hercules Container Carrier S.A.	04/08/2011	M/V Hyundai Premium	63,010	03/20/2013	03/11/2013
Iason Container Carrier S.A.	04/08/2011	M/V Hyundai Paramount	63,010	03/27/2013	03/27/2013
Theseas Container Carrier S.A.	04/08/2011	M/V Hyundai Privilege	63,010	09/11/2013	05/31/2013
Cronus Container Carrier S.A.	07/19/2011	M/V Hyundai Platinum	63,010	09/11/2013	06/14/2013
Dias Container Carrier S.A.	05/16/2013	M/V Akadimos (ex CMA CGM Amazon)	115,534	06/10/2015	06/10/2015
Poseidon Container Carrier S.A.	05/16/2013	M/V Adonis (ex CMA CGM Uruguay) ⁽¹⁾	115,639	09/18/2015	09/18/2015
Atrotos Container Carrier S.A.	10/25/2013	M/V CMA CGM Magdalena ⁽¹⁾	115,639	02/26/2016	02/26/2016
Deka Container Carrier S.A.	03/28/2017	M/V Athenian	118,834	01/22/2020	04/28/2017
Jupiter Container Carrier S.A.	03/28/2017	M/V Athos	118,888	01/23/2020	05/19/2017
Nikitis Container Carrier S.A.	03/28/2017	M/V Aristomenis	118,712	01/23/2020	06/27/2017
Neos Container Carriers Corp.	09/04/2020	M/V Long Beach Express	68,618	02/25/2021	01/07/2021
Maistros Container Carriers Corp.	09/04/2020	M/V Seattle Express	68,411	02/25/2021	01/07/2021
Filos Container Carriers Corp.	09/04/2020	M/V Fos Express	68,579	02/25/2021	01/07/2021
Assos Gas Carrier Corp.	07/16/2018	LNG/C Aristos I	81,978	09/03/2021	11/12/2020
Dias Gas Carrier Corp.	07/16/2018	LNG/C Aristarchos	81,956	09/03/2021	06/15/2021
Atrotos Gas Carrier Corp.	07/16/2018	LNG/C Aristidis I	81,898	12/16/2021	01/04/2021
Poseidon Gas Carrier Corp.	07/16/2018	LNG/C Attalos	81,850	11/18/2021	08/13/2021
Maximus Gas Carrier Corp.	04/10/2019	LNG/C Asklipios	81,882	11/18/2021	09/29/2021
Kronos Gas Carrier Corp.	02/04/2019	LNG/C Adamastos	82,095	11/29/2021	08/23/2021

(1) Vessels were disposed in 2021.

2. Significant Accounting Policies

(a) Principles of Consolidation: The 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 or voyage charters.

Time charters contracts

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 in advance. A time charter generally provides typical warranties and owner protective restrictions. The performance obligations in a time charter are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the owner of the vessel. The time charter contracts are considered operating leases because (i) the vessel is an identifiable asset (ii) the owner of the vessel does not have substantive substitution rights and (iii) the charterer has the right to control the use of the vessel during the term of the contract and derives the economic benefits from such use. Revenues from time charters are recognized ratably on a straight-line basis over the period of the respective charter. Under time charter agreements, all voyage expenses, except commissions are assumed by the charterer. Operating costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubricants are paid by the Partnership under time charter agreements.

Voyage charters contracts

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. The Partnership accounts for a voyage charter when all the following criteria are met: (1) the parties to the contract have approved the contract in the form of a written charter agreement and are committed to perform their respective obligations, (2) the Partnership can identify each party’s rights regarding the services to be transferred, (3) the Partnership can identify the payment terms for the services to be transferred, (4) the charter agreement has commercial substance (that is, the risk, timing, or amount of the Partnership’s future cash flows is expected to change as a result of the contract) and (5) it is probable that the Partnership will collect substantially all of the consideration to which it will be entitled in exchange for the services that will be transferred to the charterer. The Partnership determined that its voyage charters consist of a single performance obligation which is met evenly as the voyage progresses and begin to be satisfied once the vessel is ready to load the cargo. The voyage charter party agreement generally has a demurrage/dispatch clause according to which in the case of demurrage, the charterer reimburses the vessel owner for any potential delays exceeding the allowed lay time as per the charter party clause at the ports visited which is recorded as demurrage revenue. In the case of dispatch, the owner reimburses the charterer for the earlier discharging of the cargo from the agreed time. Demurrage/dispatch revenues are recognized starting from the point that is determined that the amount can be estimated, and its collection/payment is probable and on a straight-line basis until the end of the voyage. Revenues from voyage charters are recognized on a straight-line basis over the voyage duration which commences once the vessel is ready to load the cargo and terminates upon the completion of the discharge of the cargo. Under Accounting Standards Codification (“ASC”) 606, receivables represent an entity’s unconditional right to consideration, whether billed or unbilled

In voyage charters, vessel operating, and voyage expenses are paid for by the Partnership. The voyage charters are considered service contracts which fall under the provisions of ASC 606 because the Partnership retains control over the operations of the vessels such as the routes taken or the vessels’ speed.

Payment terms under voyage charters are disclosed in the relevant voyage charter agreements and generally have standard payment terms of 90% to 95% of the freight which is paid within three days after the completion of the vessel’s loading.

2. Significant Accounting Policies – Continued

(c) Accounting for Revenue, Voyage and Operating Expenses - Continued:

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 are expensed over the related charter period. All other voyage expenses are expensed as incurred, except for expenses during the ballast portion of the voyage (period between the contract date and the date of the vessel's arrival to the load port). Any expenses incurred during the ballast portion of the voyage such as bunker expenses, canal tolls and port expenses are deferred and are recognized on a straight-line basis, in voyage expenses, over the voyage duration as the Partnership satisfies the performance obligations under the contract provided these costs are (1) incurred to fulfill a contract that we can specifically identify, (2) able to generate or enhance resources of the company that will be used to satisfy performance of the terms of the contract, and (3) expected to be recovered from the charterer. These costs are considered 'contract fulfillment costs' and are included in 'prepayments and other assets' in the consolidated balance sheets.

Vessel operating expenses presented in the consolidated financial statements mainly consist of management fees payable to the Partnership's managers and crew, repairs and maintenance, insurance, stores, spares, lubricants, and other operating expenses.

Vessel operating expenses are expensed as incurred.

(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 / (expense)" in the consolidated statements of comprehensive income / (loss).

(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 and financing arrangements, 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 has been billed but has not yet been collected. At each balance sheet date all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate write off. For the year ended December 31, 2021, and 2020 the respective write off amounted to \$113 and \$174, respectively.

(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.

If 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.

2. Significant Accounting Policies – Continued

(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, any material expenses incurred during its construction (improvements and delivery expenses, on-site supervision costs incurred during the construction periods, as well as capitalized interest expense during the construction period). Certain subsequent expenditures for major improvements and regulatory requirements are also capitalized if it is determined that they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Vessels acquired through acquisition of businesses are recorded at their acquisition date fair values. Vessels acquired through asset acquisitions are recorded at cost. 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 for the container carrier and bulk carrier vessels and 35 years for the LNG/C vessels.

(k) Impairment of Vessels: An impairment loss on vessels is recognized when indicators of impairment are present and the carrying amount of the vessel is greater than its fair value and is determined not to be recoverable. In determining future benefits derived from use of the vessels, the Partnership performs an analysis of the anticipated undiscounted future net cash flows of the related vessel. 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.

The Partnership has performed an undiscounted cash flow test as of December 31, 2021, and 2020, determining undiscounted projected net operating cash flows for each vessel an indication for impairment was present and compared them to the carrying amount 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, the estimated remaining useful life of the vessels and their estimated residual value. 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, 2021, and 2020.

(l) Deferred charges, net: 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 considers whether any value should be assigned to the attached charter agreement acquired. The value to be assigned to the charter agreement is based on the difference of the contractual charter rate of the agreement acquired and the prevailing market rate for a charter of equivalent duration at the time of the acquisition, determined by independent appraisers as at that date. The resulting above-market (assets) or below-market (liabilities) charters are amortized using the straight-line method as a reduction or increase, respectively, to revenues over the remaining term of the charters (Note 7).

(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 ("IDR")) and net income allocable to unvested units, by the weighted-average number of common units outstanding during the period (Note 15). 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.

2. Significant Accounting Policies – Continued

(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 / (loss). These units are measured at their fair value equal to the market value of the Partnership’s common units on the grant date. 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 (Note 14).

(q) Treasury stock: The Partnership records the repurchase of its common units at cost based on the settlement dates of repurchase transactions. These units are classified as treasury units, which is a reduction to partners’ capital. Treasury units are included in authorized and issued units but excluded from outstanding units (Note 13).

(r) Derivative Instruments: The Partnership from time to time may enter into derivative instruments to hedge its exposure to foreign exchange or interest rate risks arising from operational, financing and investment activities. Derivatives are initially measured at fair value; attributable transaction costs are expensed as incurred. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Partnership has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply, or the Company elects not to apply hedge accounting.

(s) Recent Accounting Pronouncements:

On January 7, 2021, The Financial Accounting Standards Board issued the Accounting Standards Update (“ASU”) No. 2021-01—Reference Rate Reform (Topic 848). The amendments in this Update clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. Amendments in this Update to the expedients and exceptions in Topic 848 capture the incremental consequences of the scope clarification and tailor the existing guidance to derivative instruments affected by the discounting transition. This ASU is effective for adoption at any time between January 7, 2021 and December 31, 2022. The Partnership is currently evaluating the impact of this adoption in its consolidated financial statements and related disclosures.

3. Discontinued Operations

The Partnership's discontinued operations relate to the operations of Diamond S, as following the spin-off, the Partnership has no continuing involvement in this business (Note 1).

Summarized selected operating results of the Partnership's discontinued operations for the period from January 1, 2019 to the date of the completion of the DSS Transaction on March 27, 2019 were as follows:

Major items constituting net loss from discontinued operations

	2019
Revenues	\$ 46,172
Expenses	
Voyage expenses	12,655
Vessel operating expenses	15,506
General and administrative expenses	2,564
Vessel depreciation and amortization	9,630
Impairment of vessels	149,578
Interest expense and finance cost	3,174
Other income	(59)
Net loss from discontinued operations	\$ (146,876)

As the Partnership spun-off its tanker business on March 27, 2019, assets and liabilities contributed to the DSS Transaction are no longer included in the consolidated balance sheet as of December 31, 2019.

During 2019 the Partnership paid advances relating to the purchase of exhaust gas cleaning systems and ballast water treatment systems that would be installed to certain of its vessels that were part of Crude and Product tanker business, of \$1,110.

4. Revenues from Continuing Operations

The following table shows the revenues from continuing operations earned from time and voyage charters contracts for the years ended December 31, 2021, 2020 and 2019:

	For the years ended December 31,		
	2021	2020	2019
Time charters (operating leases)	\$ 171,134	\$ 137,893	\$ 108,374
Voyage charters	\$ 13,531	\$ 2,972	\$ —
Total	\$ 184,665	\$ 140,865	\$ 108,374

As of December 31, 2021, 20 of the Partnership's vessels were employed under time charter agreements with remaining tenor ranging between 0.4 and 4.7 years. From these time charter agreements 13 include extensions in charterers' option that range between 0.4 to 9.2 years.

As of December 31, 2021 and 2020 prepayments and other assets include bunker expenses of \$168 and \$80, respectively, incurred between the contract date and the date of the vessel's arrival to the load port. As of December 31, 2021 and 2020 the Partnership had unearned revenue related to undelivered performance obligations of \$3,010 which will be recognized in the Partnership's records in the first quarter of 2022 and nil respectively.

5. Transactions with Related Parties

During the year ended December 31, 2021, the Partnership acquired from CGC, a privately held company jointly controlled by 50% by Mr. Miltiadis Marinakis the son of Mr. Evangelos M. Marinakis who controls Capital GP L.L.C. (“CGP”), the shares of the companies owning the LNG/C Aristos I, the LNG/C Aristarchos, the LNG/C Attalos, the LNG/C Asklipios, the LNG/C Adamastos and the LNG/C Aristidis I (Note 6). Each of these owning companies entered into a floating fee management agreement with Capital Gas Ship Management Corp. (“Capital-Gas”), a privately held company ultimately controlled by Mr. Miltiadis Marinakis. In connection with the acquisition of the shares of the companies owning the LNG/C Aristos I and the LNG/C Aristarchos, (Note 6) the Partnership entered into two separate Seller’s Credit Agreements with CGC (“CGC Seller’s Credits”) in order to defer \$10,000 in total, of the purchase price (Note 8), assumed debt amounting to \$304,355 (Note 8) and issued 1,153,846 common units to CGC (Note 13). In connection with the acquisition of the shares of the company owning the LNG/C Attalos, the LNG/C Asklipios, the LNG/C Adamastos and the LNG/C Aristidis I the Partnership assumed debt amounting to \$561,989 (Note 8).

During the year ended December 31, 2021, the Partnership also acquired from CMTC the shares of the companies owning the M/V Long Beach Express, the M/V Seattle Express and the M/V Fos Express (Note 6). Each of these three owning companies entered into a floating fee management agreement with Capital-Executive Ship Management Corp. (“Capital-Executive”), a privately held company ultimately controlled by Mr. Miltiadis Marinakis. In connection with the acquisition of these companies the Partnership entered into a Seller’s Credit Agreement with CMTC (“CMTC Seller’s Credit”) in order to defer \$6,000 of the purchase price (Notes 6,8).

In November 2020 and August 2019, the Partnership completed the process of changing the manager of its Capesize bulk carrier, M/V Cape Agamemnon and its then ten container carrier vessels respectively, from Capital Ship Management Corp. (“CSM”) to Capital-Executive. The agreement with Capital-Executive has the same terms and conditions of our floating fee management agreement with CSM.

In January, 2020 the Partnership acquired from CMTC the shares of the companies owning the M/V Athenian, the M/V Athos and the M/V Aristomenis (Note 6). Each of these three owning companies entered into a floating fee management agreement with Capital-Executive.

In connection with the DSS transaction (Note 1) in March 2019 the Partnership and CSM agreed to terminate the commercial and technical management agreement, dated as of March 17, 2010, between them as all vessels covered by this agreement were spun off as part of Diamond S; and agreed to amend the floating rate management agreement, dated June 10, 2011, between them to reflect that all tankers vessels owned by the Partnership, would no longer be managed under this agreement.

Further to the transactions described above with CGC and CMTC, the Partnership and its subsidiaries have related party transactions with CSM, Capital-Executive and Capital-Gas (collectively the “Managers”) and the Partnership’s general partner, CGP arising from certain terms of the following management and administrative services agreements.

1. Floating fee management agreements: Under the terms of these agreements the Partnership compensates its Managers 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 Managers. The Partnership also pays its Managers 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, 2021, 2020 and 2019 management fees under the management agreements amounted to \$5,923, \$4,976 and \$3,917, respectively, and are included in “Vessel operating expenses – related parties” in the consolidated statements of comprehensive income / (loss).

2. Administrative and service agreements: On April 4, 2007, the Partnership entered into an administrative services agreement with CSM, pursuant to which CSM has agreed to provide certain administrative management services to the Partnership such as accounting, auditing, legal, insurance, IT and clerical services. In addition, the Partnership reimburses CSM and CGP for reasonable costs and expenses incurred in connection with the provision of these services, after CSM 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 / (loss). In 2015, the Partnership entered into an executive services agreement with CGP, which was amended in 2016 and 2019, 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, 2021, 2020 and 2019 such fees amounted to \$1,880 for each year and are included in “General and administrative expenses” in the consolidated statements of comprehensive income / (loss).

5. Transactions with Related Parties – Continued

Balances and transactions with related parties consisted of the following:

Consolidated Balance Sheets	As of December 31, 2021	As of December 31, 2020
Liabilities:		
CSM – payments on behalf of the Partnership (a)	\$ 92	\$ 1,040
Management fee payable to CSM (b)	25	25
Capital-Executive – payments on behalf of the Partnership (a)	1,188	1,765
Management fee payable to Capital-Executive (b)	417	427
Capital-Gas – payments on behalf of the Partnership (a)	721	—
Management fee payable to Capital-Gas (b)	342	—
Due to related parties	\$ 2,785	\$ 3,257

Consolidated Statements of Comprehensive Income / (Loss)	For the years ended December 31,		
	2021	2020	2019
Vessel operating expenses	\$ 5,923	\$ 4,976	\$ 3,917
General and administrative expenses (c)	2,013	2,049	2,146

(a) Managers - Payments on Behalf of the Partnership: This line item represents the amount outstanding for payments for operating and voyage expenses made by the Managers on behalf of the Partnership and its subsidiaries.

(b) Management fee payable to Managers: The amount outstanding as of December 31, 2021 and 2020 represents the management fee payable to the Managers under the management agreements.

(c) General and administrative expenses: This line item mainly includes fees relating to internal audit, investor relations and consultancy fees.

6. Vessels, net

The following table presents an analysis of vessels, net:

	Vessel cost	Accumulated depreciation	Net book value
Balance as at January 1, 2020	\$ 748,819	\$ (171,928)	\$ 576,891
Vessel acquisitions	162,600	—	162,600
Improvements	11,601	—	11,601
Depreciation for the year	—	(38,895)	(38,895)
Balance as at December 31, 2020	\$ 923,020	\$ (210,823)	\$ 712,197
Vessel acquisitions	1,256,858	—	1,256,858
Vessel disposals	(180,358)	36,123	(144,235)
Improvements	374	—	374
Depreciation for the year	—	(43,336)	(43,336)
Balance as at December 31, 2021	\$ 1,999,894	\$ (218,036)	\$ 1,781,858

All of the Partnership's vessels as of December 31, 2021, have been provided as collateral to secure the Partnership's credit facilities, and financing arrangements (Note 8).

Vessel acquisitions

For the year 2021

On November 29, 2021 the Partnership entered into a Share Purchase Agreement ("SPA") with CGC for the acquisition of the shares of the company owning a 174,000 Cubic Meter ("CBM") LNG/C vessel, namely the LNG/C Adamastos, built in 2021, at Hyundai Heavy Industries Co., Ltd ("Hyundai") for a total consideration of \$220,000. The LNG/C Adamastos was delivered to the Partnership on November 29, 2021.

On November 18, 2021 the Partnership entered into two separate SPAs with CGC for the acquisition of the shares of the companies owning two 174,000 CBM LNG vessels, namely the LNG/C Asklipios and the LNG/C Attalos, built in 2021, at Hyundai for a total consideration of \$196,000 and \$207,000, respectively. The LNG/C Asklipios and the LNG/C Attalos were delivered to the Partnership on November 18, 2021.

On August 31, 2021 the Partnership entered into three separate SPAs with CGC for the acquisition of the shares of the companies owning three 174,000 CBM LNG/C vessels, namely the LNG/C Aristos I, built in 2020 and the LNG/Cs Aristarchos and Aristidis I, both built in 2021, at Hyundai for a total consideration of \$203,139, \$191,639 and \$205,000 respectively. The LNG/C Aristos I and the LNG/C Aristarchos were delivered to the Partnership on September 3, 2021, while the LNG/C Aristidis I was delivered on December 16, 2021.

On January 27, 2021, the Partnership entered into three separate SPAs with CMTC for the acquisition of the shares of the companies owning three 5,089 Twenty-foot Equivalent Unit ("TEU") sister container vessels, namely the M/V Long Beach Express, the M/V Seattle Express and the M/V Fos Express, all built in 2008 at Hanjin Heavy Industries S. Korea, for a total consideration of \$40,500. In addition, the Partnership recognized expenses of \$250, included in vessels' cost, in connection with the acquisition of the three container vessels. The M/V Long Beach Express, the M/V Seattle Express and the M/V Fos Express were delivered to the Partnership on February 25, 2021.

All vessels were acquired with attached charter party agreements.

6. Vessels, net – Continued

Vessel acquisitions – Continued

For the year 2021 - Continued

The Partnership accounted for these acquisitions as acquisition of assets as the fair values of the vessels and the time charters attached are concentrated in a single identifiable asset. The Partnership considered whether any value should be assigned to the attached charter party agreements acquired and concluded that the contracted daily charter rate for the LNG/C Aristos I, the LNG/C Aristidis I, the LNG/C Attalos and the LNG/C Adamastos were above and for the LNG/C Aristarchos, the LNG/C Asklipios, the M/V Long Beach Express, the M/V Seattle Express and the M/V Fos Express were below the market rate on the acquisition date and therefore the total consideration was allocated to the vessel's cost and the above and below market acquired charters, respectively. The Partnership allocated the cost of the vessels and the time charters acquired on the basis of their relative fair values.

The vessels were recorded in the Partnership's financial statements at a total value of \$1,256,858, reflecting a net reduction of \$6,670 from the acquisition cost of \$1,263,528 due to the value of the charters that were attached to the vessels at the time of the respective acquisitions (Note 7).

For the year 2020

In January 2020, the Partnership entered into three separate SPAs with CMTC for the acquisition of the shares of the companies owning the M/V Athenian, the M/V Athos and the M/V Aristomenis for a total consideration of \$162,600. The Partnership accounted for these acquisitions as acquisition of assets. The Partnership considered whether any value should be assigned to the attached charter party agreements acquired and concluded that the contracted daily charter rates were equal to the market rates on the acquisition date and therefore the total consideration was allocated to the vessels' cost.

Improvements

During the year ended December 31, 2021 and 2020, certain of the Partnership's vessels underwent improvements. The costs of these improvements amounted to \$374 and \$11,601 respectively and were capitalized as part of the vessels' cost. Improvements during the year ended December 31, 2020 included the cost of \$10,906 relating to the installation of exhaust gas cleaning and ballast water treatment systems for certain of the Partnership's vessels. During the year ended December 31, 2021, no such installations took place.

Vessel disposals

On April 7, 2021, the Partnership entered into two separate Memorandum of Agreements ("MOA") with a third party for the sale of the M/V CMA CGM Magdalena and the M/V Adonis at a price of \$99,000 and \$96,000, respectively. The Partnership decided to enter into these MOAs after receiving the Buyers' purchase enquiries which were opportunistic in nature. Upon entering the MOAs the Company considered that both vessels met the criteria to be classified as held for sale. At that time the vessels' fair value less cost to sell exceeded their carrying amount, so no impairment charge was recognized in the Partnership's consolidated statement of comprehensive income/(loss) for the year ended December 31, 2021. The vessels were delivered to their new owners on May 17, 2021 and December 13, 2021, respectively. For the year ended December 31, 2021, the Partnership recognized a gain on the sale of vessels analyzed as follows:

	M/V CMA CGM Magdalena	M/V Adonis	Total
Sale price	\$ 99,000	\$ 96,000	\$ 195,000
Carrying value on sale	(71,598)	(72,637)	(144,235)
Other sale expenses	(2,018)	(1,935)	(3,953)
Gain on sale	\$ 25,384	\$ 21,428	\$ 46,812

7. Above / Below market acquired charters

During the year ended December 31, 2021, the Partnership acquired the LNG/C Aristos I, the LNG/C Aristidis I, the LNG/C Attalos and the LNG/C Adamastos with time charters attached to the vessels, with time charters daily rates being above the market rates for equivalent time charters prevailing at the time of acquisitions (Note 6). During the year ended December 31, 2021 the Partnership acquired the LNG/C Aristarchos, the LNG/C Asklipios, the M/V Long Beach Express, the M/V Seattle Express and the M/V Fos Express with time charters attached to the vessels with time charters daily rates being below the market rates for equivalent time charters prevailing at the time of acquisitions (Note 6). The fair value of the time charters attached to the vessels representing the difference between the time charters rates at which the vessels were fixed and the market rates for comparable charters as determined by reference to market data on the acquisition dates were recorded as “Above market acquired charters” under other non-current assets or “Below market acquired charters” under long-term liabilities in the consolidated balance sheet as of the acquisition dates respectively. The fair values of the time charters attached were determined using Level 2 inputs being market values on the acquisition dates (Note 9).

During the year ended December 31, 2020, the Partnership did not recognize any above / below market acquired charters.

Above and below market acquired time charters are amortized or accreted using the straight line method over the remaining period of the time charters acquired as a reduction or addition to time charter revenues. For the years ended December 31, 2021 and 2020 such amortization to time charter revenues for the above market acquired time charters amounted to \$9,949 and \$11,696, respectively. For the years ended December 31, 2021 and 2020 such accretion to time charter revenues for the below market acquired time charters amounted to \$2,662 and nil, respectively.

The following table presents an analysis of above / below market acquired charters:

	Above market acquired charters	Below market acquired charters
Carrying amount as at January 1, 2020	\$ 46,275	\$ —
Amortization	(11,696)	—
Carrying amount as at December 31, 2021	\$ 34,579	\$ —
Additions	23,975	(17,305)
(Amortization) / accretion	(9,949)	2,662
Carrying amount as at December 31, 2021	\$ 48,605	\$ (14,643)

As of December 31, 2021, the remaining carrying amount of unamortized above / below market acquired time charters will be amortized / accreted in future years as follows:

For the year ending December 31,	Above market acquired charters	Below market acquired charters
2022	\$ 16,285	\$ (4,275)
2023	15,407	(4,275)
2024	11,301	(4,287)
2025	3,935	(1,806)
2026	1,677	—
Total	\$ 48,605	\$ (14,643)

8. Long-Term Debt

Long-term debt consists of the following credit facilities, sale and lease back agreements and unsecured Bonds:

	As of December 31, 2021	As of December 31, 2020	Margin
<u>Credit facilities</u>			
(i) Issued in September 2017 maturing in October 2023 (the "2017 credit facility")	\$ 106,047	\$ 122,324	3.25%
(ii) Issued in January 2020 maturing in January 2025 (the "2020 credit facility")	32,480	35,920	2.55%
(iii) Issued in January 2021 maturing in February 2026 (the "CMTC Seller's Credit")	6,000	—	5.00%
(iv) Issued in August 2021 maturing in September 2022 (the "CGC Seller's Credit")	5,000	—	—
(v) Issued in August 2021 maturing in September 2022 (the "CGC Seller's Credit")	5,000	—	—
(vi) Assumed in December 2021 maturing in December 2027 (the "2021 credit facility")	120,566	—	2.50%
<u>Sale and lease back agreements</u>			
(vii) Issued in January 2020 maturing in January 2025 (the "2020 CMBFL")	32,900	36,100	2.55%
(viii) Issued in January 2020 maturing in January 2025 (the "2020 CMBFL")	32,900	36,100	2.55%
(ix) Issued in May 2020 maturing in May 2027 (the "ICBCFL")	45,660	49,324	2.60%
(x) Issued in May 2020 fully repaid in May 2021 (the "ICBCFL")	—	50,570	2.60%
(xi) Issued in May 2020 fully repaid in December 2021 (the "ICBCFL")	—	49,324	2.60%
(xii) Issued in January 2021 maturing in February 2026 (the "2021 CMBFL- Panamax")	9,184	—	2.85%
(xiii) Issued in January 2021 maturing in February 2026 (the "2021 CMBFL-Panamax")	9,184	—	2.85%
(xiv) Issued in January 2021 maturing in February 2026 (the "2021 CMBFL- Panamax")	9,184	—	2.85%
(xv) Assumed in September 2021 maturing in October 2027 (the "2021 Bocomm")	144,744	—	2.70%
(xvi) Assumed in September 2021 maturing in May 2028 (the "2021 Bocomm")	151,299	—	2.70%
(xvii) Assumed in November 2021 maturing in August 2028 (the "2021 CMBFL-LNG/C")	146,315	—	2.55%
(xviii) Assumed in November 2021 maturing in September 2028 (the "2021 CMBFL-LNG/C")	147,493	—	2.55%
(xix) Assumed in November 2021 maturing in July 2036 (the "2021 Shin Down")	142,609	—	*
<u>Unsecured Bonds</u>			
(xx) Issued in October 2021 maturing in October 2026	170,862	—	2.65%
Total long-term debt	1,317,427	379,662	
Less: Deferred loan and financing arrangements issuance costs	8,453	5,338	
Total long-term debt, net	1,308,974	374,324	
Less: Current portion of long-term debt	100,144	37,210	
Add: Current portion of deferred loan and financing arrangements issuance costs	2,265	1,400	
Long-term debt, net	\$ 1,211,095	\$ 338,514	

* -It is being repaid at the rate of \$31 per day including interest.

8. Long-Term Debt – Continued

Changes in the credit facilities for the years 2021 and 2020 are as follows:

For the year 2021

“2021 credit facility” (vi)

On December 16, 2021, upon the completion of the acquisition of the LNG/C Aristidis I (Note 6) the Partnership assumed the outstanding balance of \$123,001, of the credit facility that the company owning the vessel had entered into with ING Bank N.V., London Branch (“2021 credit facility”). The loan agreement for the LNG/C Aristidis I has a remaining duration, from the date of the vessel’s acquisition from the Partnership, of six years.

“2021 Shin Doun”(xix)

On November 29, 2021, upon the completion of the acquisition of the LNG/C Adamastos (Note 6) the Partnership assumed the outstanding balance of \$143,103, of the sale and leaseback agreement that the company owning the vessel had entered into with a subsidiary of Shin Doun Kisen Co., Ltd. (“Shin Doun”). The lease agreement for the LNG/C Adamastos has a remaining duration, from the date of the vessel’s acquisition from the Partnership, of 14.7 years.

“2021 CMBFL-LNG/C”(xvii),(xviii)

On November 18, 2021, upon the completion of the acquisition of the LNG/C Attalos and the LNG/C Asklipios (Note 6) the Partnership assumed the outstanding balances of \$146,315 and \$149,570, respectively, of the two separate sale and leaseback agreements that the companies owning the vessels had entered into with two subsidiaries of CMB Financial Leasing Co., Ltd (“CMBFL”). The lease agreements for the LNG/C Attalos and the LNG/C Asklipios have remaining durations, from the date of the vessels’ acquisition from the Partnership of 6.7 and 6.9 years respectively.

“2021 Bocomm”(xv),(xvi) and “CGC Seller’s Credit”(iv),(v)

On September 3, 2021, upon the completion of the acquisition of the LNG/C Aristos I and the LNG/C Aristarchos (Note 6) the Partnership assumed the outstanding balances of \$148,920 and \$155,435, respectively, of the two separate sale and leaseback agreements that the companies owning the vessels had entered into with two subsidiaries of Bank of Communications Financial Leasing Co., Ltd (“Bocomm”). The lease agreements for the LNG/C Aristos I and the LNG/C Aristarchos have a remaining duration from the date of the vessel’s acquisition from the Partnership of 6.1 and 6.7 years respectively. Furthermore, on August 31, 2021 the Partnership entered into two CGC Seller’s Credits (iv) and (v) to defer \$5,000 of the purchase price for each vessel (Notes 5, 6). The CGC Seller’s Credits bear no interest and are payable within one year from the vessel’s delivery date.

“2021 CMBFL- Panamax”(xii), (xiii),(xiv) and “CMTC Seller’s Credit”(iii)

On January 22, 2021, the Partnership entered into three separate sale and lease back agreements with CMBFL for up to \$10,010 each in order to partially finance the acquisition of the share of the companies owning the vessels M/V Long Beach Express, M/V Seattle Express and M/V Fos Express (Note 6). Each lease agreement has a duration of five years. Furthermore, on January 27, 2021 the Partnership entered into a Seller’s Credit with CMTC (iii) to defer \$6,000 of the purchase price for up to five years from the delivery of the vessels (Notes 5, 6).

“Unsecured Bonds” (xx)

On October 20, 2021 the Partnership, through its wholly subsidiary, CPLP PLC (the “Issuer”), issued unsecured Bonds on the Athens Stock Exchange of an amount of €150,000,000 or \$170,862 (translated as of December 31, 2021). The Bonds are guaranteed by the Partnership and have a five year duration and pay a fixed coupon of 2.65%, payable semi-annually. The settlement occurred on October 22, 2021 and the proceeds were used to partially finance the acquisition of the shares of the companies owning the LNG/C Attalos, the LNG/C Asklipios and the LNG/C Adamastos. The Bonds contain requirements such as that the ratio of EBITDA to net interest expenses be no less than 2:1, a restricted cash requirement and that the ratio of net total indebtedness to the total assets of the Partnership adjusted for the market value of the fleet not exceed 0.75:1. In addition, the Bonds require that:

- we maintain a pledged (DSRA) with a minimum balance €100,000;
- we deposit to the DSRA 50% of any cash disbursements to unitholders (e.g., dividends) exceeding \$20,000 per annum, capped at 1/3 of the par value of the Bonds outstanding at the time; and
- if our MVAN falls below \$300,000 then to deposit to the DSRA the difference between the MVAN and the \$300,000 (capped to 1/3 of the par value of the Bonds outstanding).

8. Long-Term Debt – Continued

For the year 2020

“ICBCFL” (ix),(x),(xi)

On May 27, 2020 the Partnership drew down the total amount of \$155,350 pursuant to three separate agreements entered into in May 2020 with ICBC Financial Leasing Co., Ltd. (“ICBCFL”), for the sale and lease back of three vessels previously under the 2017 credit facility (the “Re-financing”), namely the M/V Akadimos, the M/V Adonis and the M/V CMA CGM Magdalena, and fully repaid the then outstanding balance relating to these three vessels under the 2017 credit facility amounting to \$116,515. The leases have a duration of seven years. Following the sale of the M/V CMA CGM Magdalena and the M/V Adonis, in May and December 2021, respectively, the Partnership fully repaid the amount of \$96,205 related to the two of the three ICBCFL.

“2020 CMBFL”(vii),(viii)

On January 20, 2020, the Partnership entered into two separate agreements for the sale and lease back of the vessels M/V Athos and M/V Aristomenis (Note 6) with CMBFL for up to \$38,500 each and have a duration of five years. The full amounts were drawn down on January 23, 2020.

“2020 credit facility” (ii)

On January 17, 2020 the Partnership entered into a new term loan facility of up to \$38,500, for the purpose of partially financing the acquisition of the shares of the company owning the M/V Athenian (Note 6). The full amount of the facility was drawn on January 22, 2020 and has a duration of five years.

All the Partnership’s sale and leaseback agreements were classified as financing arrangements since the existence of various purchase options retained by the Partnership commencing from the first-year anniversary and including either an obligation or an option to acquire each vessel at expiration at a predetermined price, precludes the transfer of control over the vessels.

During the years ended December 31, 2021 and 2020 the Partnership repaid the amount of \$49,266 and \$37,058, respectively, in line with the amortization schedule of its credit facilities and financing arrangements.

The Partnership’s credit facilities and sale and lease back agreements contain customary ship finance covenants, including restrictions on changes in management and ownership of the mortgaged vessels, the incurrence of additional indebtedness and the mortgaging of vessels and requirements such as that the ratio of EBITDA to net interest expenses be no less than 2:1, a minimum cash requirement of \$500 per vessel, that the ratio of net total indebtedness to the total assets of the Partnership adjusted for the market value of the fleet not exceed 0.75:1. The Partnership’s credit facilities and financing arrangements also contain a collateral maintenance requirement under which the aggregate fair market value of the collateral vessels should not be less than 125% of the outstanding amounts under the 2017 credit facility, the ICBCFL and the 2020 credit facility, 120% of the outstanding amount under the 2020 CMBFL, 2021 CMBFL-Panamax and 2021 credit facility, 110% of the outstanding amount under the 2021 CMBFL-LNG/C and 111% of the outstanding amount under the 2021 Bocomm. Also, the vessel-owning companies may pay dividends or make distributions only 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, 2021, and 2020 the Partnership was in compliance with all financial covenants.

The credit facilities and financing arrangements include a general assignment of the earnings, insurances and requisition compensation of the respective collateral vessel or vessels. They also require additional security, such as pledge and charge on current accounts and mortgage interest insurance.

As of December 31, 2021, there were no undrawn amounts under the Partnership’s credit facilities and financing arrangements.

For the years ended December 31, 2021, 2020 and 2019, the Partnership recorded interest expense from continuing operations of \$16,586, \$13,761 and \$15,836 respectively, which is included in “Interest expense and finance cost” in the consolidated statements of comprehensive income / (loss). For the years ended December 31, 2021, 2020 and 2019 the weighted average interest on the Partnership’s long-term debt was 2.9%, 3.6% and 5.7% respectively.

8. Long-Term Debt – Continued

The required annual payments to be made subsequently to December 31, 2021 are as follows:

For the year ending December 31,	Amount
2022	\$ 100,144
2023	163,328
2024	66,217
2025	124,001
2026	243,402
Thereafter	620,335
Total	\$ 1,317,427

9. 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; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The carrying value of cash and cash equivalents and restricted cash, are considered Level 1 items as they represent liquid assets with short-term maturities, trade receivables, amounts due to related parties, trade accounts payable and accrued liabilities approximate their fair value.

The fair value of variable rate long-term debt (Note 8) approximates the recorded value, due to its 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, 2021. LIBOR rates are observable at commonly quoted intervals for the full term of the loans and hence bank loans are considered Level 2 items in accordance with the fair value hierarchy.

The fair value of the fixed rate long term debt (Note 8-(iii),(iv),(v) and (xix)) was approximately \$158,290 and was determined by using Level 2 inputs being the discounted expected cash flows of the outstanding amount.

The Bonds have a fixed rate, and their estimated fair values as of December 31, 2021 were determined through Level 1 inputs of the fair value hierarchy (quoted price under the ticker symbol CPLPB1 on Athens Stock Exchange) and were approximately \$171,292.

There were no Level 3 items.

9. Financial Instruments - Continued

Derivative instruments

In connection with the issuance of the Bonds (Note 8), the Partnership entered into certain cross-currency swap agreements to manage the related foreign currency exchange risk by effectively converting the fixed-rate, Euro-denominated Bonds, including the semi-annual interest payments for the period from October 21, 2021 to October 21, 2025 to fixed-rate, U.S. Dollar-denominated debt. The economic effect of the swap agreements is to eliminate the uncertainty of the cash flows in U.S. Dollars associated with the issuance of the Bonds by fixing the principal amount of the Bonds, with a fixed annual interest rate. The cross-currency swap agreements were not designated as accounting hedges.

Derivative instruments not designated as hedges are not speculative and are used to manage the Partnership's exposure to identified risks but do not meet the strict hedge accounting requirements and/or the Partnership has not elected to apply hedge accounting. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in the consolidated statements of comprehensive income / (loss).

The following table summarizes the terms of the cross-currency swap agreements and their respective fair value as of December 31, 2021.

Derivative Assets/(Liabilities):

Effective Date	Termination Date	Notional Amount in EURO	Notional Amount in United States Dollars	Fixed Rate the Partnership receives in EURO	Fixed Rate the Partnership pays in United States Dollars	Fair Value December 31, 2021 in United States Dollars
21/10/2021	21/10/2025	120,000	139,716	2.65%	3.655%	(2,552)
21/10/2021	21/10/2025	30,000	34,929	2.65%	3.690%	(615)
Total Fair Value						(3,167)

The fair value of the cross-currency swap agreements is presented net of accrued interest expense which is recorded in Accrued liabilities in the consolidated balance sheets.

During the year ended December 31, 2021 the Partnership recognized loss on derivatives amounting \$3,167 in Other income / (expense) in the consolidated statements of comprehensive income / (loss).

Items Measured at Fair Value on a recurring Basis - Fair Value Measurements

	Quoted prices in active markets for identical assets	Significant other Observable inputs	Unobservable Inputs	Loss
Recurring Measurements 2021:	Level 1	Level 2	Level 3	
Cross Currency SWAPs	\$ —	\$ 3,167	\$ —	\$ 3,167

The fair value (Level 2) of cross-currency swap derivative agreements is the present value of the estimated future cash flows that we would receive or pay to terminate the agreements at the balance sheet date, taking into account, as applicable, current interest rates, foreign exchange rates and the credit worthiness of both us and the derivative counterparty. This line item is presented in Derivative liabilities in the consolidated balance sheets.

(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 a limited number creditworthy financial institutions rated by qualified rating agencies. Most of the Partnership's revenues were derived from a few charterers.

10. Accrued Liabilities

Accrued liabilities consist of the following:

	As of December 31,	
	2021	2020
Accrued loan interest and loan fees	\$ 3,355	\$ 1,817
Accrued operating expenses	4,076	4,953
Accrued capitalized expenses	371	1,350
Accrued voyage expenses and commissions	2,472	1,577
Accrued general and administrative expenses	1,121	992
Total	\$ 11,395	\$ 10,689

11. Voyage Expenses and Vessel Operating Expenses

Voyage expenses and vessel operating expenses consist of the following:

	For the years ended December 31,		
	2021	2020	2019
Voyage expenses:			
Commissions	\$ 4,278	\$ 2,809	\$ 1,952
Bunkers	4,204	1,349	89
Port expenses	1,633	624	4
Other	583	1,519	885
Total	\$ 10,698	\$ 6,301	\$ 2,930
Vessel operating expenses:			
Crew costs and related costs	\$ 22,575	\$ 16,624	\$ 13,375
Insurance expense	4,029	2,388	1,796
Spares, repairs, maintenance and other expenses	6,784	8,836	5,001
Stores and lubricants	5,288	4,593	3,251
Management fees (Note 5)	6,295	4,976	3,917
Other operating expenses	2,151	1,304	3,209
Total	\$ 47,122	\$ 38,721	\$ 30,549

12. Income Taxes

Under the laws of the Marshall Islands and Liberia, the countries 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, and such taxes have been included in "Vessel operating expenses" in the consolidated statements of comprehensive income / (loss).

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 and time 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"). Each of the jurisdictions where the Partnership's vessel-owning subsidiaries are incorporated 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, 2021, 2020 and 2019 and the vessel-owning subsidiaries are exempt from United States federal income taxation with respect to U.S.-source shipping income.

CPLP PLC is incorporated in Cyprus and does not conduct any substantive operations of its own. No provision for Cyprus income tax has been made in the financial statements as CPLP PLC had no assessable income for the period from August 14, 2021 (inception) to December 31, 2021.

13. Partners' Capital

General: The Partnership's Limited Partnership Agreement (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 be distributed to unit holders.

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 unit holders 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 Partnership Agreement.

General Partner Interest and IDRs: The general partner has a 1.77% interest in the Partnership (excluding treasury units) 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. 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 unit holders 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 unit holders 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 unit holders 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 IDR.

	Total Quarterly Distribution Target Amount per Unit	Marginal Percentage Interest in Distributions	
		Unitholders	General Partner
Minimum Quarterly Distribution	\$1.6275	98 %	2 %
First Target Distribution	up to \$1.6975	98 %	2 %
Second Target Distribution	above \$1.6975 up to \$1.8725	85 %	15 %
Third Target Distribution	above \$1.8725 up to \$2.0475	75 %	25 %
Thereafter	above \$2.0475	65 %	35 %

Following the 2014's annual general meeting, CGP unilaterally notified the Partnership that it has decided to waive its rights to receive quarterly incentive distributions between \$1.6975 and \$1.75. This waiver effectively increases the First Target Distribution and the lower band of the Second Target Distribution (as referenced in the table above) from \$1.6975 to \$1.75.

13. Partners' Capital - Continued

Distributions of Available Cash from Operating Surplus: Our Partnership Agreement requires that we make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner assuming that the Partnership's general partner maintains a 2% general partner interest:

- first, 98% to all unit holders, pro rata, and 2% 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.

Common Units

On September 3, 2021, the Partnership issued 1,153,846 common units as part of the consideration for the acquisition of the LNG/C Aristos I and the LNG/C Aristarchos (Notes 5, 6).

On January 25, 2021, the Partnership's Board of Directors approved a unit repurchase plan for an amount of \$30,000 to be used for repurchasing the Partnership's common units over the period of up to two years (the 'repurchase plan'). The Partnership may repurchase these units in the open market or in privately negotiated transactions, at times and prices that are considered to be appropriate by the Partnership. For the year ended December 31, 2021, the Partnership completed the repurchase of 382,250 units paying an average price per unit of \$11.74 plus repurchasing expenses. These units are held as treasury units by the Partnership and the amount of \$4,499 is recorded as a reduction in the Partnership's Partners' Capital.

During 2020, the Partnership issued the 445,000 units awarded in 2019 under its Omnibus Incentive Compensation Plan (Note 14).

On March 3, 2019 the board of directors of the Partnership approved a one for seven reverse unit split. Pursuant to the reverse split, every seven common units issued and outstanding as of March 27, 2019, the date of the reverse split, was converted into one common unit. The Partnership's common units, immediately after the reverse split became effective, started trading on a split-adjusted basis on the Nasdaq Global Select Market.

The reverse split reduced the number of common units issued and outstanding from 127,246,692 to 18,178,100 common units and the number of general partner units issued and outstanding from 2,439,989 to 348,570 general partner units.

As of December 31, 2021 and 2020 our partners' capital included the following units:

	<u>As of December 31, 2021</u>	<u>As of December 31, 2020</u>
Common units	19,394,696	18,623,100
General partner units	348,570	348,570
Treasury Units	382,250	—
Total partnership units	<u>20,125,516</u>	<u>18,971,670</u>

14. Omnibus Incentive Compensation Plan

On July 23, 2019, the board of directors adopted an amended and restated Plan ("the 2019 amended plan"), so as to reserve for issuance a maximum number of 740,000 restricted common units. On July 23, 2019, the Partnership awarded 445,000 unvested units to Employees and Non-Employees with a grant-date fair value of \$11.23 per unit. Awards granted to certain Employees and Non-Employees would vest in three equal installments. As of December 31, 2021 all the awards have vested.

The unvested units accrue distributions as declared and paid, which distributions 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 Partners' capital.

There were no forfeitures of awards during the years ended December 31, 2021 and 2020. The Partnership estimated the forfeitures of unvested units to be immaterial.

14. Omnibus Incentive Compensation Plan - Continued

For the years ended December 31, 2021, 2020 and 2019 the equity compensation expense included in “General and administrative expenses” in the consolidated statements of comprehensive income / (loss) was \$2,043, \$2,049 and \$907, respectively. As of December 31, 2021 there was no compensation cost related to non-vested awards. The Partnership uses the straight-line method to recognize the cost of the awards.

The following table contains details of our plan:

Unvested Units	Equity compensation plan	
	Units	Amount
Unvested on January 1, 2020	428,958	\$ 4,817
Vested	(16,042)	(180)
Unvested on December 31, 2020	412,916	4,637
Vested	(412,916)	(4,637)
Unvested on December 31, 2021	—	\$ —

15. Net Income from continuing operations 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 13), 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 13). The Partnership excluded the effect of the 12,983,333 Class B Convertible Preferred Units in calculating dilutive EPU for the year ended December 31, 2019, as they were anti-dilutive.

For the year ended December 31, 2021, the Partnership excluded the effect of 412,916 units under the 2019 amended plan, which vested on December 31, 2021, as they were anti-dilutive. For the years ended December 31, 2020 and 2019, the Partnership excluded the effect of 412,916 and 428,958, respectively, unvested units under the omnibus incentive compensation plan in calculating dilutive EPU for its common unit holders as they were anti-dilutive.

The non-vested units were participating securities because they received distributions from the Partnership and these distributions did not have to be returned to the Partnership if the non-vested units were forfeited by the grantee.

The Partnership’s net income for the years ended December 31, 2021, 2020 and 2019 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.

15. Net Income from continuing operations Per Unit - Continued

The two class method used to calculate EPU from continuing operations is as follows:

BASIC AND DILUTED	2021	2020	2019
Numerators			
Partnership's net income from continuing operations	\$ 98,178	\$ 30,367	\$ 24,421
Less:			
Preferred unit holders' interest in Partnership's net income from continuing operations	—	—	2,652
Deemed dividend to preferred unit holders'	—	—	9,119
General Partner's interest in Partnership's net income from continuing operations	1,790	558	236
Partnership's net income from continuing operations allocable to unvested units	2,053	685	130
Common unit holders' interest in Partnership's net income from continuing operations	\$ 94,335	\$ 29,124	\$ 12,284
Denominators			
Weighted average number of common units outstanding, basic and diluted	18,342,413	18,194,186	18,178,144
Net income from continuing operations per common unit:			
Basic and Diluted	\$ 5.14	\$ 1.60	\$ 0.68

16. Commitments and Contingencies

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 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.

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.

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.

16. Commitments and Contingencies - Continued

Commitments

(a) **Lease Commitments:** Future minimum charter hire receipts, excluding any profit share revenue that may arise, based on non-cancellable long-term time charter contracts, as of December 31, 2021 were:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	279,257
2023	277,263
2024	212,884
2025	100,923
2026	27,169
Total	897,496

17. Subsequent Events

(a) **Dividends:** On January 24, 2022, the board of directors of the Partnership declared a cash distribution of \$0.15 per common unit for the fourth quarter of 2021. The fourth quarter common unit cash distribution was paid on February 10, 2022, to unit holders of record on February 3, 2022.

(b) **Omnibus Incentive Compensation Plan:** In January 2022, the board of directors adopted an amended and restated Compensation Plan, so as to reserve for issuance a maximum number of 750,000 restricted common units. As a result the total number of restricted common units reserved is 1,045,000.

(c) **Uncertainties caused by the Russo-Ukrainian War:** The recent conflict between Russia and Ukraine may lead to further regional and international conflicts or armed action. It is possible that such conflict could disrupt supply chains and cause instability in the global economy. Additionally, the ongoing conflict could result in the imposition of further economic sanctions by the United States and the European Union against Russia. While much uncertainty remains regarding the global impact of the conflict in Ukraine, it is possible that such tensions could adversely affect our business, financial condition, results of operation and cash flows.

DESCRIPTION OF SECURITIES

REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

As of December 31, 2021 Capital Product Partners L.P. (the “Partnership,” “CPLP,” “we,” “us” or “our”) had the following series of securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbols	Name of each exchange on which registered
Common units representing limited partnership interests	CPLP	Nasdaq Global Select Market

Capitalized terms used but not defined herein have the meanings given to them in our annual report on Form 20-F for the fiscal year ended December 31, 2021 (the “**Annual report**”).

COMMON UNITS

The following is a description of the material terms of CPLP’s common units representing limited partner interests. Because it is a summary, the following description is not complete and is subject to and qualified in its entirety by reference to CPLP’s limited partnership agreement, as amended (the “**Partnership Agreement**”) and applicable Marshall Islands law in effect on the date hereof. References to provisions of the Partnership Agreement are qualified in their entirety by reference to the full Partnership Agreement, included as Exhibit I to our Report on Form 6-K, filed with the SEC on February 24, 2010, as Exhibit I to our Report on Form 6-K dated September 30, 2011, as Exhibit II to our Report on Form 6-K/A dated May 23, 2012, as Exhibit II to our Report on Form 6-K dated March 21, 2013 and as Exhibit A to Exhibit I to our Report on Form 6-K dated August 26, 2014.

General

As at December 31, 2021, 19,394,696 common units were issued and outstanding. The common units are in registered form.

Transfer Agent and Registrar**Duties**

Computershare serves as registrar and transfer agent for the common units. We pay all fees charged by the transfer agent for transfers of common units, except the following, which must be paid by common unitholders:

- surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges;
- special charges for services requested by a holder of a common unit; and
- other similar fees or charges.

There is no charge to unitholders for disbursements of our cash distributions. We will indemnify the transfer agent, its agents and each of their stockholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

Resignation or Removal

The transfer agent may resign, by notice to us, or be removed by us. The resignation or removal of the transfer agent will become effective upon our appointment of a successor transfer agent and registrar and its acceptance of the appointment. If a successor has not been appointed or has not accepted its appointment within 30 days after notice of the resignation or removal, our general partner may, at the direction of our board of directors, act as the transfer agent and registrar until a successor is appointed.

THE PARTNERSHIP AGREEMENT

The following is a summary of the material provisions of our Partnership Agreement.

Organization and Duration

We were organized on January 16, 2007 and have perpetual existence.

Purpose

Our purpose under the Partnership Agreement is to engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that may lawfully be conducted 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.

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 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. Currently, our board comprises seven members.

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. You should note that our General Partner has approval rights in respect of certain of the matters described below.

<u>Action</u>	<u>Unitholder Approval Required and Voting Rights</u>
Issuance of additional units	No approval rights (although our General Partner has approval rights in certain instances).
Amendment of the Partnership Agreement	Certain amendments may be made by our board of directors without the approval of the unitholders if those amendments are also approved by our General Partner. Other amendments generally require the approval of a unit majority and can only be proposed by or with the written consent of our General Partner and our board of directors. Please read “— Amendment of the Partnership Agreement.”
Amendment of the operating agreement of the operating company (as defined in our Partnership Agreement)	Unit majority if such amendment would adversely affect our limited partners in any material respect.

<u>Action</u>	<u>Unitholder Approval Required and Voting Rights</u>
	Merger of our partnership or the sale of all or substantially all of our Unit majority if such amendment would adversely affect our limited partners in any material respect and approval of our General Partner and board of assets 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.” A plurality of the votes of the holders of the common units.
Election of five of the eight members of our board of directors	
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 our 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 our 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.

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 1.8%. 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.

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 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 (4) 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 by 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 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 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 Partnership Agreement.

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 "Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Considerations—U.S.

Federal Income Taxation of U.S. Holders—Sale, Exchange or Other Disposition of Common Units" and "Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Considerations—U.S. Federal Income Taxation of Non-U.S. Holders—Disposition of Common Units" in the Annual Report.

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 shall consist 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.

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 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 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 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.

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.

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 will be fully paid, and unitholders will not be required to make additional contributions. By 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.

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:

- (1) our General Partner;
- (2) any departing general partner;
- (3) any person who is or was an affiliate of our general partner or any departing general partner;
- (4) any person who is or was an officer, director, member, partner fiduciary or trustee of any entity described in (1), (2) or (3) above;
- (5) 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;
- (6) any person designated by our board of directors; and
- (7) 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 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 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. Each transferee:

- represents that the transferee has the capacity, power and authority to become bound by our Partnership Agreement;
- is bound by our Partnership Agreement;
- grants the powers of attorney set forth in the Partnership Agreement; and

gives the consents and waivers contained in our Partnership Agreement.

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 absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

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 absolute 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 are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Distributions of Available Cash

For further discussion of distributions of available cash, please read "Item 8. Financial Information—How We Make Cash Distributions" in our Annual Report.

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;

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 (on a pre-reverse split-adjusted basis) \$0.2325 per unit, which is equal to \$0.93 per unit per year, or (on a reverse split-adjusted basis) \$1.6275 per unit, which is equal to \$6.51 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).

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.

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.

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 or anticipated cash needs.

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.

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. 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 (adjusted as our board of directors determines to be appropriate to give effect to any distribution, subdivision or combination, such as the reverse unit split we effected in March 2019 in connection with the DSS Transaction) (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 (adjusted as our board of directors determines to be appropriate to give effect to any distribution, subdivision or combination, such as the reverse unit split we effected in March 2019 in connection with the DSS Transaction) (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 (as adjusted) (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 initial 2.0% general partner interest and has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities. As of the date of the Annual Report, our General Partner holds a 1.8% general partner interest.

Dated 10 September 2021

ATROTOS GAS CARRIER CORP.
as Borrower

and

CAPITAL GAS LLC
as Original Parent Guarantor

and

CAPITAL PRODUCT PARTNERS L.P.
as New Parent Guarantor

and

ING BANK N.V., LONDON BRANCH
as Bookrunner, Co-ordinator, Facility Agent and Security Agent

DEED OF ACCESSION, AMENDMENT AND RESTATEMENT
relating to a facility agreement dated 18 December 2020

Index

Clause		Page
1	Interpretation	2
2	Agreement of the Finance parties	3
3	Conditions Precedent	3
4	Representations and Warranties	4
5	Amendment and Restatement of Facility Agreement	4
6	Release of the Original Parent Guarantor, the Released Shareholder and the Standby Charter	5
7	Accession and Assumption	6
8	Security	6
9	Further Assurances	7
10	Costs and Expenses	7
11	Incorporation of Amended and Restated Facility Agreement Provisions	7
12	Supplemental	7
13	Law and Jurisdiction	7
Schedules		
	Schedule 1 The Lenders	9
	Schedule 2 Conditions Precedent	11
	Schedule 3 Effective Date Certificate	13
Execution		
	Execution Pages	14
Appendices		
	Appendix Form of Amended and Restated Facility Agreement (marked to indicate amendments)	

THIS DEED is made on 10 September 2021

BETWEEN

- (1) **ATROTOS GAS CARRIER CORP.**, a corporation incorporated in the Republic of the Marshall Islands with registered number 97442 whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 as original borrower (the “**Borrower**”)
- (2) **CAPITAL GAS LLC**, a limited liability company formed in the Republic of the Marshall Islands with registered number 964558 whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 as original guarantor (the “**Original Parent Guarantor**”)
- (3) **CAPITAL PRODUCT PARTNERS L.P.**, a limited partnership formed in the Republic of the Marshall Islands whose registered address is at Trust Company House, Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, the Marshall Islands as new guarantor (the “**New Parent Guarantor**”)
- (4) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 (*The Parties*) as lenders (the “**Lenders**”)
- (5) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 (*The Parties*) as hedge counterparties (the “**Hedge Counterparties**”)
- (6) **ING BANK N.V., LONDON BRANCH** as bookrunner (the “**Bookrunner**”)
- (7) **ING BANK N.V., LONDON BRANCH** as co-ordinator (the “**Co-ordinator**”)
- (8) **ING BANK N.V., LONDON BRANCH** as agent of the other Finance Parties (the “**Facility Agent**”)
- (9) **ING BANK N.V., LONDON BRANCH** as security agent for the Secured Parties (the “**Security Agent**”)

BACKGROUND

- (A) By a facility agreement dated 18 December 2020 (the “**Facility Agreement**”) and (initially) made between, inter alios, (i) the Borrower and Poseidon Gas Carrier Corp. of the Republic of the Marshall Islands (“**Released Borrower**”) as joint and several borrowers (the “**Original Borrowers**”), (ii) the Original Parent Guarantor, (iii) the Original Lenders, (iv) the Original Hedge Counterparties, (v) the Bookrunner, (vi) the Co-ordinator, (vii) the Facility Agent and (viii) the Security Agent, the Original Lenders agreed to make available to the Original Borrowers, on a joint and several basis, a senior secured term loan facility of (originally) up to \$260,610,000, of which the principal amount utilised and outstanding on the date of this Deed is equal to \$125,435,416.66.
- (B) By a cancellation notice dated 3 August 2021 the Original Borrowers cancelled the whole of Tranche B and by a deed of release dated 10 August 2021, the Finance Parties agreed to the release of, amongst other, the obligations of the Released Borrower in relation to the Security and certain other obligations created by the Released Finance Documents (as such term is defined in the deed of release).

- (C) The Borrower and the Original Parent Guarantor have requested (the “**Request**”) that the Finance Parties consent to, inter alia, the following:
- (i) the Original Parent Guarantor being released as a guarantor and from its obligations under the Finance Documents and be replaced by the New Parent Guarantor in accordance with paragraph (ii) below;
 - (ii) the New Parent Guarantor acceding to the Facility Agreement and assuming the Original Parent Guarantor’s obligations thereunder;
 - (iii) the Released Shareholder being released from its obligations under the Finance Documents to which it is a party and being replaced by the New Shareholder; and
 - (iv) the Standby Charterer being released from its obligations under the Finance Documents to which it is a party.
- (D) This Deed sets out the terms and conditions on which the Finance Parties shall agree, with effect on and from the Effective Date, to:
- (i) the Request; and
 - (ii) the consequential amendments to the Facility Agreement and the other Finance Documents (the “**Consequential Amendments**”).

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Defined expressions

Words and expressions defined in the Facility Agreement and the recitals hereto and not otherwise defined herein shall have the same meanings when used in this Deed unless the context otherwise requires.

1.2 Definitions

In this Deed, unless the contrary intention appears:

“**Amended and Restated Facility Agreement**” means the Facility Agreement, as amended and restated by this Deed, in the form set out in the Appendix.

“**Effective Date**” means the date (falling no later than 31 January 2022 or such other later date as the Facility Agent, acting on the instructions of the Lenders, may specify at its sole discretion) on which the Facility Agent confirms, pursuant to the Effective Date Certificate, that the conditions precedent in Clause 3 (*Conditions precedent*) have been satisfied or waived.

“**Effective Date Certificate**” means the certificate to be issued by the Facility Agent, substantially in the form set out in Schedule 3 (*Effective Date Certificate*).

“**Facility Agreement**” means the Facility Agreement referred to in Recital (A).

“**New Shareholder**” means CPLP Gas Operating Corp., a corporation incorporated in the Republic of the Marshall Islands with registered number 110568 whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

“**New Shares Security**” means, in relation to the Borrower, a document creating Security over the shares in the Borrower in agreed form.

“**New Side Letter**” means, a letter dated on or about the date of this Deed, specifying the Permitted Holders to be executed by the Facility Agent, the Borrower and the New Parent Guarantor in the agreed form.

“**Released Shareholder**” means CGC Operating Corp., a corporation incorporated in the Republic of the Marshall Islands with registered number 97459 whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

“**Released Shares Security**” means the shares security dated 24 December 2020 entered into between (i) the Released Shareholder and (ii) the Security Agent in relation to the shares in the Borrower.

“**Standby Charterer**” means Capital Maritime & Trading Corp. a corporation incorporated in the Republic of the Marshall Islands whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, the Marshall Islands MH96960.

“**Tripartite Agreement**” means the tripartite agreement dated 4 January 2021 entered into among (i) the Borrower, (ii) the Standby Charterer and (iii) the Security Agent.

1.3 Application of construction and interpretation provisions of Facility Agreement

Clauses 1.2 (*construction*) to 1.5 (*third party rights*) (inclusive) of the Facility Agreement apply, with any necessary modifications, to this Deed.

1.4 Designation as a Finance Document

The Borrower and the Facility Agent designate this Deed as a Finance Document.

2 AGREEMENT OF THE FINANCE PARTIES

(a) The Finance Parties agree subject to and upon the terms and conditions set out in Clause 3 of this Deed, to:

- (i) the Request;
- (ii) the Consequential Amendments.

(b) The agreement of the parties to this Deed contained in this Clause 2 (*Agreement of the Finance Parties*) shall have effect on and from the Effective Date.

3 CONDITIONS PRECEDENT

3.1 General

The agreement of the Finance Parties contained in Clause 2 (*Agreement of the Finance Parties*) is subject to:

- (a) no Default continuing on the date of this Deed and on the Effective Date or resulting from the occurrence of the Effective Date;
- (b) the Repeating Representations to be made by the Borrower pursuant to Clause 4 (*Representations and Warranties*) being true on the date of this Deed and on the Effective Date; and

- (c) the Facility Agent having received all of the documents and other evidence listed in Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Lenders and its legal advisers on or before the Effective Date.

3.2 Waiver of conditions precedent

If all Lenders, at their discretion, permit for the Effective Date to take place before certain of the conditions referred to in Schedule 2 (*Conditions Precedent*) are satisfied, each of the Borrower, the Original Parent Guarantor and the New Parent Guarantor shall ensure that those conditions are satisfied within five Business Days after the Effective Date (or such later date as the Facility Agent, acting with the authorisation of all Lenders, may agree in writing with the Borrower), which however, shall not be taken as a waiver of the Lenders' right to require production of all the documents and evidence referred to in Schedule 2 (*Conditions Precedent*).

4 REPRESENTATIONS AND WARRANTIES

4.1 Representation and warranties of the New Parent Guarantor

The representations and warranties in clause 20 (*representations*) of the Amended and Restated Facility Agreement are deemed to be made on the Effective Date by the New Parent Guarantor with reference to the circumstances then existing.

4.2 Repetition of representations and warranties

- (a) Each of the Borrower and the Original Parent Guarantor represents and warrants to the Finance Parties as at the date of this Deed that the representations and warranties in clause 20 (*representations*) of the Amended and Restated Facility Agreement are true and not misleading if repeated on the date of this Deed.
- (b) Each of the Borrower and the Original Parent Guarantor represents and warrants to the Finance Parties that the representations and warranties in the Finance Documents (other than the Amended and Restated Facility Agreement) to which each of them is a party, as amended and restated by this Deed and updated with appropriate modifications to refer to this Deed, remain true and not misleading if repeated on the date of this Deed with reference to the circumstances now existing.

5 AMENDMENT AND RESTATEMENT OF FACILITY AGREEMENT

5.1 Amendment and restatement of the Facility Agreement

With effect on and from the Effective Date (and subject to the occurrence of), the Facility Agreement shall be amended and restated in the form of the Amended and Restated Facility Agreement and shall continue to be binding on each of the parties to it in accordance with its terms as so amended and restated.

5.2 Amendments to Finance Documents

With effect on and from the Effective Date (and subject to the occurrence of), each of the Finance Documents (other than the Facility Agreement) shall be, and shall be deemed by this Deed to be, amended as follows:

- (a) the definition of, and references throughout each of the Finance Documents to the “Facility Agreement” and any of the other Finance Documents shall be construed as if the same referred to, respectively:
 - (i) the Amended and Restated Facility Agreement; and
 - (ii) the other Finance Documents as amended and supplemented by this Clause 5.2 (*Amendments to Finance Documents*); and
- (b) by construing references throughout each of the Finance Documents to “this Agreement”, “this Deed”, “hereunder” and other like expressions as if the same referred to those Finance Documents as amended and/or supplemented by this Deed.

5.3 Finance Documents to remain in full force and effect

The Facility Agreement and each of the other Finance Documents shall remain in full force and effect and from the Effective Date:

- (a) in the case of the Facility Agreement as amended and restated pursuant to Clause 5.1 (*Amendment and restatement of Facility Agreement*);
- (b) in the case of the other Finance Documents as amended pursuant to Clause 5.2 (*Amendments to Finance Documents*); and
- (c) the Facility Agreement and the applicable provisions of this Deed will be read and construed as one document.

6 RELEASE OF THE ORIGINAL PARENT GUARANTOR, THE RELEASED SHAREHOLDER AND THE STANDBY CHARTER

6.1 Release

With effect on and from the Effective Date:

- (a) the Original Parent Guarantor shall be released from its obligations under the Finance Documents;
- (b) the Security created by the Released Shares Security shall be released by the Security Agent acting on the instructions of the Lenders;
- (c) the Released Shareholder shall be released from its obligations under the Released Shares Security;
- (d) the Standby Charterer shall be released from its obligations under the Finance Documents to which it is a party, including the Tripartite Agreement.

6.2 Reassignment

With effect on and from the Effective Date, the Security Agent acting on the instructions of the Lenders, without any warranty, representation, covenant or other recourse, reassigns:

- (a) to the Released Shareholder, all rights and interests of every kind which the Security Agent now has to, in or in connection with the Secured Assets (as defined in the Released Shares Security); and

- (b) to the Borrower and the Standby Charterer, all respective rights and interests of every kind which the Security Agent has to, in or in connection with the Secured Assets (as defined in the Tripartite Agreement).

6.3 Delivery of further documents

The Facility Agent shall, acting on the instructions of the Lenders, following the Effective Date, deliver to the Released Shareholder each document that was required to be delivered to pursuant to the Released Shares Security and are currently held by the Facility Agent.

7 ACCESSION AND ASSUMPTION

With effect on and from the Effective Date:

- (a) the New Parent Guarantor agrees that:
 - (i) it will accede to the Facility Agreement as amended and restated by this Deed as a guarantor and it will assume the obligations of the Original Parent Guarantor thereunder;
 - (ii) it will be bound by the terms of the Amended and Restated Facility Agreement and the other Finance Documents;
 - (iii) its guarantee and indemnity pursuant to clause 17 (*Guarantee and Indemnity – Parent Guarantor*) of the Facility Agreement:
 - (A) has full force and effect in accordance with the terms of the Amended and Restated Facility Agreement; and
 - (B) extends to the obligations of the Borrower under the Amended and Restated Facility Agreement and the other Finance Documents (as amended and supplemented by this Deed and as may be further amended and supplemented from time to time); and
- (b) the Borrower confirms and acknowledges it is and remains a party to the Facility Agreement as amended and restated by this Deed and that its respective obligations thereunder and the other Finance Documents remain in full force and effect; and
- (c) the Borrower and the Finance Parties agree to the accession by the New Parent Guarantor to the Amended and Restated Facility Agreement.

8 SECURITY

On the Effective Date, the Borrower confirms that:

- (a) any Security created by it under the Finance Documents to which it is a party extends to the obligations of the Transaction Obligors under the Amended and Restated Facility Agreement and the other Finance Documents (as amended and restated by this Deed and as may be further amended and supplemented from time to time);

- (b) the obligations of the Transaction Obligors arising under the Amended and Restated Facility Agreement and the other Finance Documents (as amended and restated by this Deed and as may be further amended and supplemented from time to time) are included in the Secured Liabilities (as defined in the Security Documents to which it is a party);
- (c) the Security created pursuant to the Finance Documents continues in full force and effect on the terms of the respective Finance Documents (as amended and supplemented by this Deed and as may be further amended and supplemented from time to time); and
- (d) to the extent that this confirmation creates a new Security, such Security shall be on the terms of the Security Documents in respect of which this confirmation is given.

9 FURTHER ASSURANCES

Clause 23.21 (*further assurance*) of the Amended and Restated Facility Agreement applies to this Deed as if it were expressly incorporated in this Deed with any necessary modifications.

10 COSTS AND EXPENSES

The provisions of clause 16 (*costs and expenses*) of the Amended and Restated Facility Agreement shall apply to this Deed as if they were expressly incorporated in this Deed with any necessary modifications.

11 INCORPORATION OF AMENDED AND RESTATED FACILITY AGREEMENT PROVISIONS

11.1 General

The provisions of clauses 31.2 (*instructions*), 32.4 (*instructions*) and clause 38 (*notices*) of the Amended and Restated Facility Agreement shall apply to this Deed as if they were expressly incorporated in this Deed with any necessary modifications.

12 SUPPLEMENTAL

12.1 Counterparts

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

12.2 Third party rights

- (a) A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Deed.
- (b) Subject to clause 44.3 (*other exceptions*) of the Facility Agreement but otherwise notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Deed at any time.

13 LAW AND JURISDICTION

13.1 Governing law

This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

13.2 Incorporation of the Facility Agreement provisions

The provisions of clauses 48 (*governing law*) and 49 (*enforcement*) of the Facility Agreement shall apply to this Deed as if they were expressly incorporated in this Deed with any necessary modifications.

13.3 Process agent

- (a) Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in England and Wales):
 - (i) irrevocably appoints Curzon Maritime Limited, at its registered office for the time being, presently at 60 Sloane Avenue, London SW3 3DD, England as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and
 - (ii) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.
- (b) If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process, the Borrower (on behalf of all the Obligors) must immediately (and in any event within five days of such event taking place) appoint another agent on terms acceptable to the Facility Agent. Failing this, the Facility Agent may appoint another agent for this purpose.

This DEED has been duly executed by or on behalf of the parties hereto as a Deed and has, on the date stated at the beginning of this Deed, been delivered as a Deed.

SCHEDULE 1

THE LENDERS

Name of Original Lender	Address for Communication
Alpha Bank S.A.	93 Akti Miaouli 185 38 Piraeus Greece Attention: Konstantinos Flokos/ Dimitra Orfanioti Email: konstantinos.flokos@alpha.gr / dimitra.orfanioti@alpha.gr Fax No.: +30 210 429 0677
ING Bank N.V., London Branch	8-10 Moorgate, London EC2R 6DA, United Kingdom Attention: Robartus Krol Email: Robartus.Krol@ing.com
National Bank of Greece S.A.	2 Bouboulinas Street and Akti Miaouli Piraeus 18535 Greece Attention: Mr. Tsagarakis/ Mr. Kagkarakis Email: tsagarakis.em@nbg.gr / nkagkarakis@nbg.gr Fax No.: +30 210 4144155
Piraeus Bank S.A.	170 Alexandras Ave., 11521, Athens, Greece Facsimile No: +30 210 3739783 Attention: The Manager E-mail: shipping@piraeusbank.gr

THE HEDGE COUNTERPARTIES

Name of Hedge Counterparty

ING Bank N.V.

Address for Communication

Foppingadreef 7
P.O. Box 1800
NL-1000 BV Amsterdam The Netherlands

Email: Trade.Processing.Derivatives.AMS@INGBank.com

Fax: +31 20 501 3381

Tel: +31 20 563-8222

Attn: Operations / Derivatives / TRC 00.13

National Bank of Greece S.A.

Akadimias 68
106 78 Athens
Greece

Attention: Mrs Katerina Strati, Mrs Maria Vogiatzi

Tel: +30 210 3328741, 229

Email: astrat@nbg.gr, vogiagi.maria@nbg.gr

Fax No.: +30 210 3328745

Piraeus Bank S.A.

170 Alexandras Ave.,
11521, Athens, Greece
Facsimile No: +30 210 3739783

Attention: The Manager

E-mail: shipping@piraeusbank.gr

SCHEDULE 2

CONDITIONS PRECEDENT

1 Transaction Obligors, New Parent Guarantor and New Shareholder

- 1.1 True and complete copies of the constitutional documents of the New Parent Guarantor and the New Shareholder.
- 1.2 A certificate from an officer of each Transaction Obligor, the New Parent Guarantor, the New Shareholder and the Approved Commercial Manager confirming the names and offices of all their respective directors and officers and the shareholding of each of its shareholders as the case may be and having attached thereto true and complete copies of their constitutional documents.
- 1.3 Up-to-date certificates of goodstanding in respect of each Transaction Obligor, the New Parent Guarantor, the New Shareholder and the Approved Commercial Manager.
- 1.4 A copy of a resolution of the board of directors of each Transaction Obligor, the New Parent Guarantor, the New Shareholder and the Approved Commercial Manager:
 - (a) approving the terms of, and the transactions contemplated by, this Deed and (as applicable) the New Shares Security resolving that it execute this Deed and (as applicable) the New Shares Security and the New Side Letter;
 - (b) authorising a specified person or persons to execute this Deed and (as applicable) the New Shares Security and the New Side Letter on its behalf; and
 - (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under, or in connection with, the Finance Documents to which it is a party.
- 1.5 An original of the power of attorney of any Transaction Obligor, the New Parent Guarantor, the New Shareholder or the Approved Commercial Manager authorising a specified person or persons to execute this Deed and (as applicable) the New Shares Security and the New Side Letter.
- 1.6 A specimen of the signature of each person authorised by the resolutions referred to in paragraph 1.2 above.
- 1.7 A resolution signed by the Released Shareholder as the holder of the issued shares in the Borrower, approving the terms of, and the transactions contemplated by, this Deed.
- 1.8 A resolution signed by the holders of the issued shares in the New Shareholder, approving the terms of, and the transactions contemplated by, this Deed.
- 1.9 A certificate of each Transaction Obligor, the New Parent Guarantor and the New Shareholder (signed by an officer) confirming that borrowing or guaranteeing, as appropriate, the Total Commitments (as defined in the Amended and Restated Facility Agreement) would not cause any borrowing, guaranteeing or similar limit binding on that Transaction Obligor, the New Parent Guarantor and the New Shareholder to be exceeded.

- 1.10 A certificate of each Transaction Obligor, the New Parent Guarantor and the New Shareholder that is incorporated outside the UK (signed by an officer) certifying either that (i) it has not delivered particulars of any UK Establishment to the Registrar of Companies as required under the Overseas Regulations or (ii) it has a UK Establishment and specifying the name and registered number under which it is registered with the Registrar of Companies.
- 1.11 A certificate of an authorised signatory of the relevant Transaction Obligor, the New Parent Guarantor and the New Shareholder certifying that each copy document relating to it specified in this Schedule 1 (*Conditions Precedent*) is correct, complete and in full force and effect as at a date no earlier than the date of this Deed.
- 1.12 Evidence of the shareholding structure of the Obligors and that the Borrower is ultimately owned by the New Parent Guarantor.

2 Agreement, Security and other Finance Documents

- 2.1 A duly executed original of this Deed signed by all Parties to it and countersigned by the Standby Charterer, the Released Shareholder and the Approved Managers.
- 2.2 A duly executed original of the New Side Letter signed by all Parties to it.
- 2.3 A duly executed original of the New Shares Security signed by all Parties to it (and of each document to be delivered under each of them).

3 Legal opinions

Legal opinions of the legal advisers to the Facility Agent in the jurisdiction of the Republic of the Marshall Islands and such other relevant jurisdictions as the Facility Agent (acting on the instructions of the Lenders) may require.

4 Other documents and evidence

- 4.1 A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent (acting on the instructions of the Lenders) considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by this Deed, the New Side Letter or the New Shares Security or for the validity and enforceability of any Finance Document as amended, restated and/or supplemented by this Deed, the New Side Letter or the New Shares Security.
- 4.2 Such evidence as the Facility Agent may require for the Finance Parties to be able to satisfy each of their “anti-money laundering”, “FATCA”, “know your customer”, “common reporting standards” or similar identification procedures in relation to the transactions contemplated by this Deed.
- 4.3 Documentary evidence that the agent for service of process named in Clause 13.3 (*Process agent*) has accepted its appointment.
- 4.4 Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 10 (*Costs and Expenses*) have been paid or will be paid by the Effective Date.

SCHEDULE 3

EFFECTIVE DATE CERTIFICATE

We refer to the deed of accession, amendment and restatement (the “**Deed of Accession, Amendment and Restatement**”) dated [•] September 2021 and made between, amongst others, (i) Atrotos Gas Carrier Corp., as borrower, (ii) Capital Gas LLC as original guarantor, (iii) Capital Product Partners L.P. as new guarantor, (iv) the banks and financial institutions listed at Schedule 1 therein as lenders, (v) ING BANK N.V., LONDON BRANCH as facility agent and security agent.

Words and expressions defined in the Deed of Accession, Amendment and Restatement shall have the same meaning when used in this certificate.

The Facility Agent hereby confirms that the conditions precedent set out in Clause 3 (*Conditions precedent*) of the Deed of Accession, Amendment and Restatement have been fulfilled (and/or waived) to its satisfaction, and the Effective Date shall be [•].

for and on behalf of
ING BANK N.V., LONDON BRANCH

BORROWER

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
ATROTOS GAS CARRIER CORP.)
in the presence of:)
Witness' signature:)
Witness' name:)
Witness' address:)

ORIGINAL PARENT GUARANTOR

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
CAPITAL GAS LLC)
in the presence of:)
Witness' signature:)
Witness' name:)
Witness' address:)

NEW PARENT GUARANTOR

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
CAPITAL PRODUCT PARTNERS L.P.)
in the presence of:)
Witness' signature:)
Witness' name:)
Witness' address:)

LENDERS

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
ALPHA BANK S.A.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
NATIONAL BANK OF GREECE S.A.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
PIRAEUS BANK S.A.)
in the presence of:)
Witness' signature:)
Witness' name:)
Witness' address:)

HEDGE COUNTERPARTIES

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
ING BANK N.V.)
in the presence of:)
Witness' signature:)
Witness' name:)
Witness' address:)

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
NATIONAL BANK OF GREECE S.A.)
in the presence of:)
Witness' signature:)
Witness' name:)
Witness' address:)

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
PIRAEUS BANK S.A.)
in the presence of:)
Witness' signature:)
Witness' name:)
Witness' address:)

BOOKRUNNER

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of:)
Witness' signature:)
Witness' name:)
Witness' address:)

CO-ORDINATOR

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of:)
Witness' signature:)
Witness' name:)
Witness' address:)

FACILITY AGENT

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

SECURITY AGENT

EXECUTED AS A DEED)
by)
duly authorised)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

COUNTERSIGNED this _____ day of September 2021 for and on behalf of the following Transaction Obligor and Approved Managers which, by its execution hereof, confirms and acknowledges that it has read and understood the terms and conditions of this deed accession, amendment and restatement (the “**Deed of Accession, Amendment and Restatement**”), that it agrees in all respects to the same and that the Finance Documents to which it is a party shall remain in full force and effect and shall continue to stand as security for the obligations of the Borrower under the Facility Agreement and the other Finance Documents (each as amended and supplemented by the Deed of Amendment and Restatement).

Name:
Title:
for and on behalf of
CAPITAL MARITIME & TRADING CORP.
as Standby Charterer

Name:
Title:
for and on behalf of
CGC OPERATING CORP.
as Released Shareholder

Name:
Title:
for and on behalf of
CAPITAL COMMERCIAL SERVICES CORP.
as Approved Manager

Name:
Title:
for and on behalf of
BERNHARD SCHULTE SHIPMANAGEMENT (UK) LIMITED
as Approved Manager

Name:
Title:
for and on behalf of
BERNHARD SCHULTE SHIPMANAGEMENT (HELLAS) SPLLC
as Approved Manager

Name:
Title:
for and on behalf of
BERNHARD SCHULTE SHIPMANAGEMENT (CYPRUS) LIMITED
as Approved Manager

Name:
Title:
for and on behalf of
CPLP GAS OPERATING CORP.
as New Shareholder

FORM OF AMENDED AND RESTATED FACILITY AGREEMENT (MARKED TO INDICATE AMENDMENTS)

Amendments are indicated as follows:

- 1 additions are indicated by underlined text in blue; and
- 2 deletions are shown by strike-through text in red.

Dated 18 December 2020

US\$260,610,000

TERM LOAN FACILITY

**ATROTOS GAS CARRIER CORP.
POSEIDON GAS CARRIER CORP.**
as joint and several Borrowers
and Hedge Guarantors

CAPITAL PRODUCT PARTNERS L.P.
as Parent Guarantor

ING BANK N.V., LONDON BRANCH
as Bookrunner and Co-ordinator

ING BANK N.V., LONDON BRANCH
as Facility Agent

and

ING BANK N.V., LONDON BRANCH
as Security Agent

FACILITY AGREEMENT

as amended and restated by a Deed of Accession, Amendment and Restatement dated _____ 2021
relating to the post-delivery financing of two 174,000 cubic meters
LNG Carriers having Builder's hull nos. 3106 and 3108
currently under construction at Hyundai Heavy Industries Co., Ltd.

Index

Clause	Page
Section 1 Interpretation	4
1 Definitions and Interpretation	4
Section 2 The Facility	34
2 The Facility	34
3 Purpose	35
4 Conditions of Utilisation	35
Section 3 Utilisation	37
5 Utilisation	37
Section 4 Repayment, Prepayment and Cancellation	40
6 Repayment	40
7 Prepayment and Cancellation	43
Section 5 Costs of Utilisation	48
8 Interest	48
9 Interest Periods	51
10 Changes to the Calculation of Interest	52
11 Fees	54
Section 6 Additional Payment Obligations	55
12 Tax Gross Up and Indemnities	55
13 Increased Costs	59
14 Other Indemnities	61
15 Mitigation by the Finance Parties	64
16 Costs and Expenses	65
Section 7 Guarantees and Joint and Several Liability of Borrowers	66
17 Guarantee and Indemnity – Parent Guarantor	66
18 Joint and Several Liability of the Borrowers	69
19 Guarantee and Indemnity – Hedge Guarantors	70
Section 8 Representations, Undertakings and Events of Default	74
20 Representations	74
21 Information Undertakings	82
22 Financial Covenants	86
23 General Undertakings	88
24 Insurance Undertakings	96
25 Ship Undertakings	101
26 Security Cover	108
27 Accounts, application of Earnings and Hedge Receipts	110
28 Events of Default	111
Section 9 Changes to Parties	117
29 Changes to the Lenders and the Hedge Counterparties	117
30 Changes to the Transaction Obligors	122
Section 10 The Finance Parties	124
31 The Facility Agent, the Co-ordinator and the Reference Banks	124
32 The Security Agent	135
33 Conduct of Business by the Finance Parties	150
34 Sharing among the Finance Parties	151
Section 11 Administration	153
35 Payment Mechanics	153
36 Set-Off	156

37	Bail-In	157
38	Notices	157
39	Calculations and Certificates	159
40	Partial Invalidity	159
41	Remedies and Waivers	160
42	Settlement or Discharge Conditional	160
43	Irrevocable Payment	160
44	Amendments and Waivers	160
45	Confidential Information	165
46	Confidentiality of Funding Rates and Reference Bank Quotations	169
47	Counterparts	170
Section 12 Governing Law and Enforcement		171
48	Governing Law	171
49	Enforcement	171

Schedules

Schedule 1 The Parties	172
Part A The Obligors	172
Part B The Original Lenders	174
Part C The Servicing Parties	176
Schedule 2 Conditions Precedent	177
Part A Conditions Precedent to Initial Utilisation Request	177
Part B Conditions Precedent to Utilisation– Tranche A and Initial Tranche B Advance	180
Part C Conditions Precedent to Utilisation – Tranche B Increase	182
Schedule 3 Requests	183
Part A Utilisation Request	183
Part B Selection Notice	185
Schedule 4 Form of Transfer Certificate	186
Schedule 5 Form of Assignment Agreement	188
Schedule 6 Form of Hedge Counterparty Accession Letter	191
Schedule 7 Form of Compliance Certificate	192
Schedule 8 Details of the Ships	193
Schedule 9 Qualifying Charterers	194
Schedule 10 Timetables	195

Execution

Execution Pages	196
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PARTIES

- (1) **ATOTOS GAS CARRIER CORP.**, a corporation incorporated in the Republic of the Marshall Islands with registered number 97442 whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 as a borrower (“**Borrower A**”)
- (2) **POSEIDON GAS CARRIER CORP.**, a corporation incorporated in the Republic of the Marshall Islands with registered number 97444 whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 as a borrower (“**Borrower B**”)
- (3) **CAPITAL PRODUCT PARTNERS L.P.**, a limited partnership formed in the Republic of the Marshall Islands whose registered address is at Trust Company House, Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, the Marshall Islands as guarantor (the “**Parent Guarantor**”)
- (4) **THE COMPANIES** listed in Part A of Schedule 1 (*The Parties*) as hedge guarantors (the “**Hedge Guarantors**”)
- (5) **ING BANK N.V., LONDON BRANCH**, a banking corporation incorporated under the laws of The Netherlands, acting through its principal place of business in London at 8-10 Moorgate, London EC2R 6DA, United Kingdom, as bookrunner (the “**Bookrunner**”)
- (6) **ING BANK N.V., LONDON BRANCH**, a banking corporation incorporated under the laws of The Netherlands, acting through its principal place of business in London at 8-10 Moorgate, London EC2R 6DA, United Kingdom, as co-ordinator (the “**Co-ordinator**”)
- (7) **THE FINANCIAL INSTITUTIONS** listed in Part B of Schedule 1 (*The Parties*) as lenders (the “**Original Lenders**”)
- (8) **THE FINANCIAL INSTITUTIONS** listed in Part B of Schedule 1 (*The Parties*) as hedge counterparties (the “**Original Hedge Counterparties**”)
- (9) **ING BANK N.V., LONDON BRANCH**, a banking corporation incorporated under the laws of The Netherlands, acting through its principal place of business in London at 8-10 Moorgate, London EC2R 6DA, United Kingdom as agent of the other Finance Parties (the “**Facility Agent**”)
- (10) **ING BANK N.V., LONDON BRANCH**, a banking corporation incorporated under the laws of The Netherlands, acting through its principal place of business in London at 8-10 Moorgate, London EC2R 6DA, United Kingdom as security agent for the Secured Parties (the “**Security Agent**”)

BACKGROUND

- (A) By a facility agreement dated 18 December 2020 (the “**Original Facility Agreement**”) the Lenders have agreed to make available to the Borrowers a senior secured term loan facility of up to \$260,610,000 for the purpose of financing the acquisition cost of each Ship, in two Tranches utilised in up to three Utilisations, as follows:

- (a) Tranche A in an amount equal to the lower of (i) 70 per cent. of the Initial Market Value of Ship A and (ii) \$130,305,000 which was utilised on the Utilisation Date in relation to this Tranche;
- (b) Tranche B comprising:
 - (i) the Initial Tranche B Advance in an amount equal to:
 - (AA) the lower of (A) 60 per cent. of the Initial Market Value of Ship B and (B) \$111,690,000; or
 - (BB) in case of acceptance of Ship B under a Qualifying Charter prior to the Utilisation Date of the Initial Tranche B Advance, the lower of (A) 70 per cent. of the Initial Market Value of Ship B and (B) \$130,305,000; or
 - (ii) the Tranche B Increase in an amount equal to:
 - (AA) in case Borrower B has entered into a Qualifying Charter on or prior to the Utilisation Date of the Initial Tranche B Advance, zero; or
 - (BB) in case Borrower B has entered into a Qualifying Charter after the Utilisation Date of the Initial Tranche B Advance, an amount of up to \$18,615,000.
- (B) The principal amount of the Loan outstanding as at the date of the Deed of Accession, Amendment and Restatement, is \$125,435,416.66.
- (C) By a cancellation notice dated 3 August 2021 the Borrowers cancelled the whole of Tranche B and by a deed of release dated 10 August 2021 the Finance Parties agreed to the release of, amongst other, the obligations of Borrower B in relation to the Security and certain other obligations created by the Released Finance Documents (as such term is defined in the deed of release). In view of the cancellation of Tranche B and the release of Borrower B any references in this Agreement to Borrower B, Ship B and Tranche B, any provisions relevant to such Borrower and such Tranche as well as any hedge guarantee related provisions shall be deemed deleted.
- (D) By the Deed of Accession, Amendment and Restatement, the Finance Parties agreed to certain amendments to this Agreement and the other Finance Documents for the purpose of, amongst other things:
 - (a) Capital Product Partners L.P. acceding to this Agreement as Parent Guarantor;
 - (b) CPLP Gas Operating Corp. replacing CGC Operating Corp. of the Republic of the Marshall Island as Shareholder;
 - (c) releasing Capital Gas LLC of the Republic of the Marshall Islands as original parent guarantor; and
 - (d) releasing Capital Maritime & Trading Corp. of the Republic of the Marshall Islands as standby charterer.

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- (E) The Hedge Counterparties may, at the request of the Borrowers, enter into interest rate swap transactions with the Borrowers from time to time to hedge the Borrowers' exposure under this Agreement to interest rate fluctuations.
 - (F) This Agreement sets out the terms and conditions of the facility agreement as amended and restated by the Deed of Accession, Amendment and Restatement.

OPERATIVE PROVISIONS

SECTION 1

INTERPRETATION

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Account Bank**” means ING Bank N.V. acting through its office at 8-10 Moorgate, London EC2R 6DA, United Kingdom or any replacement bank or other financial institution as may be approved by the Facility Agent acting with the authorisation of the Majority Lenders.

“**Account Security**” means a document creating Security over any Account in agreed form.

“**Accounts**” means the Earnings Accounts.

“**Additional Hedge Counterparty**” means a bank or financial institution which becomes a Hedge Counterparty in accordance with Clause 29.8 (*Additional Hedge Counterparties*).

“**Advance**” means a borrowing of all or part of a Tranche under this Agreement.

“**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.

“**Annex VI**” means Annex VI of the Protocol of 1997 to amend the International Convention for the Prevention of Pollution from Ships 1973 (Marpol), as modified by the Protocol of 1978 relating thereto.

“**Anti-Bribery and Corruption Laws**” means all laws, rules, and regulations from time to time, as amended, concerning or relating to bribery or corruption, including but not limited to the U.S. Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and all other applicable anti-bribery and corruption laws.

“**Anti-Money Laundering / Combat Terrorist Financing Laws**” means the collective of all applicable customer due diligence, recordkeeping and reporting requirements in light of anti-money laundering and/or counter terrorist financing statutes and the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency.

“**Applicable Prepayment Amount**” has the meaning given to it in Clause 7.6 (*Cash Sweep*).

“**Approved Brokers**” means any firm or firms of insurance brokers approved in writing by the Facility Agent, acting with the authorisation of the Majority Lenders which authorisation no Lender shall unreasonably withhold or delay.

“**Approved Charter**” means:

(a) in relation to Ship A, the Initial Charter or any Replacement Charter relating to that Ship; and

(b) in relation to Ship B, a Qualifying Charter or any Replacement Charter relating to that Ship.

“Approved Classification” means, in relation to a Ship, as at the date of this Agreement, the classification in relation to that Ship specified in Schedule 8 (*Details of the Ships*) with the Approved Classification Society or the equivalent classification with another Approved Classification Society.

“Approved Classification Society” means, in relation to a Ship, as at the date of this Agreement, the classification society in relation to that Ship specified in Schedule 8 (*Details of the Ships*) or any other classification society approved in writing by the Facility Agent acting with the authorisation of the Majority Lenders which authorisation no Lender shall unreasonably withhold or delay.

“Approved Commercial Manager” means, in relation to a Ship:

- (a) Capital Commercial Services Corp., a corporation incorporated in the Republic of the Marshall Islands whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, the Marshall Islands MH96960;
- (b) Capital Gas Ship Management Corp., a corporation incorporated in the Republic of the Marshall Islands whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, the Marshall Islands MH96960;
- (c) 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;
- (d) any other ship management company which is an Affiliate of Capital Maritime & Trading Corp. of the Republic of the Marshall Islands; or
- (e) any other person approved in writing by the Facility Agent acting with the authorisation of all Lenders which authorisation no Lender shall unreasonably withhold, delay or condition as the commercial manager of that Ship,

being, as at the date of this Agreement, the manager specified as the approved commercial manager in relation to that Vessel in Schedule 8 (*Details of the Ships*).

“Approved Flag” means, in relation to a Ship, the flag of the Republic of the Marshall Islands, Republic of Liberia, Republic of Malta, Republic of Panama or such other flag approved in writing by the Facility Agent acting with the authorisation of the Majority Lenders.

“Approved Manager” means, in relation to a Ship, the Approved Commercial Manager or the Approved Technical Manager of that Ship.

“Approved Technical Manager” in relation to a Ship:

- (a) Bernhard Schulte Shipmanagement (Cyprus) Limited, a company incorporated in the Republic of Cyprus whose registered address is at 284 Arch. Makarios III Avenue, Fortuna Court, Block “B”, 2nd Floor, Limassol;

- (b) Bernhard Schulte Shipmanagement (UK) Limited, a company incorporated in England whose registered address is at 3 Hedley Court, Orion Business Park, Orion Way, Newcastle Upon Tyne, NE29 7ST, United Kingdom;
- (c) with the prior approval the Facility Agent acting with the authorisation of all Lenders which authorisation no Lender shall unreasonably withhold, delay or condition, any of
 - (i) Capital Gas Ship Management Corp., a corporation incorporated in the Republic of the Marshall Islands whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, the Marshall Islands MH96960;
 - (ii) Capital Ship Management Corp., a company incorporated in Panama whose registered office is at Hong Kong Bank Building, 6th floor, Samuel Lewis Avenue, Panama, Republic of Panama; or
 - (iii) any other person,appointed as the technical manager of that Ship,

being, as at the date of this Agreement, the manager specified as the approved technical manager in relation to that Ship in Schedule 8 (*Details of the Ships*).

“**Approved Valuer**” means Simpson, Spence and Young, Poten and Partners, Barry Rogliano Salles, Clarksons Valuations Limited, Braemar ACM Shipbroking, Howe Robinson Partners, Arrow Shipbroking Group and Fearnleys AS (or any Affiliate of such person through which valuations are commonly issued) and any other firm or firms of independent sale and purchase shipbrokers agreed between the Facility Agent and the Borrowers.

“**Article 55 BRRD**” means Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

“**Assignable Charter**” means, in relation to a Ship, each one of the following:

- (a) any Approved Charter in relation to that Ship; and
- (b) any other Charter, which is a bareboat charter or has a duration exceeding (or capable of exceeding by way of optional extension or otherwise) 24 months.

“**Assignment Agreement**” means an agreement substantially in the form set out in Schedule 5 (*Form of Assignment Agreement*) or any other form agreed between the relevant assignor and assignee.

“**Authorisation**” means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, legalisation or registration.

“**Availability Period**” means:

- (a) in relation to Tranche A, the period commencing on and including the date of this Agreement and ending on the earlier of:
 - (i) the Delivery Date of Ship A; and

- (ii) 30 June 2021;
- (b) in relation to the Initial Tranche B Advance, the period commencing on and including the date of this Agreement and ending on the earlier of:
 - (i) the Delivery Date of Ship B; and
 - (ii) 31 December 2021; and
- (c) in relation to the Tranche B Increase, the period commencing on and including the Utilisation Date of the Initial Tranche B Advance and ending on the date falling 6 Months from that date.

“**Available Commitment**” means a Lender’s Commitment minus:

- (a) the amount of its participation in the outstanding Loan; and
- (b) in relation to any proposed Utilisation, the amount of its participation in any Advance that is due to be made on or before the proposed Utilisation Date.

“**Available Facility**” means the aggregate for the time being of each Lender’s Available Commitment.

“**Bail-In Action**” means the exercise of any Write-down and Conversion Powers.

“**Bail-In Legislation**” means:

- (a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 BRRD, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and
- (b) in relation to any state other than such an EEA Member Country or (to the extent that the United Kingdom is not such an EEA Member Country) the United Kingdom, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

“**Borrower**” means Borrower A or Borrower B.

“**Break Costs**” means the amount (if any) by which:

- (a) the interest which a Lender should have received for the period from the date of receipt of all or any part of its participation in the Loan or an **Unpaid Sum** to the last day of the current Interest Period in relation to the Loan, the relevant part of the Loan or that Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

“**Builder**” means Hyundai Heavy Industries Co., Ltd., a corporation organised and existing under the laws of the Republic of Korea, with its principal office at 1,000 Bangeojinsunhwan-doro, Dong-gu, Ulsan, Republic of Korea.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in London, New York, Amsterdam, Frankfurt, Piraeus and Athens.

“**Charter**” means, in relation to a Ship, any charter relating to that Ship, or other contract for its employment, whether or not already in existence.

“**Charter Guarantee**” means any guarantee, bond, letter of credit or other instrument (whether or not already issued) supporting a Charter.

“**Charterer**” means, in relation to a Ship, any charterer (including any Qualifying Charterer) that has entered or may enter into a Charter with the Borrower owning that Ship.

“**Charterparty Assignment**” means, in respect of any Assignable Charter, an assignment of the relevant Borrower’s rights under that Assignable Charter (and any Charter Guarantee) in favour of the Security Agent in agreed form.

“**Code**” means the US Internal Revenue Code of 1986.

“**Commercial Management Agreement**” means the agreement(s) entered into between a Borrower and the Approved Commercial Manager and any sub-contracting agreement entered into between two Approved Commercial Managers as agreed by that Borrower regarding the commercial management of a Ship.

“**Commitment**” means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading “Commitment” in Part B of Schedule 1 (*The Parties*) and the amount of any other Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Compliance Certificate**” means a certificate in the form set out in Schedule 7 (*Form of Compliance Certificate*) or in any other form agreed between the Parent Guarantor, the Borrowers and the Facility Agent.

“**Confidential Information**” means all information relating to any Transaction Obligor, any Approved Manager, the Group, the Finance Documents or the Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Facility from either:

- (a) any member of the Group or any of its advisers; or
- (b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any member of the 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 Finance Party of Clause 45 (*Confidential Information*); or
 - (B) is identified in writing at the time of delivery as non-confidential by any member of the Group or any of its advisers; or
 - (C) is known by that Finance Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality; and
- (ii) any Funding Rate or Reference Bank Quotation.

“**Confidentiality Undertaking**” means a confidentiality undertaking in substantially the appropriate form recommended by the LMA from time to time or in any other form agreed between the Borrowers and the Facility Agent.

“**Corresponding Debt**” means any amount, other than any Parallel Debt, which an Obligor owes to a Secured Party under or in connection with the Finance Documents.

“**Deed of Accession, Amendment and Restatement**” means the deed of accession, amendment and restatement dated _____ 2021 and made between, amongst others, (i) Borrower A, (ii) the Parent Guarantor, (iii) the Lenders, (iv) the Bookrunner, (v) the Co-ordinator, (vi) the Hedge Counterparties, (vii) the Facility Agent and (viii) the Security Agent.

“**Deed of Covenant**” means, in relation to a Ship and if required by the laws of the Approved Flag of that Ship, a deed of covenant collateral to the Mortgage over that Ship and creating Security over that Ship in agreed form.

“**Default**” means an Event of Default or a Potential Event of Default.

“**Delegate**” means any delegate, agent, attorney or co-trustee appointed by the Security Agent.

“**Delivery Date**” means, in relation to a Ship, the date on which that Ship is delivered by the Builder to the relevant Borrower under the relevant Shipbuilding Contract.

“**Designated Person**” means a person or vessel:

- (a) that is, is owned or controlled by one or more persons that are listed on a Sanctions List, or are otherwise the target of any Sanctions;

- (b) located in or organised under the laws of, or owned or controlled by, or acting on behalf of, a person, entity or party located in or organised under the laws of, any jurisdiction or territory that is, or whose government is, targeted by Sanctions, including, as of the date of this Agreement, Cuba, the Crimea Region of Ukraine, Iran, North Korea, Sudan and Syria;
- (c) located, berthed or anchored at prohibited ports;
- (d) acting or purporting to act on behalf of any of the persons listed in paragraphs (a) and (b) above; or
- (e) with which any relevant Finance Party is prohibited from (i) dealing or (ii) otherwise engaging in any transaction pursuant to any Sanctions.

“**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 Facility (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, any of the Parties or, if applicable, any Transaction Obligor; 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 or, if applicable, any Transaction Obligor preventing that, or any other, Party or, if applicable, any Transaction Obligor:
 - (i) from performing its payment obligations under the Finance Documents; or
 - (ii) from communicating with other Parties or, if applicable, any Transaction Obligor 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 or, if applicable, any Transaction Obligor whose operations are disrupted.

“**Document of Compliance**” has the meaning given to it in the ISM Code.

“**dollars**” and “**\$**” mean the lawful currency, for the time being, of the United States of America.

“**Earnings**” means, in relation to a Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to a Borrower or the Security Agent and which arise out of or in connection with or relate to the use or operation of that Ship, including (but not limited to):

- (a) the following, save to the extent that any of them is, with the prior written consent of the Facility Agent, pooled or shared with any other person:
 - (i) all freight, hire and passage moneys including, without limitation, all moneys payable under, arising out of or in connection with a Charter or a Charter Guarantee;
 - (ii) the proceeds of the exercise of any lien on sub-freights;

- (iii) compensation payable to a Borrower or the Security Agent in the event of requisition of that Ship for hire or use;
 - (iv) remuneration for salvage and towage services;
 - (v) demurrage and detention moneys;
 - (vi) without prejudice to the generality of sub-paragraph (i) above, damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of that Ship;
 - (vii) all moneys which are at any time payable under any Insurances in relation to loss of hire;
 - (viii) all monies which are at any time payable to a Borrower in relation to general average contribution; and
- (b) if and whenever that Ship is employed on terms whereby any moneys falling within sub-paragraphs (i) to (viii) of paragraph (a) 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 that Ship.

“Earnings Account” means, in relation to a Borrower:

- (a) an account in the name of that Borrower with the Account Bank designated “Earnings Account”;
- (b) any other account in the name of that Borrower with the Account Bank which may, with the prior written consent of the Facility Agent, be opened in the place of the account referred to in paragraph (a) above, irrespective of the number or designation of such replacement account; or
- (c) any sub-account of any account referred to in paragraphs (a) or (b) above.

“EEA Member Country” means any member state of the European Union, Iceland, Liechtenstein and Norway.

“Effective Date” has the meaning given to the term “Effective Date” in the Deed of Accession, Amendment and Restatement.

“Environmental Approval” means any present or future permit, ruling, variance or other Authorisation required under Environmental Law.

“Environmental Claim” means any claim by any governmental, judicial or regulatory authority or any other person which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law and, for this purpose, **“claim”** includes a claim for damages, compensation, contribution, injury, fines, losses and penalties or any other payment of any kind, including in relation to clean-up and removal, 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, emission, spill or discharge of Environmentally Sensitive Material whether within a Ship or from a Ship into any other vessel or into or upon the air, water, land or soils (including the seabed) or surface water; or
- (b) any incident in which Environmentally Sensitive Material is released, emitted, spilled or discharged into or upon the air, water, land or soils (including the seabed) or surface water from a vessel other than any Ship and which involves a collision between any 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 and/or any Transaction Obligor and/or any Approved Manager, 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; or
- (c) any other incident in which Environmentally Sensitive Material is released, emitted, spilled or discharged into or upon the air, water, land or soils (including the seabed) or surface water otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where any Transaction Obligor and/or any operator or any Approved Manager or other manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action, other than in accordance with an Environmental Approval.

“**Environmental Law**” means any present or future law relating to pollution or protection of human health or the environment, to conditions in the workplace, to the carriage, generation, handling, storage, use, release or spillage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material.

“**Environmentally Sensitive Material**” means and includes all contaminants, oil, oil products, toxic substances 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 LMA from time to time.

“**EU Ship Recycling Regulation**” means Regulation (EU) No 1257/2013 of the European Parliament and of the Council of 20 November 2013 on ship recycling and amending Regulation (EC) No 1013/2006 and Directive 2009/16/EC.

“**Event of Default**” means any event or circumstance specified as such in Clause 28 (*Events of Default*).

“**Facility**” means the term loan facility made available under this Agreement as described in Clause 2 (*The Facility*).

“**Facility Office**” means the office or offices notified by a Lender to the Facility Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than 5 Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“**FATCA**” means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;

- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in 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; or
- (b) in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraph (a) above, the first date from which such payment may become subject to a deduction or withholding required by FATCA.

“FATCA Deduction” means a deduction or withholding from a payment under a Finance Document required by FATCA.

“FATCA Exempt Party” means a Party that is entitled to receive payments free from any FATCA Deduction.

“Fee Letter” means any letter or letters dated on or about the date of this Agreement between any of the Co-ordinator, the Facility Agent and the Security Agent and any Obligor setting out any of the fees referred to in Clause 11 (*Fees*).

“Finance Document” means:

- (a) this Agreement;
- (b) the Deed of Accession, Amendment and Restatement;
- (c) any Fee Letter;
- (d) the Side Letter;
- (e) each Utilisation Request;
- (f) any Security Document;
- (g) any Hedging Agreement;
- (h) any Manager’s Undertaking;
- (i) any Subordination Agreement;
- (j) any Quiet Enjoyment Agreement;
- (k) any other document which is executed for the purpose of establishing any priority or subordination arrangement in relation to the Secured Liabilities; or

(l) any other document designated as such by the Facility Agent and the Borrowers.

“Finance Party” means the Facility Agent, the Security Agent, the Co-ordinator, a Lender or a Hedge Counterparty.

“Financial Indebtedness” means, in relation to a “debtor”, any actual or contingent 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 foreign exchange transaction, any interest or currency swap, exchange 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 receivables sold or discounted (other than any receivables to the extent that they are sold on a non-recourse basis); or
- (g) 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 (f) above if the references to the debtor referred to the other person.

“Funding Rate” means any individual rate notified by a Lender to the Facility Agent pursuant to sub-paragraph (ii) of paragraph (a) of Clause 10.4 (*Cost of funds*).

“GAAP” means generally accepted accounting principles in the US including IFRS.

“General Assignment” means, in relation to a Ship, the general assignment creating Security over:

- (a) that Ship’s Earnings, its Insurances and any Requisition Compensation in relation to that Ship;
- (b) any Charter and any Charter Guarantee in relation to that Ship; and
- (c) the benefit of any warranties of quality in favour of the relevant Borrower under the relevant Shipbuilding Contract,

in agreed form.

“Group” means the Parent Guarantor and its Subsidiaries for the time being.

“Hedge Counterparty” means any Original Hedge Counterparty or any Additional Hedge Counterparty.

“**Hedge Counterparty Accession Letter**” means a document substantially in the form set out in Schedule 6 (*Form of Hedge Counterparty Accession Letter*).

“**Hedge Receipts**” means all moneys whatsoever which are now, or later become, payable (actually or contingently) to a Borrower or the Security Agent by a Hedge Counterparty under a Hedging Agreement.

“**Hedging Agreement**” means any ISDA master agreement (in the form of the 2002 version, as amended and supplemented from time to time by the schedules and annexes thereto), confirmation, transaction, schedule or other agreement in agreed form entered into or to be entered into by a Borrower for the purpose of hedging interest payable under this Agreement.

“**Hedging Agreement Security**” means, in relation to a Borrower, a hedging agreement security creating Security over that Borrower’s rights and interests in any Hedging Agreement, in agreed form.

“**Hedging Liabilities**” means, as at any relevant date, the amount certified by the Hedging Counterparties to the Facility Agent as the net aggregate amount in dollars which would be payable by the Borrowers under the Hedging Agreements at the relevant determination date as a result of termination of closing out of all outstanding Transactions (as defined in each Hedging Agreement) under the Hedging Agreements.

“**Hedging Prepayment Proceeds**” means any Hedge Receipts arising as a result of termination or closing out under a Hedging Agreement.

“**Holding Company**” means, in relation to a person, any other person in relation to which it is a Subsidiary.

“**IFRS**” means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

“**Indemnified Person**” has the meaning given to it in Clause 14.2 (*Other indemnities*).

“**Initial Charter**” means a time charterparty dated 25 June 2019 in relation to Ship A entered into between Borrower A and the Initial Charterer, with a minimum initial firm duration of three years, a daily hire rate during that firm period of at least \$82,000 and otherwise on terms (including, without limitation, the method of payment of such hire) approved in writing by the Facility Agent at its sole discretion.

“**Initial Charterer**” means BP Gas Marketing Limited, of Chertsey Road, Sunbury Upon Thames, Middlesex, TW16 7 LN.

“**Initial Market Value**” means, in relation to any Ship, the Market Value of that Ship determined in accordance with the valuations relative thereto referred to in paragraph 2.6 of Part B of Schedule 2 (*Conditions Precedent*).

“**Initial Tranche B Advance**” means that part of Tranche B made or to be made available to Borrower B for the post-delivery financing of Ship B in a principal amount not exceeding:

- (a) in circumstances where a Qualifying Charter has been entered into by its Utilisation Date, \$130,305,000; or

(b) in circumstances where no Qualifying Charter has been entered into by its Utilisation Date, \$111,690,000.

“**Insurances**” means, in relation to a Ship:

- (a) all policies and contracts of insurance, including entries of that Ship in any protection and indemnity or war risks association, effected in relation to that Ship, that Ship’s Earnings or otherwise in relation to that Ship whether before, on or after the date of this Agreement; and
- (b) all rights and other assets relating to, or derived from, any of such policies, contracts or entries, including any rights to a return of premium and any rights in relation to any claim whether or not the relevant policy, contract of insurance or entry has expired on or before the date of this Agreement.

“**Interest Payment Date**” has the meaning given to it in paragraph (a) of Clause 8.2 (*Payment of interest*).

“**Interest Period**” means, in relation to the Loan or any part of the Loan, each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*).

“**Interpolated Screen Rate**” means, in relation to the Loan or any part of the Loan, 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 the Interest Period of the Loan or that part of the Loan; and
- (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of the Loan or that part of the Loan,

each as of the Specified Time for dollars.

“**Inventory of Hazardous Material**” means an inventory certificate or statement of compliance (as applicable) issued by the relevant classification society or shipyard authority which is supplemented by a list of any and all materials known to be potentially hazardous utilised in the construction of that Ship pursuant to the requirements of the EU Ship Recycling Regulation.

“**ISM Code**” means the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (including the guidelines on its implementation), adopted by the International Maritime Organisation, as the same may be amended or supplemented from time to time.

“**ISPS Code**” means the International Ship and Port Facility Security (ISPS) Code as adopted by the International Maritime Organization’s (IMO) Diplomatic Conference of December 2002, as the same may be amended or supplemented from time to time.

“**ISSC**” means an International Ship Security Certificate issued under the ISPS Code.

“**Lender**” means:

- (a) any Original Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party as a Lender in accordance with Clause 29 (*Changes to the Lenders and the Hedge Counterparties*),

which in each case has not ceased to be a Party as such in accordance with this Agreement.

“**LIBOR**” means, in relation to the Loan or any part of the Loan:

- (a) the applicable Screen Rate as of the Specified Time for dollars and for a period equal in length to the Interest Period of the Loan or that part of the Loan; or
- (b) as otherwise determined pursuant to Clause 10.1 (*Unavailability of Screen Rate*),

and if, in either case, that rate is less than zero, LIBOR shall be deemed to be zero.

“**LMA**” means the Loan Market Association or any successor organisation.

“**Loan**” means the loan to be made available under the Facility or the aggregate principal amount outstanding for the time being of the borrowings under the Facility and a “**part of the Loan**” means an Advance, a Tranche or any other part of the Loan as the context may require.

“**Major Casualty**” means, in relation to a Ship, any casualty to that Ship in relation to 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) if no Advance has yet been made, a Lender or Lenders whose Commitments aggregate more than 66 $\frac{2}{3}$ per cent. of the Total Commitments; or
- (b) at any other time, a Lender or Lenders whose participations in the Loan aggregate more than 66 $\frac{2}{3}$ per cent. of the amount of the Loan then outstanding or, if the Loan has been repaid or prepaid in full, a Lender or Lenders whose participations in the Loan immediately before repayment or prepayment in full aggregate more than 66 $\frac{2}{3}$ per cent. of the Loan immediately before such repayment.

“**Management Agreement**” means a Technical Management Agreement or a Commercial Management Agreement.

“**Manager’s Undertaking**” means, in relation to a Ship, the letter of undertaking from its Approved Technical Manager and the letter of undertaking from its Approved Commercial Manager subordinating the rights of such Approved Technical Manager and such Approved Commercial Manager respectively against that Ship and the relevant Borrower to the rights of the Finance Parties in agreed form.

“**Margin**” means 2.50 per cent. per annum.

“**Market Value**” means, in relation to a Ship or any other vessel, at any date, an amount determined by the Facility Agent as being an amount equal to the market value of that Ship or vessel shown by reference to the arithmetic mean of two valuations (obtained by the Borrowers and addressed to the Facility Agent) each:

- (a) as at a date not more than 30 days previously;
- (b) by an Approved Valuer;
- (c) with or without physical inspection of that Ship or vessel (as the Facility Agent may require); and
- (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 Charter.

"Material Adverse Effect" means in the reasonable opinion of the Majority Lenders a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) or prospects of any Transaction Obligor; or
- (b) the ability of any Transaction Obligor to perform its obligations under any Finance Document; or
- (c) the validity or enforceability of, or the effectiveness or ranking of any Security granted or intended to be granted pursuant to any of, the Finance Documents or the rights or remedies of any Finance Party under any of the Finance Documents.

"Month" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
- (c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will only apply to the last Month of any period.

"Mortgage" means, in relation to a Ship, a first priority or, as the case may be, preferred Approved Flag ship mortgage on that Ship in agreed form.

"Obligor" means a Borrower, the Parent Guarantor or a Hedge Guarantor.

"Original Financial Statements" means, in relation to the Parent Guarantor, the audited consolidated financial statements of the Group for its financial year ended 31 December 2020.

"Original Jurisdiction" means, in relation to an Obligor, the jurisdiction under whose laws that Obligor is incorporated as at the date of this Agreement.

"Overseas Regulations" means the Overseas Companies Regulations 2009 (SI 2009/1801).

“**Parallel Debt**” means any amount which an Obligor owes to the Security Agent under Clause 32.2 (*Parallel Debt (Covenant to pay the Security Agent)*) or under that clause as incorporated by reference or in full in any other Finance Document.

“**Participating Member State**” means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

“**Party**” means a party to this Agreement.

“**Permitted Charter**” means, in relation to a Ship,

- (a) a Charter:
 - (i) which is a time, voyage or consecutive voyage charter;
 - (ii) the duration of which does not exceed and is not capable of exceeding, by virtue of any optional extensions, 24 months plus a redelivery allowance of not more than 30 days;
 - (iii) which is entered into on *bona fide* arm’s length terms at the time at which that Ship is fixed; and
 - (iv) in relation to which not more than two months’ hire is payable in advance,
- (b) any Approved Charter; and
- (c) and any other Charter which is approved in writing by the Facility Agent acting with the authorisation of the Majority Lenders which authorisation no Lender shall unreasonably withhold, delay or conditioned.

“**Permitted Financial Indebtedness**” means:

- (a) any Financial Indebtedness incurred under the Finance Documents; and
- (b) any Financial Indebtedness that is subordinated to all Financial Indebtedness incurred under the Finance Documents pursuant to a Subordination Agreement or otherwise and which is, in the case of any such Financial Indebtedness of a Borrower, the subject of Subordinated Debt Security.

“**Permitted Holders**” has the meaning given in the Side Letter.

“**Permitted Security**” means:

- (a) Security created by the Finance Documents;
- (b) liens for unpaid master’s and crew’s wages in accordance with first class ship ownership and management practice and not being enforced through arrest;
- (c) liens for salvage;
- (d) liens for master’s disbursements incurred in the ordinary course of trading not being enforced through arrest; and

- (e) any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of any Ship:
- (i) not as a result of any default or omission by any Borrower;
 - (ii) not being enforced through arrest; and
 - (iii) subject, in the case of liens for repair or maintenance, to Clause 25.16 (*Restrictions on chartering, appointment of managers etc.*),

provided such lien does not secure amounts more than 45 days overdue (unless the overdue amount is being contested in good faith by appropriate steps and for the payment of which adequate reserves are held and provided further that such proceedings do not give rise to a material risk of the relevant Ship or any interest in it being seized, sold, forfeited or lost).

“**Poseidon Principles**” means the financial industry framework for assessing and disclosing the climate alignment of ship finance portfolios published in June 2019 as the same may be amended or replaced to reflect changes in applicable law or regulation or the introduction of or changes to mandatory requirements of the International Maritime Organisation from time to time.

“**Potential Event of Default**” means any event or circumstance specified in Clause 28 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**Protected Party**” has the meaning given to it in Clause 12.1 (*Definitions*).

“**Qualifying Charter**” means a time charter in respect of Ship B that satisfies all of the following conditions at the time such Charter is entered into:

- (a) it has a duration (without taking account of any optional extension periods) of not less than 3 years;
- (b) it is entered into by Borrower B with a Qualifying Charterer; and
- (c) otherwise is on financial terms (including, without limitation, the hire rate and the method of payment of such hire) or, in case, no step-in rights in favour of the Lenders are agreed pursuant to the relevant Quiet Enjoyment Agreement, on all terms approved in writing by the Facility Agent acting with the authorisation of the Majority Lenders (such authorisation not to be unreasonably withheld, delayed or conditioned).

“**Qualifying Charterer**” means:

- (a) any established subsidiary of the groups listed in Schedule 9 (*Qualifying Charterers*), which is regularly involved and experienced in the chartering of vessels; and
- (b) any other Charterer acceptable to the Facility Agent, acting with the authorisation of the Majority Lenders (such authorisation not to be unreasonably withheld, delayed or conditioned).

“**Quiet Enjoyment Agreement**” means, in relation to an Approved Charter, a tripartite agreement between the Security Agent, the relevant Borrower and the Charterer or a letter by the Security Agent addressed to and acknowledged by the Charterer of that Ship, in agreed form providing quiet enjoyment rights of the relevant Charterer.

“**Quotation Day**” means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period unless market practice differs in the Relevant Interbank Market in which case the Quotation Day will be determined by the Facility Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days).

“**Receiver**” means a receiver or receiver and manager or administrative receiver of the whole or any part of the Security Assets.

“**Recognised Organisation**” means, in respect of a Ship, an organisation representing that Ship’s flag state and, for the purposes of Clause 25.19 (*Poseidon Principles*), duly authorised to determine whether the relevant Borrower has complied with regulation 22A of Annex VI.

“**Reference Bank Quotation**” means any quotation supplied to the Facility Agent by a Reference Bank.

“**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 the Reference Banks:

(a) if:

- (i) the Reference Bank is a contributor to the Screen Rate; and
- (ii) it consists of a single figure,

as the rate (applied to the relevant Reference Bank and the relevant currency and period) which contributors to the Screen Rate are asked to submit to the relevant administrator; or

(b) in any other case, as the rate at which the relevant Reference Bank could fund itself in dollars for the relevant period with reference to the unsecured wholesale funding market.

“**Reference Banks**” means such entities as may be appointed by the Facility Agent with the approval of the Majority Lenders in consultation with the Borrowers.

“**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 Interbank Market**” means the London interbank market.

“**Relevant Jurisdiction**” means, in relation to a Transaction Obligor and any Approved Manager:

- (a) its Original Jurisdiction;
- (b) any jurisdiction where any asset subject to, or intended to be subject to, any of the Transaction Security created, or intended to be created, by it is situated;
- (c) any jurisdiction where it conducts its business; and
- (d) the jurisdiction whose laws govern the perfection of any of the Security Documents entered into by it.

“**Relevant Nominating Body**” means any applicable central bank, regulator or other supervisory authority or a group of them, or any working group or committee sponsored or chaired by, or constituted at the request of, any of them or the Financial Stability Board.

“**Repayment Date**” means each date on which a Repayment Instalment is required to be paid under Clause 6.1 (*Repayment of Loan*).

“**Repayment Instalment**” has the meaning given to it in Clause 6.1 (*Repayment of Loan*).

“**Repeating Representation**” means each of the representations set out in Clause 20 (*Representations*) except Clause 20.10 (*Insolvency*), Clause 20.11 (*No filing or stamp taxes*) and Clause 20.12 (*Deduction of Tax*) and any representation of any Transaction Obligor made in any other Finance Document that is expressed to be a “Repeating Representation” or is otherwise expressed to be repeated.

“**Replacement Benchmark**” means a benchmark rate which is:

- (a) formally designated, nominated or recommended as the replacement for a Screen Rate by:
 - (i) the administrator of that Screen Rate (provided that the market or economic reality that such benchmark rate measures is the same as that measured by that Screen Rate); or
 - (ii) any Relevant Nominating Body,and if replacements have, at the relevant time, been formally designated, nominated or recommended under both paragraphs, the “Replacement Benchmark” will be the replacement under paragraph (ii) above;
- (b) in the opinion of the Majority Lenders and the Borrowers, generally accepted in the international or any relevant domestic syndicated loan markets as the appropriate successor to a Screen Rate; or
- (c) in the opinion of the Majority Lenders and the Borrowers, an appropriate successor to a Screen Rate.

“**Replacement Charter**” means, in relation to a Ship, a Charter substituting another Approved Charter in respect of that Ship which has been cancelled or otherwise terminated early, in terms approved in writing by the Facility Agent acting with the authorisation of the Majority Lenders which authorisation no Lender shall unreasonably withhold, delay or conditioned.

“Representative” means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

“Requisition” means in relation to a Ship:

- (a) any expropriation, confiscation, requisition (excluding a requisition for hire or use which does not involve a requisition for title) or acquisition of that Ship, whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected (whether *de jure* or *de facto*) by any government or official authority or by any person or persons claiming to be or to represent a government or official authority; and
- (b) any capture or seizure of that Ship (including any hijacking or theft) by any person whatsoever.

“Requisition Compensation” includes all compensation or other moneys payable to a Borrower by reason of any Requisition or any arrest or detention of a Ship in the exercise or purported exercise of any lien or claim.

“Resolution Authority” means any body which has authority to exercise any Write-down and Conversion Powers.

“Safety Management Certificate” has the meaning given to it in the ISM Code.

“Safety Management System” has the meaning given to it in the ISM Code.

“Sanctions” means:

- (a) any trade, economic or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctions Authority; or
- (b) any law or regulation enacted, promulgated or issued by any Sanctions Authority after the date of this Agreement; or
- (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 the United States of America, the United Nations, the European Union, each Participating Member State, the Netherlands, the United Kingdom or the governments and official institutions or agencies of any of these, including without limitation OFAC, the United States Department of State and Her Majesty’s Treasury or any (other) relevant governmental or regulatory authority, institution or agency which administers economic or financial sanctions.

“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 dollars for the relevant period displayed on page LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson 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 Thomson 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.

“Screen Rate Contingency Period” means 10 Business Days.

“Screen Rate Replacement Event” means, in relation to a Screen Rate:

- (a) the methodology, formula or other means of determining that Screen Rate has, in the opinion of the Majority Lenders, and the Borrowers materially changed;
- (b)
 - (i)
 - (A) the administrator of that Screen Rate or its supervisor publicly announces that such administrator is insolvent; or
 - (B) information is published in any order, decree, notice, petition or filing, however described, or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body which reasonably confirms that the administrator of that Screen Rate is insolvent,

provided that, in each case, at that time, there is no successor administrator to continue to provide that Screen Rate;
 - (ii) the administrator of that Screen Rate publicly announces that it has ceased or will cease, to provide that Screen Rate permanently or indefinitely and, at that time, there is no successor administrator to continue to provide that Screen Rate;
 - (iii) the supervisor of the administrator of that Screen Rate publicly announces that such Screen Rate has been or will be permanently or indefinitely discontinued; or
 - (iv) the administrator of that Screen Rate or its supervisor announces that that Screen Rate may no longer be used; or
- (c) the administrator of that Screen Rate determines that that Screen Rate should be calculated in accordance with its reduced submissions or other contingency or fallback policies or arrangements and either:
 - (i) the circumstance(s) or event(s) leading to such determination are not (in the opinion of the Majority Lenders and the Borrowers) temporary; or
 - (ii) that Screen Rate is calculated in accordance with any such policy or arrangement for a period no less than the Screen Rate Contingency Period; or
- (d) in the opinion of the Majority Lenders and the Borrowers, that Screen Rate is otherwise no longer appropriate for the purposes of calculating interest under this Agreement.

“Secured Liabilities” means all present and future obligations and liabilities, (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Transaction Obligor and any Approved Manager, to any Secured Party under or in connection with each Finance Document to which it is a party.

“Secured Party” means each Finance Party from time to time party to this Agreement, a Receiver or any Delegate.

“Security” means a mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security.

“Security Assets” means all of the assets of the Transaction Obligors and any Approved Manager which from time to time are, or are expressed to be, the subject of the Transaction Security.

“Security Document” means:

- (a) any Shares Security;
- (b) any Mortgage;
- (c) any Deed of Covenant
- (d) any General Assignment;
- (e) any Account Security;
- (f) any Charterparty Assignment;
- (g) any Hedging Agreement Security;
- (h) any Subordinated Debt Security;
- (i) any other document (whether or not it creates Security) which is executed as security for the Secured Liabilities; or
- (j) any other document designated as such by the Facility Agent and the Borrowers.

“Security Period” means the period starting on the date of this Agreement and ending on the date on which the Facility Agent is satisfied that there is no outstanding Commitment in force and that the Secured Liabilities have been irrevocably and unconditionally paid and discharged in full.

“Security Property” means:

- (a) the Transaction Security expressed to be granted in favour of the Security Agent as trustee for the Secured Parties and all proceeds of that Transaction Security;
- (b) all obligations expressed to be undertaken by a Transaction Obligor or any Approved Manager to pay amounts in relation to the Secured Liabilities to the Security Agent as trustee for the Secured Parties and secured by the Transaction Security together with all representations and warranties expressed to be given by a Transaction Obligor or any Approved Manager or any other person in favour of the Security Agent as trustee for the Secured Parties;

- (c) the Security Agent's interest in any turnover trust created under the Finance Documents;
- (d) any other amounts or property, whether rights, entitlements, choses in action or otherwise, actual or contingent, which the Security Agent is required by the terms of the Finance Documents to hold as trustee on trust for the Secured Parties, except:
 - (i) rights intended for the sole benefit of the Security Agent; and
 - (ii) any moneys or other assets which the Security Agent has transferred to the Facility Agent or (being entitled to do so) has retained in accordance with the provisions of this Agreement.

"Selection Notice" means a notice substantially in the form set out in Part B of Schedule 3 (*Requests*) given in accordance with Clause 9 (*Interest Periods*).

"Servicing Party" means the Facility Agent or the Security Agent.

"Shareholder" means CPLP Gas Operating Corp., a corporation incorporated in the Republic of the Marshall Islands with registered number 110568 whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

"Shares Security" means, in relation to a Borrower, a document creating Security over the shares in that Borrower in agreed form.

"Ship" means Ship A or Ship B.

"Ship A" means the 174,000 cubic metres LNG carrier type of vessel, having Builder's hull number 3106, which is to be constructed by the Builder for, and purchased by, Borrower A under Shipbuilding Contract A and which, on delivery, is to be registered in the name of Borrower A under an Approved Flag further details of which are set out in Schedule 8 (*Details of the Ships*).

"Ship B" means the 174,000 cubic metres LNG carrier type of vessel, having Builder's hull number 3108, which is to be constructed by the Builder for, and purchased by, Borrower B under Shipbuilding Contract B and which, on delivery, is to be registered in the name of Borrower B under an Approved Flag further details of which are set out in Schedule 8 (*Details of the Ships*).

"Shipbuilding Contract" means Shipbuilding Contract A or Shipbuilding Contract B.

"Shipbuilding Contract A" means the shipbuilding contract dated 16 July 2018 and made between (i) the Builder and (ii) Borrower A for the construction by the Builder of Ship A and its purchase by Borrower A.

"Shipbuilding Contract B" means the shipbuilding contract dated 16 July 2018 and made between (i) the Builder and (ii) Borrower B for the construction by the Builder of Ship B and its purchase by Borrower B.

“**Side Letter**” means a letter dated on or about the date of the Deed of Accession, Amendment and Restatement specifying the Permitted Holders to be executed by the Facility Agent, Borrower A and the Parent Guarantor in the agreed form.

“**Specified Time**” means a day or time determined in accordance with Schedule 9 (*Timetables*).

“**Statement of Compliance**” means a Statement of Compliance related to fuel oil consumption pursuant to regulations 6.6 and 6.7 of Annex VI.

“**Subordinated Creditor**” means:

- (a) a Transaction Obligor; or
- (b) any other person who becomes a Subordinated Creditor in accordance with this Agreement.

“**Subordinated Debt Security**” means a Security over Subordinated Liabilities entered into or to be entered into by a Subordinated Creditor in favour of the Security Agent in an agreed form.

“**Subordinated Finance Document**” means:

- (a) a Subordinated Loan Agreement; and
- (b) any other document relating to or evidencing Subordinated Liabilities.

“**Subordinated Liabilities**” means all indebtedness owed or expressed to be owed by the Borrowers to a Subordinated Creditor whether under the Subordinated Finance Documents or otherwise.

“**Subordinated Loan Agreement**” means any loan agreement made or to be made between (i) a Borrower and (ii) a Subordinated Creditor.

“**Subordination Agreement**” means a subordination agreement entered into or to be entered into by each Subordinated Creditor and the Security Agent in agreed form.

“**Subsidiary**” means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Tax Credit**” has the meaning given to it in Clause 12.1 (*Definitions*).

“**Tax Deduction**” has the meaning given to it in Clause 12.1 (*Definitions*).

“**Tax Payment**” has the meaning given to it in Clause 12.1 (*Definitions*).

“**Technical Management Agreement**” means the agreement entered into between a Borrower and the Approved Technical Manager regarding the technical management of a Ship.

“**Termination Date**” means in relation to:

- (a) Tranche A, the date falling seven years from the Utilisation Date of that Tranche; and
- (b) Tranche B, the date falling seven years from the Utilisation Date of the Initial Tranche B Advance.

“**Third Parties Act**” has the meaning given to it in Clause 1.5 (*Third party rights*).

“**Total Commitments**” means the aggregate of the Commitments, being \$260,610,000 at the date of this Agreement.

“**Total Loss**” means, in relation to a Ship:

- (a) actual, constructive, compromised, agreed or arranged total loss of that Ship; or
- (b) any Requisition of that Ship unless that Ship is returned to the full control of the relevant Borrower within 30 days of such Requisition.

“**Total Loss Date**” means, in relation to the Total Loss of 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 that Ship was last heard of;
- (b) in the case of a constructive, compromised, agreed or arranged total loss of that Ship, the earlier of:
 - (i) the date on which a notice of abandonment is given (or deemed or agreed to be given) to the insurers; and
 - (ii) the date of any compromise, arrangement or agreement made by or on behalf of the relevant Borrower with that Ship’s insurers in which the insurers agree to treat that Ship as a total loss; and
- (c) in the case of any other type of Total Loss, the date (or the most likely date) on which it appears to the Facility Agent that the event constituting the total loss occurred.

“**Tranche**” means Tranche A or Tranche B.

“**Tranche A**” means that part of the Loan made or to be made available to Borrower A for the post-delivery financing of Ship A in a principal amount not exceeding \$130,305,000.

“**Tranche B**” means, together, the Initial Tranche B Advance and the Tranche B Increase.

“**Tranche B Increase**” means that part of Tranche B made or to be made available to Borrower B, in case Borrower B enters into a Qualifying Charter after the Utilisation Date of the Initial Tranche B Advance but prior to the expiry of the relevant Availability Period, for the post-delivery financing of Ship B in a principal amount not exceeding \$18,615,000.

“**Transaction Document**” means:

- (a) a Finance Document;
- (b) a Subordinated Finance Document;
- (c) any Charter; or

(d) any other document designated as such by the Facility Agent and a Borrower.

“**Transaction Obligor**” means an Obligor, the Shareholder or any other member of the Group who executes a Transaction Document, but excluding any Charterer.

“**Transaction Security**” means the Security created or evidenced or expressed to be created or evidenced under the Security Documents.

“**Transfer Certificate**” means a certificate in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Facility Agent and the Borrowers.

“**Transfer Date**” means, in relation to an assignment or a transfer, the later of:

- (a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and
- (b) the date on which the Facility Agent executes the relevant Assignment Agreement or Transfer Certificate.

“**UHRC**” means each of Cuba, Iran, North Korea, Sudan, and/or Syria and “**UHRCs**” means together all or any of them unless (i) the Borrowers have requested an update on UHRCs from the Facility Agent in writing and (ii) the Facility Agent has then notified the Borrowers in writing that any such country is no longer an UHRC.

“**UK Bail-In Legislation**” means (to the extent that the United Kingdom is not an EEA Member Country which has implemented, or implements, Article 55 BRRD) Part 1 of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutes or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings).

“**UK Establishment**” means a UK establishment as defined in the Overseas Regulations.

“**Unpaid Sum**” means any sum due and payable but unpaid by a Transaction Obligor under the Finance Documents.

“**US**” means the United States of America.

“**US Tax Obligor**” means:

- (a) a person which is resident for tax purposes in the US; or
- (b) a person some or all of whose payments under the Finance Documents are from sources within the US for US federal income tax purposes.

“**Utilisation**” means a utilisation of the Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Advance is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Part A of Schedule 3 (*Requests*).

“**VAT**” means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere.

“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;
- (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; and
- (c) in relation to any UK Bail-In Legislation:
 - (i) any powers under that UK 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 UK Bail-In Legislation that are related to or ancillary to any of those powers; and
 - (ii) any similar or analogous powers under that UK Bail-In Legislation.

1.2 Construction

- (a) Unless a contrary indication appears, a reference in this Agreement to:
 - (i) the **“Account Bank”**, the **“Co-ordinator”**, the **“Facility Agent”**, any **“Finance Party”**, any **“Hedge Counterparty”**, any **“Lender”**, any **“Obligor”**, any **“Party”**, any **“Secured Party”**, the **“Security Agent”**, any **“Transaction Obligor”** or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under the Finance Documents;

- (ii) “**assets**” includes present and future properties, revenues and rights of every description;
- (iii) a liability which is “**contingent**” means a liability which is not certain to arise and/or the amount of which remains unascertained;
- (iv) “**document**” includes a deed and also a letter, fax, email or telex;
- (v) “**expense**” means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable Tax including VAT;
- (vi) a “**Finance Document**”, a “**Security Document**” or “**Transaction Document**” or any other agreement or instrument is a reference to that Finance Document, Security Document or Transaction Document or other agreement or instrument as amended, replaced, novated, supplemented, extended or restated;
- (vii) a “**group of Lenders**” includes all the Lenders;
- (viii) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (ix) “**law**” includes any order or decree, any form of delegated legislation, 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;
- (x) “**proceedings**” means, in relation to any enforcement provision of a Finance Document, proceedings of any kind, including an application for a provisional or protective measure;
- (xi) a “**person**” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality);
- (xii) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- (xiii) a provision of law is a reference to that provision as amended or re-enacted from time to time;
- (xiv) a time of day is a reference to London time;
- (xv) any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of a jurisdiction other than England, be deemed to include that which most nearly approximates in that jurisdiction to the English legal term;
- (xvi) words denoting the singular number shall include the plural and vice versa; and
- (xvii) “**including**” and “**in particular**” (and other similar expressions) shall be construed as not limiting any general words or expressions in connection with which they are used.

- (b) The determination of the extent to which a rate is “**for a period equal in length**” to an Interest Period shall disregard any inconsistency arising from the last day of that Interest Period being determined pursuant to the terms of this Agreement.
- (c) Section, Clause and Schedule headings are for ease of reference only and are not to be used for the purposes of construction or interpretation of the Finance Documents.
- (d) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under, or in connection with, any Finance Document has the same meaning in that Finance Document or notice as in 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.

1.3 Construction of insurance terms

In this Agreement:

“**approved**” means, for the purposes of Clause 24 (*Insurance Undertakings*), approved in writing by the Facility Agent.

“**excess risks**” means, in respect of a Ship, the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of that Ship in consequence of its insured value being less than the value at which that Ship is assessed for the purpose of such claims.

“**obligatory insurances**” means all insurances effected, or which any Borrower is obliged to effect, under Clause 24 (*Insurance Undertakings*) or any other provision of this Agreement or of another Finance Document.

“**policy**” 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) (1/11/03), clause 8 of the Institute Time Clauses (Hulls) (1/10/83) (1/11/95) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision.

“**war risks**” includes the risk of mines and all risks excluded by clauses 29, 30 or 31 of the International Hull Clauses (1/11/02), clauses 29 or 30 of the International Hull Clauses (1/11/03), clauses 24, 25 or 26 of the Institute Time Clauses (Hulls) (1/11/95) or clauses 23, 24 or 25 of the Institute Time Clauses (Hulls) (1/10/83) or any equivalent provision.

1.4 Agreed forms of Finance Documents

References in Clause 1.1 (*Definitions*) to any Finance Document being in “agreed form” are to that Finance Document:

- (a) in a form attached to a certificate dated the same date as this Agreement (and signed by each Borrower and the Facility Agent); or

- (b) in any other form agreed in writing between each Borrower and the Facility Agent acting with the authorisation of the Majority Lenders or, where Clause 44.2 (*All Lender matters*) applies, all the Lenders.

1.5 Third party rights

- (a) Unless expressly provided to the contrary in a Finance Document, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the “**Third Parties Act**”) to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Subject to Clause 44.3 (*Other exceptions*) but otherwise notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.
- (c) Any Affiliate, Receiver, Delegate or any other person described in paragraph (d) of Clause 14.2 (*Other indemnities*), paragraph (b) of Clause 31.11 (*Exclusion of liability*), Clause 31.21 (*Role of Reference Banks*), Clause 31.22 (*Third Party Reference Banks*) or paragraph (b) of Clause 32.11 (*Exclusion of liability*) may, subject to this Clause 1.5 (*Third party rights*) and the Third Parties Act, rely on any Clause of this Agreement which expressly confers rights on it.

SECTION 2

THE FACILITY

2 THE FACILITY

2.1 The Facility

Subject to the terms of this Agreement, the Lenders make available to the Borrowers a dollar term loan facility in two Tranches in an aggregate amount not exceeding the Total Commitments.

2.2 Finance Parties' rights and obligations

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from a Transaction Obligor is a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with paragraph (c) below. The rights of each Finance Party include any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of the Loan or any other amount owed by a Transaction Obligor which relates to a Finance Party's participation in the Facility or its role under a Finance Document (including any such amount payable to the Facility Agent on its behalf) is a debt owing to that Finance Party by that Transaction Obligor.
- (c) A Finance Party may, except as specifically provided in the Finance Documents, separately enforce its rights under or in connection with the Finance Documents.

2.3 Borrowers' Agent

- (a) Each Borrower by its execution of this Agreement irrevocably appoints the Parent Guarantor to act on its behalf as its agent in relation to the Finance Documents and irrevocably authorises:
 - (i) the Parent Guarantor on its behalf to supply all information concerning itself contemplated by this Agreement to the Finance Parties and to give all notices and instructions (including Utilisation Requests), to make such agreements and to effect the relevant amendments, supplements and variations capable of being given, made or effected by any Borrower notwithstanding that they may affect the Borrower, without further reference to or the consent of that Borrower; and
 - (ii) each Finance Party to give any notice, demand or other communication to that Borrower pursuant to the Finance Documents to the Parent Guarantor,

and in each case the Borrower shall be bound as though the Borrower itself had given the notices and instructions (including, without limitation, any Utilisation Requests) or executed or made the agreements or effected the amendments, supplements or variations, or received the relevant notice, demand or other communication.

- (b) Every act, omission, agreement, undertaking, settlement, waiver, amendment, supplement, variation, notice or other communication given or made by the Parent Guarantor or given to the Parent Guarantor under any Finance Document on behalf of a Borrower or in connection with any Finance Document (whether or not known to any Borrower) shall be binding for all purposes on that Borrower as if that Borrower had expressly made, given or concurred with it. In the event of any conflict between any notices or other communications of the Parent Guarantor and any Borrower, those of the Parent Guarantor shall prevail.

3 PURPOSE

3.1 Purpose

Each Borrower shall apply all amounts borrowed by it under the Facility only for the purpose stated in the preamble (Background) to this Agreement.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4 CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Borrowers may not deliver a Utilisation Request unless the Facility Agent has received all of the documents and other evidence listed in Part A of Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Facility Agent.

4.2 Further conditions precedent

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) if:

- (a) on the date of the Utilisation Request and on the proposed Utilisation Date and before the Advance is made available:
- (i) no Default is continuing or would result from the proposed Advance;
 - (ii) the Repeating Representations to be made by each Transaction Obligor are true;
 - (iii) the provisions of paragraph (b) of Clause 10.3 (*Market disruption*) do not apply; and
- (b) in the case of the Advance under Tranche A and the Initial Tranche B Advance, the Facility Agent has received on or before the relevant Utilisation Date, or is satisfied it will receive when that Advance is made available, all of the documents and other evidence listed in Schedule 1 Part B of Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Facility Agent; and
- (c) if applicable, in the case of the Tranche B Increase, the Facility Agent has received on or before the relevant Utilisation Date, or is satisfied that it will receive when that Advance is made available, all of the documents and other evidence listed in Part C of Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Facility Agent.

4.3 Notification of satisfaction of conditions precedent

- (a) The Facility Agent shall notify the Borrowers and the Lenders promptly upon being satisfied as to the satisfaction of the conditions precedent referred to in Clause 4.1 (*Initial conditions precedent*) and Clause 4.2 (*Further conditions precedent*).
- (b) Other than to the extent that the Majority Lenders notify the Facility Agent in writing to the contrary before the Facility Agent gives the notification described in paragraph (a) above, the Lenders authorise (but do not require) the Facility Agent to give that notification. The Facility Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

4.4 Waiver of conditions precedent

If all Lenders, at their discretion, permit an Advance to be borrowed before any of the conditions precedent referred to in Clause 4.1 (*Initial conditions precedent*) or Clause 4.2 (*Further conditions precedent*) has been satisfied, the Borrowers shall ensure that that condition is satisfied within five Business Days after the relevant Utilisation Date or such later date as the Facility Agent, acting with the authorisation of all Lenders, may agree in writing with the Borrowers.

SECTION 3

UTILISATION

5 UTILISATION

5.1 Delivery of a Utilisation Request

- (a) The Borrowers may utilise the Facility by delivery to the Facility Agent of a duly completed Utilisation Request not later than the Specified Time.
- (b) The Borrowers may not deliver more than one Utilisation Request for each of Tranche A, the Initial Tranche B Advance and the Tranche B Increase.

5.2 Completion of a Utilisation Request

- (a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
 - (i) the proposed Utilisation Date is a Business Day within the relevant Availability Period;
 - (ii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*); and
 - (iii) the proposed Interest Period complies with Clause 9 (*Interest Periods*).
- (b) Only one Advance may be requested in each Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be dollars.
- (b) The amount of the proposed Advance must be an amount which is not more than:
 - (i) in respect of the Advance under Tranche A, the lower of (i) 70 per cent. of the Initial Market Value of Ship A and (ii) \$130,305,000;
 - (ii) in respect of the Initial Tranche B Advance:
 - (A) in case Borrower B has not entered into a Qualifying Charter on or prior to the Utilisation Date of the Initial Tranche B Advance, the lower of (i) 60 per cent. of the Initial Market Value of Ship B and (ii) \$111,690,000; or
 - (B) in case Borrower B has entered into a Qualifying Charter on or prior to the Utilisation Date of the Initial Tranche B Advance, the lower of (i) 70 per cent. of the Initial Market Value of Ship B and (ii) \$130,305,000; and
 - (iii) in respect of Tranche B Increase:
 - (A) in case Borrower B has entered into a Qualifying Charter on or prior to the Utilisation Date of the Initial Tranche B Advance, zero; and
 - (B) in case Borrower B has entered into a Qualifying Charter after the Utilisation Date of the Initial Tranche B Advance, \$18,615,000 less:

- (1) if the Tranche B Increase is utilised on or after the date falling 3 Months, but prior to the date falling 6 Months, after the Utilisation Date of the Initial Tranche B Advance, an amount equal to the amount by which the first Instalment B that would have been payable if Borrower B had entered into a Qualifying Charter on or prior to the Utilisation Date of the Initial Tranche B Advance exceeds the first Instalment B that was actually repaid; or
 - (2) if the Tranche B Increase is utilised on the date falling 6 Months after the Utilisation Date of the Initial Tranche B Advance, an amount equal to the aggregate amount by which the first and second Instalment B that would have been payable if Borrower B had entered into a Qualifying Charter on or prior to the Utilisation Date of the Initial Tranche B Advance exceeds the first and second Instalment B that was actually repaid.
- (c) The amount of the proposed Advance must be an amount which is not more than the Available Facility.
- (d) The amount of any proposed Advance must be an amount which would not oblige the Borrowers to provide additional security or prepay part of the Advance if the ratio set out in Clause 26 (*Security Cover*) were applied and notice was given by the Facility Agent under Clause 26.1 (*Minimum required security cover*) immediately after that Advance was made.

5.4 Lenders' participation

- (a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in each Advance available by the Utilisation Date through its Facility Office.
- (b) The amount of each Lender's participation in each Advance will be equal to the proportion borne by its Available Commitment to the Available Facility immediately before making that Advance.
- (c) The Facility Agent shall notify each Lender of the amount of each Advance and the amount of its participation in that Advance by the Specified Time.

5.5 Cancellation of Commitments

The Commitments in respect of any Tranche which are unutilised at the end of the Availability Period for such Tranche shall then be cancelled.

5.6 Retentions and payment to third parties

The Borrowers irrevocably authorise the Facility Agent on each Utilisation Date, to pay to, or for the account of, the Borrower which is to utilise the relevant Advance the balance of the amounts which the Facility Agent receives from the Lenders in respect of the relevant Advance. That payment shall be made in like funds as the Facility Agent received from the Lenders in respect of the relevant Advance, in the case of Tranche A and the Initial Tranche B Advance, to the account of the Builder which the Borrowers specify in the relevant Utilisation Request.

5.7 Disbursement of Advance to third party

Payment by the Facility Agent under Clause 5.6 (*Retentions and payment to third parties*) to a person other than a Borrower shall constitute the making of the relevant Advance and the Borrowers shall at that time become indebted, as principal and direct obligors, to each Lender in an amount equal to that Lender's participation in that Advance.

5.8 Prepositioning of funds

If, in respect of any proposed Advance under any Tranche, the Lenders, at the request of the Borrowers and on terms acceptable to all the Lenders and in their absolute discretion, preposition funds with any bank, each Borrower and the Parent Guarantor:

- (a) agree to pay interest on the amount of the funds so prepositioned at the rate described in Clause 8.1 (*Calculation of interest*) on the basis of successive interest periods of one day and so that interest shall be paid together with the first payment of interest on such Advance after the Utilisation Date in respect of it or, if such Utilisation Date does not occur, within three Business Days of demand by the Facility Agent; and
- (b) shall, without duplication, indemnify each Finance Party against any costs, loss or liability it may incur in connection with such arrangement.

REPAYMENT, PREPAYMENT AND CANCELLATION

6 REPAYMENT

6.1 Repayment of Loan

The Borrowers shall repay the Loan as follows:

- (a) Tranche A shall be repaid by:
- (i) 28 consecutive quarterly instalments (each an “**Instalment A**”), each in an amount equal to the relevant Applicable Instalment A Amount, the first of which shall be repaid on the date falling 3 Months after the Utilisation Date of that Tranche, each subsequent Instalment A shall be repaid at quarterly intervals thereafter and the last Instalment A shall be repaid on the Termination Date in relation to that Tranche; and
 - (ii) a balloon payment in an amount equal to the principal amount then outstanding in relation to that Tranche (the “**Balloon Instalment A**” and together with Instalments A, the “**Repayment Instalments A**”) which shall be repaid on the Termination Date in relation to that Tranche.
- (b) Tranche B shall be repaid by:
- (i) 28 consecutive quarterly instalments (each an “**Instalment B**”), each in an amount equal to the relevant Applicable Instalment B Amount, the first of which shall be repaid on the date falling 3 Months after the first Utilisation Date of that Tranche, each subsequent Instalment B shall be repaid at quarterly intervals thereafter and the last Instalment B shall be repaid on the Termination Date in relation to that Tranche; and
 - (ii) a balloon payment in an amount equal to the principal amount then outstanding in relation to that Tranche (the “**Balloon Instalment B**” and together with Instalments B, the “**Repayment Instalments B**” and together with the Repayment Instalments A, the “**Repayment Instalments**”) which shall be repaid on the Termination Date in relation to that Tranche.

In this Clause 6.1 (*Repayment of Loan*):

“**Applicable Instalment A Amount**” means:

- (i) in relation to each of the first to the twelfth (inclusive) Instalments A, an amount equal to the aggregate of:
 - (A) 1/72nd of (1) the aggregate amount of Tranche A borrowed under this Agreement *minus* (2) \$9,000,000; and
 - (B) \$750,000.
- (ii) in relation to each of the thirteenth to twenty-eighth (inclusive) Instalments A:

- (A) if no prepayment has been made in relation to Tranche A pursuant to Clause 7.6 (*Cash Sweep*), an amount equal to 1/72nd of (1) the aggregate amount of Tranche A borrowed under this Agreement *minus* (2) \$9,000,000; or
- (B) if a prepayment has been made in relation to Tranche A pursuant to Clause 7.6 (*Cash Sweep*), an amount equal to:
 - (1) 1/72nd of (AA) the aggregate amount of Tranche A borrowed under this Agreement *minus* (BB) \$9,000,000; *less*
 - (2) 1/60th of the amount prepaid in relation to Tranche A pursuant to Clause 7.6 (*Cash Sweep*).

“**Applicable Instalment B Amount**” means:

- (iii) If Borrower B:
 - (A) has entered into a Qualifying Charter by the Utilisation Date of the Initial Tranche B Advance and such Qualifying Charter has a duration (without taking account of any optional extension periods) of not less than 5 years; or
 - (B) has not entered into a Qualifying Charter by the Utilisation Date of the Initial Tranche B Advance and for so long the Tranche B Increase has not been utilised,
an amount equal to 1/72nd of the amount of Initial Tranche B Advance borrowed under this Agreement;
- (iv) If Borrower B has not entered into a Qualifying Charter by the Utilisation Date of the Initial Tranche B Advance but:
 - (A) Borrower B enters into a Qualifying Charter after that date and the Tranche B Increase is also utilised after that date; and
 - (B) such Qualifying Charter has a duration (without taking account of any optional extension periods) of not less than 5 years,
an amount equal to the aggregate of:
 - (1) 1/72nd of the amount of the Initial Tranche B Advance borrowed under this Agreement; and
 - (2) 1/72nd of the amount of the maximum amount of the Tranche B Increase that may be borrowed under this Agreement;
- (v) If Borrower B:
 - (A) has entered into a Qualifying Charter by the Utilisation Date of the Initial Tranche B Advance; or
 - (B) has not entered into a Qualifying Charter by the Utilisation Date of the Initial Tranche B Advance but enters into a Qualifying Charter after that date and the Tranche B Increase is also utilised after that date,

and, in either case, such Qualifying Charter has a duration (without taking account of any optional extension periods) of not less than 3 years but no more than 5 years:

- (1) in relation to each of the first to the twelfth (inclusive) Instalments B, an amount equal to the aggregate of:
 - (AA) $\frac{1}{72}$ nd of (aa) the amount of the Initial Tranche B Advance and, only in the circumstances described in paragraph (iii) (B) above, additionally the maximum amount of the Tranche B Increase that may be borrowed under this Agreement *minus* (bb) \$9,000,000; and
 - (BB) \$750,000in relation to each of the thirteenth to twenty-eighth (inclusive) Instalments B:
 - (AA) if no prepayment has been made in relation to Tranche B pursuant to Clause 7.6 (*Cash Sweep*), an amount equal to $\frac{1}{72}$ nd of (aa) the amount of the Initial Tranche B Advance and, only in the circumstances described in paragraph (iii) (B) above, additionally the maximum amount of the Tranche B Increase that may be borrowed under this Agreement *minus* (bb) \$9,000,000;
 - (BB) if a prepayment has been made in relation to Tranche B pursuant to Clause 7.6 (*Cash Sweep*), an amount equal to:
 - (aa) $\frac{1}{72}$ nd of (i) the amount of the Initial Tranche B Advance and, only in the circumstances described in paragraph (iii)(B) above, additionally, the maximum amount of the Tranche B Increase that may be borrowed *minus* (ii) \$9,000,000; *less*
 - (bb) $\frac{1}{60}$ th of the amount prepaid in relation to Tranche B pursuant to Clause 7.6 (*Cash Sweep*).

6.2 Effect of cancellation and prepayment on scheduled repayments

- (a) If the Borrower cancels the whole or any part of any Available Commitment in accordance with Clause 7.8 (*Right of repayment and cancellation in relation to a single Lender*) or if the Available Commitment of any Lender is cancelled under Clause 7.1 (*Illegality*) then the Repayment Instalments falling after that cancellation will reduce pro rata by the amount of the Available Commitments so cancelled.
- (b) If the Borrower cancels the whole or any part of any Available Commitment in accordance with Clause 7.2 (*Voluntary and automatic cancellation*) or if the whole or part of any Commitment is cancelled pursuant to Clause 5.5 (*Cancellation of Commitments*), the Repayment Instalments for each Repayment Date falling after that cancellation will reduce pro rata by the amount of the Commitments so cancelled.
- (c) If any part of the Loan is repaid or prepaid in accordance with Clause 7.8 (*Right of repayment and cancellation in relation to a single Lender*) or Clause 7.1 (*Illegality*) then the Repayment Instalments for each Repayment Date falling after that repayment or prepayment will reduce pro rata by the amount of the Loan repaid or prepaid.

- (d) If any part of the Loan is prepaid in accordance with Clause 7.3 (*Voluntary prepayment of Loan*) then the amount of the Repayment Instalments for each Repayment Date falling after that repayment or prepayment will reduce pro rata by the amount of the Loan repaid or prepaid.
- (e) If any part of the Loan is prepaid in accordance with Clause 7.4 (*Mandatory prepayment on sale or Total Loss*) then the amount of the Repayment Instalments for the relevant Tranche for each Repayment Date falling after that repayment or prepayment will reduce pro rata by the amount of the Loan repaid or prepaid.

6.3 Termination Date

On each Termination Date, the Borrowers shall additionally pay to the Facility Agent for the account of the Finance Parties all other sums then accrued and owing under the Finance Documents.

6.4 Reborrowing

No Borrower may reborrow any part of the Facility which is repaid.

7 PREPAYMENT AND CANCELLATION

7.1 Illegality

If it becomes unlawful and/or contrary to Sanctions, or declared to be contrary to Sanctions or sanctionable by any Sanctions Authority, in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in an Advance or the Loan or it becomes unlawful and/or contrary to Sanctions, or declared to be contrary to Sanctions or sanctionable by any Sanctions Authority for any Affiliate of a Lender for that Lender to do so:

- (a) that Lender shall promptly notify the Facility Agent upon becoming aware of that event;
- (b) upon the Facility Agent notifying the Borrowers, the Available Commitment of that Lender will be immediately cancelled; and
- (c) the Borrowers shall prepay that Lender's participation in the Loan on the last day of the Interest Period for the Loan occurring after the Facility Agent has notified the Borrowers or, if earlier, the date specified by the 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 Lender's corresponding Commitment shall be immediately cancelled in the amount of the participation prepaid.

7.2 Voluntary and automatic cancellation

- (a) The Borrowers may, if they give the Facility Agent not less than 5 Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, cancel the whole or any part (being a minimum amount of the then applicable Repayment Instalment in respect of each Tranche or a multiple of that amount) of the Available Facility. Any cancellation under this Clause 7.2 (*Voluntary and automatic cancellation*) shall reduce the Commitments of the Lenders rateably and the amount of the relevant Tranche(s).

- (b) The unutilised Commitment (if any) of each Lender in respect of a Tranche shall be automatically cancelled at close of business on the date on which the Advance in respect of any part of that Tranche is made available.

7.3 Voluntary prepayment of Loan

- (a) Subject to paragraph (b) below, the Borrowers may, if they give the Facility Agent not less than 5 Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, prepay the whole or any part of the Loan (but, if in part, being an amount that reduces the amount of the Loan by a minimum amount of the then applicable Repayment Instalment in respect of each Tranche or a multiple of that amount).
- (b) The Loan may only be prepaid after the last day of the last Availability Period (or, if earlier, the day on which the Available Facility is zero).

7.4 Mandatory prepayment on sale or Total Loss

- (a) If a Ship is sold (without prejudice to paragraph (a) of Clause 23.12 (*Disposals*)) or becomes a Total Loss, the Borrowers shall on the Relevant Date prepay the Tranche applicable to that Ship.
- (b) On the Relevant Date, the Borrowers shall also prepay such part of the Loan as shall eliminate any shortfall arising if the ratio set out in Clause 26 (*Security Cover*) were applied immediately following the payment referred to in paragraph (a) above.
- (c) Provided that no Event of Default has occurred and is continuing, any remaining proceeds of the sale or Total Loss of a Ship after the prepayments referred to in paragraph (a) and paragraph (b) above have been made together with all other amounts that are payable on any such prepayment pursuant to the Finance Documents shall be paid to the Borrower that owned the relevant Ship.
- (d) In this Clause 7.4 (*Mandatory prepayment on sale or Total Loss*):

“**Relevant Date**” means:

- (i) in the case of a sale of a Ship, on the date on which the sale is completed by delivery of that Ship to the buyer of that Ship; and
- (ii) in the case of a Total Loss of a Ship, on the earlier of:
 - (A) the date falling 180 days after the Total Loss Date; and
 - (B) the date of receipt by the Security Agent of the proceeds of insurance relating to such Total Loss.

7.5 Termination of Approved Charter

- (a) Subject to paragraph (b) below, if the Approved Charter, in relation to each Ship, is frustrated, terminated (except by effluxion of time or in the case of Total Loss of a Ship), cancelled or rescinded prior to its expiration date, the Borrowers shall prepay the Tranche applicable to that Ship on the date falling 120 days after the date of such event (for the purposes of this Clause 7.5 (*Termination of Approved Charter*), the “**Relevant Date**”).

- (b) No prepayment will need to be made pursuant to paragraph (a) of this Clause 7.5 (*Termination of Approved Charter*) if, on or prior to the Relevant Date:
- (i) the Borrower owning the relevant Ship, enters into a Replacement Charter in respect of that Ship and, promptly after the entry into such Replacement Charter, the Borrower owning that Ship has entered into in favour of the Security Agent a Charterparty Assignment and has otherwise complied with its obligations under Clause 25.19 (*Charterparty Assignment*) in respect of that Replacement Charter and any related Charter Guarantee; or
 - (ii) the Facility Agent (acting on the authorization of all the Lenders) agrees otherwise.

7.6 Cash Sweep

- (a) If:
- (i) the Initial Charter in respect of Ship A is not extended pursuant to its terms by an additional period of 2 years on or prior to the date falling 27 months after the Utilisation Date of Tranche A; or
 - (ii) the Qualifying Charter in respect of Ship B has a duration (without taking account of any optional extension periods) of not less than 3 years but no more than 5 years and is not extended by an additional period of 2 years on or prior to the date falling 27 months after the Utilisation Date of the Initial Tranche B Advance,

the Borrower which is the owner of the relevant Ship shall be obliged to accumulate in its Earnings Account during the period commencing on the date falling 27 months and ending on the date falling 36 months after the relevant first Utilisation Date an amount equal to the Applicable Prepayment Amount, which shall remain blocked on its Earnings Account until it is applied in prepayment of the relevant Tranche or is released pursuant to paragraph (b) or, as the case may be, (c) of this Clause 7.6 (*Cash Sweep*) below.

- (b) Subject to paragraph (c) below, the Applicable Prepayment Amount in relation to each Tranche shall be applied in prepayment of that Tranche on the date falling 36 months after the relevant first Utilisation Date.
- (c) If the relevant Borrower enters into an Extension Charter in respect of the Ship owned by it on or prior to the date falling 36 months after the relevant first Utilisation Date, that Borrower shall not be obliged to make the prepayment required pursuant to paragraph (b) of this Clause 7.6 (*Cash Sweep*) and, subject to:
- (i) no Event of Default having occurred that is continuing at the relevant time; and
 - (ii) the having complied with all its obligations pursuant to Clause 25.19 (*Charterparty Assignment*) in respect of that Extension Charter and any related Charter Guarantee,

the Applicable Prepayment Amount (or any part thereof) shall be freely available to the relevant Borrower.

- (d) In this Clause 7.6 (*Cash Sweep*):

“**Applicable Prepayment Amount**” means, in relation to a Tranche, an amount which, if would be applied in prepayment of that Tranche, when aggregated with the aggregate amount of the Repayments Instalments in respect of that Tranche falling due until the third anniversary of the first Utilisation Date of that Tranche, would result in the outstanding principal amount of that Tranche as at such third anniversary being equal to \$93,075,000.

“**Extension Charter**” means, in relation to a Ship, a time charter in respect of that Ship which satisfies all of the following conditions at the time such Charter is entered into:

- (i) it has a duration (without taking account of any optional extension periods) until no earlier from the date falling 5 years after the first Utilisation Date of the Tranche in respect of that Ship; and
- (ii) it is entered into with a charterer and on terms acceptable to the Majority Lenders (such acceptance not to be unreasonably withheld, delayed or conditioned).

7.7 Mandatory prepayment of Hedging Prepayment Proceeds

Any Hedging Prepayment Proceeds arising as a result of any cancellation or prepayment under this Agreement shall, following payment into the relevant Earnings Account in accordance with Clause 27.2 (*Payment of Earnings*), be applied rateably in respect of each Tranche on the last day of the Interest Period for each Tranche which ends after such payment in.

7.8 Right of repayment and cancellation in relation to a single Lender

- (a) If:
 - (i) any sum payable to any Lender by a Transaction Obligor is required to be increased under paragraph (c) of Clause 12.2 (*Tax gross-up*) 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 12.3 (*Tax indemnity*) or Clause 13.1 (*Increased costs*); or
 - (iii) the Facility Agent receives notification from a Relevant Lender under Clause 10.3 (*Market disruption*),

the Borrowers may:

- (A) whilst in the case of sub-paragraphs (i) and (ii) above the circumstance giving rise to the requirement for that increase or indemnification continues; or
- (B) whilst in the case of sub-paragraph (iii) above the situation in relation to the Relevant Lender 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.

7.9 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 (*Prepayment and Cancellation*) shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made, the amount of that cancellation or prepayment and, if relevant, the part of the Loan to be prepaid or cancelled.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and amounts (if any) payable under the Hedging Agreements in connection with that prepayment and, subject to any Break Costs, without premium or penalty.
- (c) No Borrower may reborrow any part of the Facility which is prepaid.
- (d) No Borrower shall repay or prepay all or any part of the Loan or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.
- (e) No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.
- (f) If the Facility Agent receives a notice under this Clause 7 (*Prepayment and Cancellation*) it shall promptly forward a copy of that notice to either the Borrowers or the affected Lenders and/or Hedge Counterparties, as appropriate.
- (g) If all or part of any Lender's participation in the Loan is repaid or prepaid, an amount of that Lender's Commitment (equal to the amount of the participation which is repaid or prepaid) will be deemed to be cancelled on the date of repayment or prepayment.

7.10 Application of prepayments

Any prepayment of any part of the Loan (other than a prepayment pursuant to Clause 7.1 (*Illegality*) or Clause 7.5 (*Right of repayment and cancellation in relation to a single Lender*)) shall be applied pro rata to each Lender's participation in that part of the Loan.

COSTS OF UTILISATION

8 INTEREST**8.1 Calculation of interest**

The rate of interest on the Loan or any part of the Loan for each Interest Period is the percentage rate per annum which is the aggregate of:

- (a) the Margin; and
- (b) LIBOR.

8.2 Payment of interest

- (a) The Borrowers shall pay accrued interest on the Loan or any part of the Loan on the last day of each Interest Period (each an “**Interest Payment Date**”).
- (b) If an Interest Period is longer than three Months, the Borrowers shall also pay interest then accrued on the Loan or the relevant part of the Loan on the dates falling at three Monthly intervals after the first day of the Interest Period.

8.3 Default interest

- (a) If a Transaction Obligor fails to pay any amount payable by it under a Finance Document other than a Hedging Agreement on its due date, interest shall accrue on the Unpaid Sum from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is 2.00 per cent. per annum higher than the rate which would have been payable if the Unpaid Sum had, during the period of non-payment, constituted part of the Loan in the currency of the Unpaid Sum for successive Interest Periods, each of a duration selected by the Facility Agent. Any interest accruing under this Clause 8.3 (*Default interest*) shall be immediately payable by the Obligor on demand by the Facility Agent.
- (b) If an Unpaid Sum consists of all or part of the Loan which became due on a day which was not the last day of an Interest Period relating to the Loan or that part of the Loan:
 - (i) the first Interest Period for that Unpaid Sum shall have a duration equal to the unexpired portion of the current Interest Period relating to the Loan or that part of the Loan; and
 - (ii) the rate of interest applying to that Unpaid Sum during that first Interest Period shall be 2 per cent. per annum higher than the rate which would have applied if that Unpaid Sum had not become due.
- (c) Default interest (if unpaid) arising on an Unpaid Sum will be compounded with the Unpaid Sum at the end of each Interest Period applicable to that Unpaid Sum but will remain immediately due and payable.

8.4 Notification of rates of interest

- (a) The Facility Agent shall promptly notify the Lenders and the Borrowers of the determination of a rate of interest under this Agreement.
- (b) The Facility Agent shall promptly notify the Borrower of each Funding Rate relating to the Loan, any part of the Loan or any Unpaid Sum.

8.5 Hedging

- (a) On or before the first Utilisation Date, the Borrowers may at their option and the option of the relevant Hedge Counterparties enter into and shall after that date maintain Hedging Agreements in accordance with this Clause 8.5 (*Hedging*).
- (b) The aggregate notional amount of the transactions in respect of the Hedging Agreements to which each Borrower is a party shall not exceed the aggregate amount of the Tranche relating to the Ship owned by that Borrower that is outstanding at the relevant time.
- (c) Each Hedging Agreement shall:
 - (i) be with a Hedge Counterparty and each Hedge Counterparty shall also be a Lender or an Affiliate of a Lender;
 - (ii) be for a term ending no later than the last Termination Date;
 - (iii) have settlement dates coinciding with the Interest Payment Dates; and
 - (iv) provide that the Termination Currency (as defined in the relevant Hedging Agreement) shall be dollars.
- (d) The rights of each Borrower under the Hedging Agreements shall be charged or assigned by way of security under a Hedging Agreement Security.
- (e) The parties to each Hedging Agreement must comply with the terms of that Hedging Agreement.
- (f) Neither a Hedge Counterparty nor a Borrower may amend, supplement, extend or waive the terms of any Hedging Agreement without the consent of the Security Agent.
- (g) Paragraph (f) above shall not apply to an amendment, supplement or waiver that is administrative and mechanical in nature and does not give rise to a conflict with any provision of this Agreement or the Hedging Agreement Security.
- (h) If, at any time, the aggregate notional amount of the transactions in respect of the Hedging Agreements to which a Borrower is a party exceeds or, as a result of any repayment or prepayment under this Agreement, will exceed 100 per cent. of the Tranche relating to the Ship owned by that Borrower at that time, the relevant Borrower must promptly notify the Facility Agent and must, at the request of the Facility Agent, reduce the aggregate notional amount of those transactions by an amount and in a manner satisfactory to the Facility Agent so that it no longer exceeds or will not exceed 100 per cent. of the Tranche relating to the Ship owned by that Borrower then or that will be outstanding.

- (i) Any reductions in the aggregate notional amount of the transactions in respect of the Hedging Agreements in accordance with paragraph (h) above will be apportioned as between those transactions *pro rata*.
- (j) Paragraph (h) above shall not apply to any transactions in respect of any Hedging Agreement under which no Borrower has any actual or contingent indebtedness.
- (k) The Facility Agent must make a request under paragraph (h) above if so required by a Hedge Counterparty.
- (l) Neither a Hedge Counterparty nor a Borrower may terminate or close out any transactions in respect of any Hedging Agreement (in whole or in part) except:
 - (i) in the event of non-payment under any Hedging Agreement unless the payment is made within 3 Business Days of its due date;
 - (ii) in accordance with paragraphs (h)-(k) above;
 - (iii) on the occurrence of an Illegality, Force Majeure, Tax Event or Tax Event Upon Merger (as such expressions are defined in the relevant Hedging Agreement);
 - (iv) in the case of termination or closing out by a Hedge Counterparty, if the Facility Agent serves notice under sub-paragraph (ii) of paragraph (a) of Clause 28.19 (*Acceleration*) or, having served notice under sub-paragraph (iii) of paragraph (a) of Clause 28.19 (*Acceleration*), makes a demand;
 - (v) in the case of any other termination or closing out by a Hedge Counterparty or a Borrower, with the consent of the Facility Agent;
 - (vi) if the Secured Liabilities (other than in respect of the Hedging Agreements) have been irrevocably and unconditionally paid and discharged in full; or
 - (vii) an Event of Default had occurred under Clause 28.7 (*Insolvency*), Clause 28.8 (*Insolvency Proceedings*) or Clause 28.9 (*Creditors' process*);
- (m) If a Hedge Counterparty or a Borrower terminates or closes out a transaction in respect of a Hedging Agreement (in whole or in part) in accordance with sub-paragraph (ii) or (in the case of a Hedge Counterparty only) (iii) of paragraph (l) above, it shall promptly notify the Facility Agent of that termination or close out.
- (n) If a Hedge Counterparty is entitled to terminate or close out any transaction in respect of any Hedging Agreement under sub-paragraph (iii) of paragraph (l) above, such Hedge Counterparty shall promptly terminate or close out such transaction following a request to do so by the Security Agent.
- (o) A Hedge Counterparty may only suspend making payments under a transaction in respect of a Hedging Agreement if a Borrower is in breach of its payment obligations under any transaction in respect of that Hedging Agreement.
- (p) Each Hedge Counterparty consents to, and acknowledges notices of, the charging or assigning by way of security by each Borrower pursuant to the relevant Hedging Agreement Security of its rights under the Hedging Agreements to which it is party in favour of the Security Agent.

- (q) Any such charging or assigning by way of security is without prejudice to, and after giving effect to, the operation of any payment or close-out netting in respect of any amounts owing under any Hedging Agreement.
- (r) The Security Agent shall not be liable for the performance of any of a Borrower's obligations under a Hedging Agreement.
- (s) No Borrower or Hedge Counterparty shall assign any of its rights or transfer any of its rights or obligations under a Hedging Agreement without the consent of the Security Agent.

9 INTEREST PERIODS

9.1 Selection of Interest Periods

- (a) The Borrowers may select the Interest Period for each Tranche in the Utilisation Request for the first Advance in respect of that Tranche. Subject to paragraphs (f) and (h) below and Clause 9.2 (*Changes to Interest Periods*), the Borrowers may select each subsequent Interest Period in respect of a Tranche in a Selection Notice.
- (b) Each Selection Notice is irrevocable and must be delivered to the Facility Agent by the Borrowers not later than the Specified Time.
- (c) If the Borrowers fail to select an Interest Period in the first Utilisation Request or fail to deliver a Selection Notice to the Facility Agent in accordance with paragraphs (a) and (b) above, the relevant Interest Period will, subject to paragraphs (f) and (h) below and Clause 9.2 (*Changes to Interest Periods*), be three Months.
- (d) Subject to this Clause 9 (*Interest Periods*), the Borrowers may select an Interest Period of three, six or twelve Months or any other period agreed between the Borrowers and the Facility Agent (acting on the instructions of all the Lenders).
- (e) An Interest Period in respect of a Tranche or any part of a Tranche shall not extend beyond the relevant Termination Date.
- (f) In respect of a Repayment Instalment, the Borrowers may request in the relevant Selection Notice that an Interest Period for a part of the relevant Tranche equal to such Repayment Instalment shall end on the Repayment Date relating to it and, subject to paragraph (d) above, select a longer Interest Period for the remaining part of that Tranche.
- (g) The first Interest Period for each Tranche shall start on the first Utilisation Date relating to such Tranche and, subject to paragraph (h) below, each subsequent Interest Period shall start on the last day of its preceding Interest Period.
- (h) The first Interest Period for the Advance under the Tranche B Increase shall start on the Utilisation Date of such Advance and end on the last day of the Interest Period applicable to Tranche B on the date on which such Advance is made.
- (i) Except for the purposes of paragraph (f) and paragraph (h) above and Clause 9.2 (*Changes to Interest Periods*), each Tranche shall have one Interest Period only at any time.

9.2 Changes to Interest Periods

- (a) In respect of a Repayment Instalment, prior to determining the interest rate for the relevant Tranche, the Facility Agent may establish an Interest Period for a part of the relevant Tranche equal to such Repayment Instalment to end on the Repayment Date relating to it and the remaining part of that Tranche shall have the Interest Period selected in the relevant Selection Notice, subject to paragraph (d) of Clause 9.1 (*Selection of Interest Periods*).
- (b) If the Facility Agent makes any change to an Interest Period referred to in this Clause 9.2 (*Changes to Interest Periods*), it shall promptly notify the Borrowers and the Lenders.

9.3 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10 CHANGES TO THE CALCULATION OF INTEREST

10.1 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 LIBOR 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 the Specified Time 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 of the Loan (as applicable) and Clause 10.4 (*Cost of funds*) shall apply to the Loan or that part of the Loan for that Interest Period.

10.2 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 the Specified Time, the Reference Bank Rate shall be calculated on the basis of the quotations of the remaining Reference Banks.
- (b) If at or about noon on the Quotation Day none or only one of the Reference Banks supplies a quotation, there shall be no Reference Bank Rate for the relevant Interest Period.

10.3 Market disruption

- (a) If before close of business in London on the Quotation Day 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 whatever source it may reasonably select would be in excess of LIBOR then Clause 10.4 (*Cost of funds*) shall apply to the Loan or that part of the Loan (as applicable) for the relevant Interest Period.
- (b) If, at least one Business Day before a Utilisation Date, the Facility Agent receives notification from a Lender (the “**Affected Lender**”) that for any reason it is unable to obtain dollars in the Relevant Interbank Market in order to fund its participation in an Advance, the Affected Lender’s obligation to participate in that Advance shall be suspended while that situation continues.

10.4 Cost of funds

- (a) If this Clause 10.4 (*Cost of funds*) applies, the rate of interest on each Lender’s share of 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 within 10 Business Days of the first day of that Interest Period (or, if earlier, on the date falling 10 Business Days before the date on which 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 participation in the Loan or that part of the Loan from whatever source it may reasonably select.
- (b) If this Clause 10.4 (*Cost of funds*) applies and the Facility Agent or the Borrowers so require, the Facility Agent and the Borrowers 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 44.4 (*Replacement of Screen Rate*), any substitute or alternative basis agreed pursuant to paragraph (b) above shall, with the prior consent of all the Lenders and the Borrowers, be binding on all Parties.
- (d) If paragraph (e) below does not apply and any rate notified to the Facility Agent under sub-paragraph (ii) of paragraph (a) above is less than zero, the relevant rate shall be deemed to be zero.
- (e) If this Clause 10.4 (*Cost of funds*) applies pursuant to Clause 10.3 (*Market disruption*) and a Lender’s Funding Rate is less than LIBOR, the cost to that Lender of funding its participation in the Loan or the relevant part of the Loan for that Interest Period shall be deemed, for the purposes of paragraph (a) above, to be LIBOR.

10.5 Break Costs

- (a) The Borrowers shall, within five Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of the Loan or Unpaid Sum being paid by a Borrower on a day other than the last day of an Interest Period for the Loan, the relevant part of the Loan or that Unpaid Sum.

- (b) Each Lender shall, as soon as reasonably practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

11 FEES

11.1 Upfront fee

The Borrowers shall pay to the Facility Agent (for the account of the Lenders *pro rata* to their Commitments) on the date falling on the earlier of (i) the first Delivery Date and (ii) 31 January 2021 a non-refundable upfront fee in an amount equal to 0.80 per cent. of the Total Commitments.

11.2 Commitment fee

- (a) The Borrowers shall pay to the Facility Agent (for the account of each Lender) a fee computed at the rate of 0.90 per cent. per annum on that Lender's Available Commitment from time to time for the period commencing on the date of this Agreement and ending at the end of the relevant Availability Period.
- (b) The accrued commitment fee is payable on the last day of each successive period of three Months which ends during the Availability Period, on the last day of the Availability Period and, if cancelled, on the cancelled amount of the relevant Lender's Commitment at the time the cancellation is effective.

11.3 Agency fee

The Borrowers shall pay to the Facility Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

ADDITIONAL PAYMENT OBLIGATIONS

12 TAX GROSS UP AND INDEMNITIES

12.1 Definitions

(a) In this Agreement:

“**Protected Party**” means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“**Tax Payment**” means either the increase in a payment made by an Obligor to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

(b) Unless a contrary indication appears, in this Clause 12 (*Tax Gross Up and Indemnities*) reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

(c) This Clause 12 (*Tax Gross Up and Indemnities*) shall not apply to any Hedging Agreement.

12.2 Tax gross-up

(a) Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

(b) The Borrowers shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. If the Facility Agent receives such notification from a Lender it shall notify the Borrowers and that Obligor.

(c) If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(d) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(e) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Facility Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

12.3 Tax indemnity

- (a) The Obligor shall (within three Business Days of demand by the Facility Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.
- (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Finance Party:
 - (A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,
if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or
 - (ii) to the extent a loss, liability or cost:
 - (A) is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*); or
 - (B) relates to a FATCA Deduction required to be made by a Party.
- (c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Facility Agent of the event which will give, or has given, rise to the claim, following which the Facility Agent shall notify the Obligors.
- (d) A Protected Party shall, on receiving a payment from an Obligor under this Clause 12.3 (*Tax indemnity*), notify the Facility Agent.

12.4 Tax Credit

If an Obligor makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was received; and
- (b) that Finance Party has obtained and utilised that Tax Credit,
the Finance Party shall pay an amount to the Obligor which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor.

12.5 Stamp taxes

The Obligors shall pay and, within three Business Days of demand, indemnify each Secured Party against any cost, loss or liability which that Secured Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.6 VAT

- (a) All amounts expressed to be payable under a Finance Document by any Party to a Finance Party which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, subject to paragraph (b) below, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party under a Finance Document and such Finance Party is required to account to the relevant tax authority for the VAT, that Party must pay to such Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and such Finance Party must promptly provide an appropriate VAT invoice to that Party).
- (b) If VAT is or becomes chargeable on any supply made by any Finance Party (the “**Supplier**”) to any other Finance Party (the “**Recipient**”) under a Finance Document, and any Party other than the Recipient (the “**Relevant Party**”) is required by the terms of any Finance Document to pay an amount equal to the consideration for that supply to the Supplier (rather than being required to reimburse or indemnify the Recipient in respect of that consideration):
- (i) (where the Supplier is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Supplier (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Recipient must (where this sub-paragraph (i) applies) promptly pay to the Relevant Party an amount equal to any credit or repayment the Recipient receives from the relevant tax authority which the Recipient reasonably determines relates to the VAT chargeable on that supply; and
- (ii) (where the Recipient is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Recipient, pay to the Recipient an amount equal to the VAT chargeable on that supply but only to the extent that the Recipient reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.
- (c) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part of it as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.
- (d) Any reference in this Clause 12.6 (VAT) to any Party shall, at any time when that Party is treated as a member of a group or unity (or fiscal unity) for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the person who is treated at that time as making the supply, or (as appropriate) receiving the supply, under the grouping rules (provided for in Article 11 of Council Directive 2006/112/EC (or as implemented by the relevant member state of the European Union)) so that a reference to a Party shall be construed as a reference to that Party or the relevant group or unity (or fiscal unity) of which that Party is a member for VAT purposes at the relevant time or the relevant representative member (or representative or head) of that group or unity at the relevant time (as the case may be).

- (e) In relation to any supply made by a Finance Party to any Party under a Finance Document, if reasonably requested by such Finance Party, that Party must promptly provide such Finance Party with details of that Party's VAT registration and such other information as is reasonably requested in connection with such Finance Party's VAT reporting requirements in relation to such supply.

12.7 FATCA Information

- (a) Subject to paragraph (c) below, each Party shall, within ten Business Days of a reasonable request by another Party:
 - (i) confirm to that other Party whether it is:
 - (A) a FATCA Exempt Party; or
 - (B) not a FATCA Exempt Party; and
 - (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and
 - (iii) 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.
- (b) If a Party confirms to another Party pursuant to sub-paragraph (i) of paragraph (a) 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.
- (c) Paragraph (a) above shall not oblige any Finance Party to do anything and sub-paragraph (iii) of paragraph (a) above shall not oblige any other Party to do anything which would or might in its reasonable opinion constitute a breach of:
 - (i) any law or regulation;
 - (ii) any fiduciary duty; or
 - (iii) any duty of confidentiality.
- (d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with sub-paragraphs (i) or (ii) of paragraph (a) above (including, for the avoidance of doubt, where paragraph (c) 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.

- (e) If a Borrower is a US Tax Obligor, or 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:
 - (i) where a Borrower is a US Tax Obligor and the relevant Lender is an Original Lender, the date of this Agreement;
 - (ii) where a Borrower is a US Tax Obligor on a Transfer Date and the relevant Lender is a New Lender, the relevant Transfer Date; or
 - (iii) where a Borrower is not a US Tax Obligor, the date of a request from the Facility Agent, supply to the Facility Agent:
 - (iv) a withholding certificate on Form W-8, Form W-9 or any other relevant form; or
 - (v) any withholding statement or other document, authorisation or waiver as the Facility Agent may require to certify or establish the status of such Lender under FATCA or that other law or regulation.
- (f) The Facility Agent shall provide any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (e) above to the Borrowers.
- (g) If any withholding certificate, withholding statement, document, authorisation or waiver provided to the Facility Agent by a Lender pursuant to paragraph (e) above is or becomes materially inaccurate or incomplete, that Lender shall promptly update it and provide such updated withholding certificate, withholding statement, document, authorisation or waiver to the Facility Agent unless it is unlawful for the Lender to do so (in which case the Lender shall promptly notify the Facility Agent). The Facility Agent shall provide any such updated withholding certificate, withholding statement, document, authorisation or waiver to the Borrowers.
- (h) The Facility Agent may rely on any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (e) or (g) above without further verification. The Facility Agent shall not be liable for any action taken by it under or in connection with paragraphs (e), (f) or (g) above.

12.8 FATCA Deduction

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no 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.
- (b) Each Party 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 each Obligor and the Facility Agent and the Facility Agent shall notify the other Finance Parties.

13 INCREASED COSTS

13.1 Increased costs

- (a) Subject to Clause 13.3 (*Exceptions*), the Borrowers shall, within three Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of:

- (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation; or
 - (ii) compliance with any law or regulation made,
in each case after the date of this Agreement; or
 - (iii) the implementation, application of or compliance with Basel III or CRD IV or any law or regulation that implements or applies Basel III or CRD IV.
- (b) In this Agreement:
- (i) **“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”.
 - (ii) **“CRD IV”** means:
 - (A) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending regulation (EU) No. 648/2012, as amended by Regulation (EU) 2019/876;
 - (B) Directive 2013/36/EU of the European Parliament and of the Council 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 Directives 2006/48/EC and 2006/49/EC, as amended by Directive (EU) 2019/878; and
 - (C) any other law or regulation which implements Basel III.
 - (iii) **“Increased Costs”** means:
 - (A) a reduction in the rate of return from the Facility or on a Finance Party’s (or its Affiliate’s) overall capital;
 - (B) an additional or increased cost; or

(C) a reduction of any amount due and payable under any Finance Document, which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

13.2 Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Borrowers.
- (b) Each Finance Party shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs.

13.3 Exceptions

Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

- (a) attributable to a Tax Deduction required by law to be made by an Obligor;
- (b) attributable to a FATCA Deduction required to be made by a Party;
- (c) compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 12.3 (*Tax indemnity*) applied);
- (d) compensated for by any payment made pursuant to Clause 14.3 (*Mandatory Cost*);
- (e) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation; or
- (f) incurred by a Hedge Counterparty in its capacity as such.

14 OTHER INDEMNITIES

14.1 Currency indemnity

- (a) If any sum due from an Obligor under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:
 - (i) making or filing a claim or proof against that Obligor; or
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,that Obligor shall, as an independent obligation, on demand, indemnify each Secured Party to which that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.
- (c) This Clause 14.1 (*Currency indemnity*) does not apply to any sum due to a Hedge Counterparty in its capacity as such.

14.2 Other indemnities

- (a) Each Obligor shall, on demand, indemnify each Secured Party against any cost, loss or liability incurred by it as a result of:
 - (i) the occurrence of any Event of Default;
 - (ii) a failure by a Transaction Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 34 (*Sharing among the Finance Parties*);
 - (iii) funding, or making arrangements to fund, its participation in an Advance requested by the Borrowers in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Secured Party alone); or
 - (iv) the Loan (or part of the Loan) not being prepaid in accordance with a notice of prepayment given by the Borrowers.
- (b) Each Obligor shall, on demand, indemnify each Finance Party, each Affiliate of a Finance Party and each officer or employee of a Finance Party or its Affiliate (each such person for the purposes of this Clause 14.2 (*Other indemnities*) an “**Indemnified Person**”), against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by that Indemnified Person pursuant to or in connection with any litigation, arbitration or administrative proceedings or regulatory enquiry, in connection with or arising out of the entry into and the transactions contemplated by the Finance Documents, having the benefit of any Security constituted by the Finance Documents or which relates to the condition or operation of, or any incident occurring in relation to, any Ship unless such cost, loss or liability is caused by the gross negligence or wilful misconduct of that Indemnified Person.
- (c) Without limiting, but subject to any limitations set out in paragraph (b) above, the indemnity in paragraph (b) above shall cover any cost, loss or liability incurred by each Indemnified Person in any jurisdiction:
 - (i) arising or asserted under or in connection with any law relating to safety at sea, the ISM Code, any Environmental Law or any Sanctions;
 - (ii) arising as a result of any breach of Clause 20.35 (*Sanctions*); or
 - (iii) in connection with any Environmental Claim.
- (d) Any Affiliate or any officer or employee of a Finance Party or of any of its Affiliates may rely on this Clause 14.2 (*Other indemnities*) subject to Clause 1.5 (*Third party rights*) and the provisions of the Third Parties Act.

14.3 Mandatory Cost

Each Borrower shall, on demand by the Facility Agent, pay to the Facility Agent for the account of the relevant Lender, such amount which any Lender certifies in a notice to the Facility Agent to be its good faith determination of the amount necessary to compensate it for complying with:

- (a) in the case of a Lender lending from a Facility Office in a Participating Member State, the minimum reserve requirements (or other requirements having the same or similar purpose) of the European Central Bank or any other authority or agency which replaces all or any of its functions) in respect of loans made from that Facility Office; and
- (b) in the case of any Lender lending from a Facility Office in the United Kingdom, any reserve asset, special deposit or liquidity requirements (or other requirements having the same or similar purpose) of the Bank of England (or any other governmental authority or agency) and/or paying any fees to the Financial Conduct Authority and/or the Prudential Regulation Authority (or any other governmental authority or agency which replaces all or any of their functions),

which, in each case, is referable to that Lender's participation in the Loan.

14.4 Indemnity to the Facility Agent

Each Obligor shall, on demand, indemnify the Facility Agent against:

- (a) any cost, loss or liability incurred by the Facility Agent (acting reasonably) as a result of:
 - (i) investigating any event which it reasonably believes is a Default; or
 - (ii) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised; or
 - (iii) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under the Finance Documents; and
- (b) any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Facility Agent (otherwise than by reason of the Facility Agent's gross negligence or wilful misconduct) or, in the case of any cost, loss or liability pursuant to Clause 35.11 (*Disruption to Payment Systems etc.*) notwithstanding the Facility Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent in acting as Facility Agent under the Finance Documents.

14.5 Indemnity to the Security Agent

- (a) Each Obligor shall, on demand, indemnify the Security Agent and every Receiver and Delegate against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by any of them:
 - (i) in relation to or as a result of:
 - (A) any failure by a Borrower to comply with its obligations under Clause 16 (*Costs and Expenses*);

- (B) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;
 - (C) the taking, holding, protection or enforcement of the Finance Documents and the Transaction Security;
 - (D) the exercise of any of the rights, powers, discretions, authorities and remedies vested in the Security Agent and each Receiver and Delegate by the Finance Documents or by law;
 - (E) any default by any Transaction Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents;
 - (F) any action by any Transaction Obligor which vitiates, reduces the value of, or is otherwise prejudicial to, the Transaction Security; and
 - (G) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under the Finance Documents.
- (ii) acting as Security Agent, Receiver or Delegate under the Finance Documents or which otherwise relates to any of the Security Property or the performance of the terms of this Agreement or the other Finance Documents (otherwise, in each case, than by reason of the relevant Security Agent's, Receiver's or Delegate's gross negligence or wilful misconduct).
- (b) The Security Agent and every Receiver and Delegate may, in priority to any payment to the Secured Parties, indemnify itself out of the Security Assets in respect of, and pay and retain, all sums necessary to give effect to the indemnity in this Clause 14.5 (*Indemnity to the Security Agent*) and shall have a lien on the Transaction Security and the proceeds of the enforcement of the Transaction Security for all monies payable to it.

15 MITIGATION BY THE FINANCE PARTIES

15.1 Mitigation

- (a) Each Finance Party shall, in consultation with the Borrowers, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax Gross Up and Indemnities*), Clause 13 (*Increased Costs*) or paragraph (a) of Clause 14.3 (*Mandatory Cost*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of any Transaction Obligor under the Finance Documents.

15.2 Limitation of liability

- (a) Each Obligor shall, on demand, indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*).
- (b) A Finance Party is not obliged to take any steps under Clause 15.1 (*Mitigation*) if either:

- (i) a Default has occurred and is continuing; or
- (ii) in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

16 COSTS AND EXPENSES

16.1 Transaction expenses

The Obligors shall, on demand, pay the Facility Agent, the Security Agent and the Co-ordinator the amount of all costs and expenses (including legal fees) reasonably incurred by any Secured Party in connection with the negotiation, preparation, printing, execution, syndication and perfection of:

- (a) this Agreement and any other documents referred to in this Agreement or in a Security Document; and
- (b) any other Finance Documents executed after the date of this Agreement.

16.2 Amendment costs

If:

- (a) a Transaction Obligor or any Approved Manager requests an amendment, waiver or consent; or
- (b) an amendment is required either pursuant to Clause 35.9 (*Change of currency*) or as contemplated in Clause 44.4 (*Replacement of Screen Rate*); or
- (c) a Transaction Obligor or any Approved Manager requests, and the Security Agent agrees to, the release of all or any part of the Security Assets from the Transaction Security,

the Obligors shall, on demand, reimburse each of the Facility Agent and the Security Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by each Secured Party in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 Enforcement and preservation costs

The Obligors shall, on demand, pay to each Secured Party the amount of all costs and expenses (including legal fees) incurred by that Secured Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document or the Transaction Security and with any proceedings instituted by or against that Secured Party as a consequence of it entering into a Finance Document, taking or holding the Transaction Security, or enforcing those rights.

GUARANTEES AND JOINT AND SEVERAL LIABILITY OF BORROWERS

17 GUARANTEE AND INDEMNITY – PARENT GUARANTOR**17.1 Guarantee and indemnity**

The Parent Guarantor irrevocably and unconditionally:

- (a) guarantees to each Finance Party punctual performance by each Transaction Obligor other than the Parent Guarantor of all such other Transaction Obligor's obligations under the Finance Documents;
- (b) undertakes with each Finance Party that whenever a Transaction Obligor other than the Parent Guarantor does not pay any amount when due under or in connection with any Finance Document, the Parent Guarantor shall immediately on demand pay that amount as if it were the principal obligor; and
- (c) agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of a Transaction Obligor other than the Parent Guarantor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by the Parent Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 17 (*Guarantee and Indemnity – Parent Guarantor*) if the amount claimed had been recoverable on the basis of a guarantee.

17.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Transaction Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

17.3 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of any Transaction Obligor or any security for those obligations or otherwise) is made by a Secured Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of the Parent Guarantor under this Clause 17 (*Guarantee and Indemnity – Parent Guarantor*) will continue or be reinstated as if the discharge, release or arrangement had not occurred.

17.4 Waiver of defences

The obligations of the Parent Guarantor under this Clause 17 (*Guarantee and Indemnity – Parent Guarantor*) and in respect of any Transaction Security will not be affected or discharged by an act, omission, matter or thing which, but for this Clause 17.4 (*Waiver of defences*), would reduce, release or prejudice any of its obligations under this Clause 17 (*Guarantee and Indemnity – Parent Guarantor*) or in respect of any Transaction Security (without limitation and whether or not known to it or any Secured Party) including:

- (a) any time, waiver or consent granted to, or composition with, any Transaction Obligor or other person;
- (b) the release of any other Transaction Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect or delay in perfecting, or refusal or neglect to take up or enforce, or delay in taking or enforcing any rights against, or security over assets of, any Transaction Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of a Transaction Obligor or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including, without limitation, any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (g) any insolvency or similar proceedings.

17.5 Immediate recourse

The Parent Guarantor waives any right it may have of first requiring any Secured Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person (including without limitation to commence any proceedings under any Finance Document or to enforce any Transaction Security) before claiming or commencing proceedings under this Clause 17 (*Guarantee and Indemnity – Parent Guarantor*). This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

17.6 Appropriations

Until all amounts which may be or become payable by the Transaction Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Secured Party (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Secured Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Parent Guarantor shall not be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from the Parent Guarantor or on account of the Parent Guarantor's liability under this Clause 17 (*Guarantee and Indemnity – Parent Guarantor*).

17.7 Deferral of Parent Guarantor's rights

All rights which the Parent Guarantor at any time has (whether in respect of this guarantee, a mortgage or any other transaction) against any Borrower, any other Transaction Obligor or their respective assets shall be fully subordinated to the rights of the Secured Parties under the Finance Documents and until the end of the Security Period and unless the Facility Agent otherwise directs, the Parent Guarantor will not exercise any rights which it may have (whether in respect of any Finance Document to which it is a Party or any other transaction) by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 17 (*Guarantee and Indemnity – Parent Guarantor*):

- (a) to be indemnified by a Transaction Obligor;
- (b) to claim any contribution from any third party providing security for, or any other guarantor of, any Transaction Obligor's obligations under the Finance Documents;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Secured Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Secured Party;
- (d) to bring legal or other proceedings for an order requiring any Transaction Obligor to make any payment, or perform any obligation, in respect of which the Parent Guarantor has given a guarantee, undertaking or indemnity under Clause 17.1 (*Guarantee and indemnity*);
- (e) to exercise any right of set-off against any Transaction Obligor; and/or
- (f) to claim or prove as a creditor of any Transaction Obligor in competition with any Secured Party.

If the Parent Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Secured Parties by the Transaction Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Secured Parties and shall promptly pay or transfer the same to the Facility Agent or as the Facility Agent may direct for application in accordance with Clause 35 (*Payment Mechanics*).

17.8 Additional security

This guarantee and any other Security given by the Parent Guarantor is in addition to and is not in any way prejudiced by, and shall not prejudice, any other guarantee or Security or any other right of recourse now or subsequently held by any Secured Party or any right of set-off or netting or right to combine accounts in connection with the Finance Documents.

17.9 Applicability of provisions of Guarantee to other Security

Clauses 17.2 (*Continuing guarantee*), 17.3 (*Reinstatement*), 17.4 (*Waiver of defences*), 17.5 (*Immediate recourse*), 17.6 (*Appropriations*), 17.7 (*Deferral of Parent Guarantor's rights*) and 17.8 (*Additional security*) shall apply, with any necessary modifications, to any Security which the Parent Guarantor creates (whether at the time at which it signs this Agreement or at any later time) to secure the Secured Liabilities or any part of them.

18 JOINT AND SEVERAL LIABILITY OF THE BORROWERS

18.1 Joint and several liability

All liabilities and obligations of the Borrowers under this Agreement shall, whether expressed to be so or not, be joint and several.

18.2 Waiver of defences

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 the other Borrower;
- (b) any Lender or the Security Agent entering into any rescheduling, refinancing or other arrangement of any kind with the other Borrower;
- (c) any Lender or the Security Agent releasing the other Borrower or any Security created by a Finance Document; or
- (d) any time, waiver or consent granted to, or composition with the other Borrower or other person;
- (e) the release of the other Borrower or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (f) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the other Borrower or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (g) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the other Borrower or any other person;
- (h) any amendment, novation, supplement, extension, restatement (however fundamental, and whether or not more onerous) or replacement of a Finance Document or any other document or security including, without limitation, any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;
- (i) any unenforceability, illegality or invalidity of any obligation or any person under any Finance Document or any other document or security; or
- (j) any insolvency or similar proceedings.

18.3 Principal Debtor

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 the other Borrower under this Agreement.

18.4 Borrower restrictions

- (a) Subject to paragraph (b) below, during the Security Period no Borrower shall:
- (i) claim any amount which may be due to it from the other Borrower whether in respect of a payment made under, or matter arising out of, this Agreement or any Finance Document, or any matter unconnected with this Agreement or any Finance Document; or
 - (ii) take or enforce any form of security from the other Borrower for such an amount, or in any way seek to have recourse in respect of such an amount against any asset of any other Borrower; or
 - (iii) set off such an amount against any sum due from it to the other Borrower; or
 - (iv) prove or claim for such an amount in any liquidation, administration, arrangement or similar procedure involving the other Borrower; or
 - (v) exercise or assert any combination of the foregoing.
- (b) If during the Security Period, the Facility Agent, by notice to a Borrower, requires it to take any action referred to in paragraph (a) above in relation to the other Borrower, that Borrower shall take that action as soon as practicable after receiving the Facility Agent's notice.

18.5 Deferral of Borrowers' rights

Until all amounts which may be or become payable by the Borrowers under or in connection with the Finance Documents have been irrevocably paid in full and unless the Facility Agent otherwise directs, no Borrower will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents:

- (a) to be indemnified by the other Borrower; or
- (b) to claim any contribution from the other Borrower in relation to any payment made by it under the Finance Documents.

19 GUARANTEE AND INDEMNITY – HEDGE GUARANTORS

19.1 Guarantee and indemnity

Each Hedge Guarantor irrevocably and unconditionally jointly and severally:

- (a) guarantees to each Hedge Counterparty punctual performance by each Borrower of all that Borrower's obligations under the Hedging Agreements;
- (b) undertakes with each Hedge Counterparty that whenever a Borrower does not pay any amount when due under or in connection with any Hedging Agreement, that Hedge Guarantor shall immediately on demand pay that amount as if it were the principal obligor; and
- (c) agrees with each Hedge Counterparty that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Hedge Counterparty immediately on demand against any cost, loss or liability it incurs as a result of a Borrower not paying any amount which would, but for such unenforceability,

invalidity or illegality, have been payable by it under any Hedging Agreement on the date when it would have been due. The amount payable by a Hedge Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 19 (*Guarantee and Indemnity – Hedge Guarantors*) if the amount claimed had been recoverable on the basis of a guarantee.

19.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Borrower under the Hedging Agreements, regardless of any intermediate payment or discharge in whole or in part.

19.3 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of any Borrower or any security for those obligations or otherwise) is made by a Secured Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Hedge Guarantor under this Clause 19 (*Guarantee and Indemnity – Hedge Guarantors*) will continue or be reinstated as if the discharge, release or arrangement had not occurred.

19.4 Waiver of defences

The obligations of each Hedge Guarantor under this Clause 19 (*Guarantee and Indemnity – Hedge Guarantors*) and in respect of any Transaction Security will not be affected or discharged by an act, omission, matter or thing which, but for this Clause 19.4 (*Waiver of defences*), would reduce, release or prejudice any of its obligations under this Clause 19 (*Guarantee and Indemnity – Hedge Guarantors*) or in respect of any Transaction Security (without limitation and whether or not known to it or any Secured Party) including:

- (a) any time, waiver or consent granted to, or composition with, any Transaction Obligor or other person;
- (b) the release of any other Transaction Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect or delay in perfecting, or refusal or neglect to take up or enforce, or delay in taking or enforcing any rights against, or security over assets of, any Transaction Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of a Transaction Obligor or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including, without limitation, any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;

- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (g) any insolvency or similar proceedings.

19.5 Immediate recourse

Each Hedge Guarantor waives any right it may have of first requiring any Secured Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person (including without limitation to commence any proceedings under any Finance Document or to enforce any Transaction Security) before claiming or commencing proceedings under this Clause 19 (*Guarantee and Indemnity – Hedge Guarantors*). This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

19.6 Appropriations

Until all amounts which may be or become payable by the Borrowers under or in connection with the Hedging Agreements have been irrevocably paid in full, each Secured Party (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Secured Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Hedge Guarantor shall be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from any Hedge Guarantor or on account of any Hedge Guarantor's liability under this Clause 19 (*Guarantee and Indemnity – Hedge Guarantors*).

19.7 Deferral of Hedge Guarantors' rights

All rights which each Hedge Guarantor at any time has (whether in respect of this guarantee, a mortgage or any other transaction) against any Borrower, any other Transaction Obligor or their respective assets shall be fully subordinated to the rights of the Secured Parties under the Finance Documents and until the end of the Security Period and unless the Facility Agent otherwise directs, no Hedge Guarantor will exercise any rights which it may have (whether in respect of any Finance Document to which it is a Party or any other transaction) by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 19 (*Guarantee and Indemnity – Hedge Guarantors*):

- (a) to be indemnified by a Transaction Obligor;
- (b) to claim any contribution from any third party providing security for, or any other guarantor of, any Transaction Obligor's obligations under the Finance Documents;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Secured Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Secured Party;

- (d) to bring legal or other proceedings for an order requiring any Transaction Obligor to make any payment, or perform any obligation, in respect of which any Hedge Guarantor has given a guarantee, undertaking or indemnity under Clause 19 (*Guarantee and Indemnity – Hedge Guarantors*);
- (e) to exercise any right of set-off against any Transaction Obligor; and/or
- (f) to claim or prove as a creditor of any Transaction Obligor in competition with any Secured Party.

If a Hedge Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Secured Parties by the Transaction Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Secured Parties and shall promptly pay or transfer the same to the Facility Agent or as the Facility Agent may direct for application in accordance with Clause 35 (*Payment Mechanics*).

19.8 Additional security

This guarantee and any other Security given by a Hedge Guarantor is in addition to and is not in any way prejudiced by, and shall not prejudice, any other guarantee or Security or any other right of recourse now or subsequently held by any Secured Party or any right of set-off or netting or right to combine accounts in connection with the Finance Documents.

19.9 Applicability of provisions of Guarantee to other Security

Clauses 19.2 (*Continuing guarantee*), 19.3 (*Reinstatement*), 19.4 (*Waiver of defences*), 19.5 (*Immediate recourse*), 19.6 (*Appropriations*), 19.7 (*Deferral of Hedge Guarantors' rights*) and 19.8 (*Additional security*) shall apply, with any necessary modifications, to any Security which a Hedge Guarantor creates (whether at the time at which it signs this Agreement or at any later time) to secure the Secured Liabilities or any part of them.

REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

20 REPRESENTATIONS**20.1 General**

Each Obligor makes the representations and warranties set out in this Clause 20 (*Representations*) to each Finance Party on the date of this Agreement **provided that** any representation or warranty is made with respect to an Approved Manager, applies only to the extent it relates to a Ship and/or a Manager's Undertaking.

20.2 Status

- (a) Each Borrower is a corporation, duly incorporated and validly existing in good standing under the law of its Original Jurisdiction.
- (b) The Parent Guarantor is a partnership, duly formed and validly existing in good standing under the law of its Original Jurisdiction.
- (c) It and each Transaction Obligor has the power to own its assets and carry on its business as it is being conducted.

20.3 Shares and ownership

- (a) Borrower A is authorised to issue 100 registered shares of no par value common stock, all of which shares have been issued and are fully paid and non-assessable.
- (b) Borrower B is authorised to issue 100 registered shares of no par value common stock, all of which shares have been issued and are fully paid and non-assessable.
- (c) The legal title to and beneficial interest in the shares in each Borrower is held by the Shareholder free of any Security (other than Permitted Security) or any other claim.
- (d) The Shareholder is authorised to issue 100 registered shares of no par value common stock.
- (e) The legal title to and beneficial interest in the shares in the Shareholder is held by the Parent Guarantor free of any Security (other than Permitted Security) or any other claim.
- (f) None of the shares in any Borrower is subject to any option to purchase, pre-emption rights or similar rights.

20.4 Binding obligations

The obligations expressed to be assumed by it in each Transaction Document to which it is a party are legal, valid, binding and enforceable obligations.

20.5 Validity, effectiveness and ranking of Security

- (a) Each Finance Document to which it is a party does now or, as the case may be, will upon execution and delivery create the Security it purports to create over any assets to which such Security, by its terms, relates, and such Security will, when created or intended to be created, be valid and effective.

- (b) No third party has or will have any Security (except for Permitted Security) over any assets that are the subject of any Transaction Security granted by it.
- (c) The Transaction Security granted by it to the Security Agent or any other Secured Party has or will when created or intended to be created have first ranking priority or such other priority it is expressed to have in the Finance Documents and is not subject to any prior ranking or *pari passu* ranking Security.
- (d) No concurrence, consent or authorisation of any person is required for the creation of or otherwise in connection with any Transaction Security.

20.6 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, each Transaction Document to which it is a party do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) the constitutional documents of any member of the Group; or
- (c) any agreement or instrument binding upon it or any member of the Group or any member of the Group's assets or constitute a default or termination event (however described) under any such agreement or instrument.

20.7 Power and authority

- (a) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise:
 - (i) its entry into, performance and delivery of, each Transaction Document to which it is or will be a party and the transactions contemplated by those Transaction Documents; and
 - (ii) in the case of a Borrower, the registration by that Borrower of the Ship owning by it under the Approved Flag.
- (b) No limit on its powers will be exceeded as a result of the borrowing, granting of security or giving of guarantees or indemnities contemplated by the Transaction Documents to which it is a party.

20.8 Validity and admissibility in evidence

All Authorisations required or desirable:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Transaction Documents to which it is a party; and
- (b) to make the Transaction Documents to which it is a party admissible in evidence in its Relevant Jurisdictions, have been obtained or effected and are in full force and effect.

20.9 Governing law and enforcement

- (a) The choice of governing law of each Transaction Document to which it is a party will be recognised and enforced in its Relevant Jurisdictions.
- (b) Any judgment obtained in relation to a Transaction Document to which it is a party in the jurisdiction of the governing law of that Transaction Document and any arbitral award obtained in relation to a Transaction Document in the seat of that arbitral tribunal as specified in that Transaction Document will be recognised and enforced in its Relevant Jurisdictions.

20.10 Insolvency

No:

- (a) corporate action, legal proceeding or other procedure or step described in paragraph (a) of Clause 28.8 (*Insolvency proceedings*); or
- (b) creditors' process described in Clause 28.9 (*Creditors' process*),

has been taken or, to its knowledge, threatened in relation to a member of the Group; and none of the circumstances described in Clause 28.7 (*Insolvency*) applies to a member of the Group.

20.11 No filing or stamp taxes

Under the laws of its Relevant Jurisdictions it is not necessary that the Finance Documents to which it is a party be registered, filed, recorded, notarised or enrolled with any court or other authority in that jurisdiction or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to the Finance Documents to which it is a party or the transactions contemplated by those Finance Documents except any filing, recording or enrolling or any tax or fee payable in relation to any Transaction Document which is referred to in any legal opinion delivered pursuant to Clause 4 (*Conditions of Utilisation*) and which will be made or paid promptly after the date of the relevant Finance Document.

20.12 Deduction of Tax

It is not required to make any Tax Deduction from any payment it may make under any Finance Document to which it is a party.

20.13 No default

- (a) No Event of Default and, on the date of this Agreement and on each Utilisation Date, no Default is continuing or might reasonably be expected to result from the making of any Utilisation or the entry into, the performance of, or any transaction contemplated by, any Transaction Document.
- (b) No other event or circumstance is outstanding which constitutes a default or a termination event (however described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries) assets are subject which might have a Material Adverse Effect.

20.14 No misleading information

- (a) Any factual information provided by any member of the Group for the purposes of this Agreement was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.
- (b) The financial projections contained in any such information have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.
- (c) Nothing has occurred or been omitted from any such information and no information has been given or withheld that results in any such information being untrue or misleading in any material respect.

20.15 Financial Statements

- (a) Its and any Transaction Obligor's Original Financial Statements were prepared in accordance with GAAP consistently applied.
- (b) Its and any Transaction Obligor's Original Financial Statements give a true and fair view of its or such Transaction Obligor's financial condition as at the end of the relevant financial year and its results of operations during the relevant financial year (consolidated in the case of the Parent Guarantor).
- (c) There has been no material adverse change in its or any Transaction Obligor's assets, business or financial condition (or the assets, business or consolidated financial condition of the Group, in the case of the Parent Guarantor) since 9 October 2020.
- (d) Its and any Transaction Obligor's most recent financial statements delivered pursuant to Clause 21.2 (*Financial statements*):
 - (i) have been prepared in accordance with Clause 21.4 (*Requirements as to financial statements*); and
 - (ii) give a true and fair view of (if audited) or fairly represent (if unaudited) its financial condition as at the end of the relevant financial year and operations during the relevant financial year (consolidated in the case of the Parent Guarantor).
- (e) Since the date of the most recent financial statements delivered pursuant to Clause 21.2 (*Financial statements*) there has been no material adverse change in its or any Transaction Obligor's business, assets or financial condition (or the business or consolidated financial condition of the Group, in the case of the Parent Guarantor).

20.16 Pari passu ranking

Its payment obligations under the Finance Documents to which it is a party rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

20.17 No proceedings pending or threatened

- (a) No litigation, arbitration or administrative proceedings or investigations (including proceedings or investigations relating to any alleged or actual breach of the ISM Code or of the ISPS Code) of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief (having made due and careful enquiry)) been started or threatened against it or any member of the Group.

- (b) No judgment or order of a court, arbitral tribunal or other tribunal or any order or sanction of any governmental or other regulatory body which might reasonably be expected to have a Material Adverse Effect has (to the best of its knowledge and belief (having made due and careful enquiry)) been made against it or any member of the Group.

20.18 Completeness of Shipbuilding Contracts

- (a) The copies of the Shipbuilding Contracts delivered to the Facility before the date of this Agreement are true and complete copies.
- (b) No amendments or additions to any Shipbuilding Contract have been agreed or have any rights under any Shipbuilding Contract been waived.

20.19 No rebates etc.

There is no agreement or understanding to allow or pay any rebate, premium, inducement, commission, discount or other benefit or payment (however described) to any Borrower or any other member of the Group, the Builder or a third party in connection with the purchase by a Borrower of a Ship, other than as disclosed to the Facility Agent in writing on or before the date of this Agreement.

20.20 Valuations

- (a) All information supplied by it or on its behalf to an Approved Valuer for the purposes of a valuation delivered to the Facility Agent in accordance with this Agreement was true and accurate as at the date it was supplied or (if appropriate) as at the date (if any) at which it is stated to be given.
- (b) It has not omitted to supply any information to an Approved Valuer which, if disclosed, would adversely affect any valuation prepared by such Approved Valuer.
- (c) There has been no change to the factual information provided pursuant to paragraph (a) above in relation to any valuation between the date such information was provided and the date of that valuation which, in either case, renders that information untrue or misleading in any material respect.

20.21 No breach of laws

It has not (and no other member of the Group has) breached any law or regulation which breach has or is reasonably likely to have a Material Adverse Effect.

20.22 No Charter

No Ship is subject to any Charter other than a Permitted Charter.

20.23 Compliance with Environmental Laws

All Environmental Laws relating to the ownership, operation and management of each Ship and the business of each member of the Group (as now conducted and as reasonably anticipated to be conducted in the future) and the terms of all Environmental Approvals have been complied with.

20.24 No Environmental Claim

No Environmental Claim has been made or threatened against any member of the Group or any Ship which might reasonably be expected to have a Material Adverse Effect.

20.25 No Environmental Incident

No Environmental Incident has occurred and no person has claimed that an Environmental Incident has occurred.

20.26 ISM and ISPS Code compliance

All requirements of the ISM Code and the ISPS Code as they relate to each Borrower, each Approved Manager and each Ship have been complied with.

20.27 Taxes paid

(a) It is not and no other member of the Group is materially overdue in the filing of any Tax returns and it is not (and no other member of the Group is) overdue in the payment of any amount in respect of Tax.

(b) No claims or investigations are being, or are reasonably likely to be, made or conducted against it (or any other member of the Group) with respect to Taxes.

20.28 Financial Indebtedness

No Borrower or the Shareholder has any Financial Indebtedness outstanding other than Permitted Financial Indebtedness.

20.29 Overseas companies

No Transaction Obligor or any Approved Manager has delivered particulars, whether in its name stated in the Finance Documents or any other name, of any UK Establishment to the Registrar of Companies as required under the Overseas Regulations or, if it has so registered, it has provided to the Facility Agent sufficient details to enable an accurate search against it to be undertaken by the Lenders at the Companies Registry.

20.30 Good title to assets

It and each other member of the Group has good, valid and marketable title to, or valid leases or licences of, and all appropriate Authorisations to use, the assets necessary to carry on its business as presently conducted.

20.31 Ownership

(a) Each of the Borrowers is the sole legal and beneficial owner of all rights and interests which the relevant Shipbuilding Contract creates in favour of that Borrower.

(b) With effect on and from the Delivery Date of each Ship, the relevant Borrower will be the sole legal and beneficial owner of the Ship owning by it, that Ship's Earnings and Insurances.

- (c) With effect on and from the date of its creation or intended creation, each Transaction Obligor and each Approved Manager will be the sole legal and beneficial owner of any asset that is the subject of any Transaction Security created or intended to be created by such Transaction Obligor and Approved Manager.
- (d) The constitutional documents of each Transaction Obligor and each Approved Manager do not and could not restrict or inhibit any transfer of the shares of the Borrowers on creation or enforcement of the security conferred by the Security Documents.

20.32 Centre of main interests and establishments

For the purposes of The Council of the European Union Regulation No. 2015/848 on Insolvency Proceedings (recast)(the “Regulation”), its centre of main interest (as that term is used in Article 3(1) of the Regulation) is situated in Greece.

20.33 Place of business

No Transaction Obligor has a place of business in any country other than Greece and its head office functions are carried out at 3, Iassonos Street 185 37 Piraeus Greece.

20.34 No employee or pension arrangements

No Transaction Obligor has any employees or any liabilities under any pension scheme.

20.35 Sanctions

- (a) No Obligor nor any other member of the Group or any of their affiliates:
 - (i) has violated or is violating any Sanctions;
 - (ii) is a Designated Person;
 - (iii) is using or will use, directly or indirectly, the proceeds of any Loan, or lend, contribute or otherwise make available such proceeds to any person:
 - (A) 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
 - (B) in any other manner that would result in a violation of or exposure to Sanctions by any person (including any person participating in the Facility, whether as underwriter, advisor, investor, or otherwise).
- (b) In relation to each Finance Party, the representations and warranties provided for in this Clause 20.35 (*Sanctions*) shall only apply for the benefit of that Finance Party to the extent that such benefit and the exercise of any rights based on such representations and warranties will not result in a violation of, or conflict with or liability under any provision of Council Regulation (EC) 2271/96. In connection with any amendment, waiver, determination or direction relating to any part of this Clause 20.35 (*Sanctions*) of which a Finance Party does not have the benefit, the Commitments of that Finance Party will be disregarded for all purposes when determining whether the consent of the Majority Lenders (or such other applicable quorum) has been obtained or whether the determination or direction by the Majority Lenders (or such other applicable quorum) has been made.

20.36 US Tax Obligor

No Transaction Obligor is a US Tax Obligor.

20.37 Anti-Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing Laws

- (a) Each Obligor and every other member of the Group has conducted its businesses in compliance with any Anti Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing Laws applicable to it, and has instituted and maintains as at the date of this Agreement adequate policies and procedures, designed to promote and achieve compliance with such laws.
- (b) Neither any member of the Group, nor any agent, director, employee or officer of any member of the Group) has, to the best of its knowledge and belief (having made due and careful enquiry), made or received, or directed or authorised any other person to make or receive, any offer, payment or promise to pay, of any money, gift or other thing of value, directly or indirectly, to or for the use or benefit of any person, where this violates or would violate, or creates or would create liability for it or any other person under, any Anti-Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing Laws.
- (c) Neither any Obligor nor any member of the Group, nor any agent, director, employee or officer of any Obligor or member of the Group is, to the best of its knowledge and belief (having made due and careful enquiry), being investigated by any agency, or party to any proceedings, in each case in relation to any Anti-Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing Laws.
- (d) To the best of its knowledge and belief (having made due and careful enquiry) the operations of each member of the Group are and have been conducted at all times in compliance with the Anti-Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing Laws and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving any Obligor or any of its subsidiaries with respect to the Anti-Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing Laws is pending or, to the best knowledge of each Obligor, threatened in writing.
- (e) To the best of its knowledge and belief (having made due and careful enquiry) the operations of each Obligor and any other member of the Group are and have been conducted at all times in compliance with the Anti-Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing Laws and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving any Obligor or any of its subsidiaries with respect to the Anti-Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing Laws is pending or, to the best knowledge of each Obligor, threatened in writing.
- (f) Each Obligor further represents and warrants that no funds or other consideration that each such Obligor or any member of the Group contributes in connection with any transaction under this Agreement will have been derived from or related to any activity that is deemed criminal under Anti-Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing Laws.
- (g) Each Obligor further confirms that:
 - (i) it is acting for its own account;

- (ii) that it will use the proceeds of the Loan for its own benefit, under its full responsibility and exclusively for the purposes specified in this Agreement; and
- (iii) that the foregoing will not involve or lead to contravention of any Anti-Money Laundering / Combat Terrorist Financing Laws.

20.38 Repetition

The Repeating Representations are deemed to be made by each Obligor by reference to the facts and circumstances then existing on the date of each Utilisation Request, on each Utilisation Date and the first day of each Interest Period.

21 INFORMATION UNDERTAKINGS

21.1 General

The undertakings in this Clause 21 (*Information Undertakings*) remain in force throughout the Security Period unless the Facility Agent, acting with the authorisation of the Majority Lenders (or, where specified, all the Lenders), may otherwise permit.

21.2 Financial statements

The Borrowers shall supply to the Facility Agent in sufficient copies for all the Lenders:

- (a) as soon as they become available, but in any event within 120 days after the end of each of their respective financial years the audited consolidated financial statements of the Parent Guarantor for that financial year; and
- (b) as soon as the same become available, but in any event within 60 days after the end of each 3-month period ending on 31 March, 30 June, 30 September, 31 December in each of their respective financial years the quarterly consolidated unaudited financial statements of the Group, in each case, for that 3-month period (commencing with the financial statements for the 3-month period, ending on 30 September 2021), duly certified as to their correctness by the chief financial officer of the Parent Guarantor.

21.3 Compliance Certificate

- (a) The Parent Guarantor shall supply to the Facility Agent, with each set of financial statements delivered pursuant Clause 21.2 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 22 (*Financial Covenants*) as at the date as at which those financial statements were drawn up.
- (b) Each Compliance Certificate shall be signed by chief financial officer of the Parent Guarantor.

21.4 Requirements as to financial statements

- (a) Each set of financial statements delivered by a Borrower pursuant to Clause 21.2 (*Financial statements*) shall be certified by a director of the relevant company as giving a true and fair view (if audited) or fairly representing (if unaudited) its financial condition and operations as at the date as at which those financial statements were drawn up.
- (b) The Borrowers shall procure that each set of financial statements of a Transaction Obligor delivered pursuant to Clause 21.2 (*Financial statements*) is prepared using GAAP, accounting

practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements for that Transaction Obligor unless, in relation to any set of financial statements, it notifies the Facility Agent that there has been a change in GAAP, the accounting practices or reference periods and its auditors (or, if appropriate, the auditors of the Transaction Obligor) deliver to the Facility Agent:

- (i) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which that Transaction Obligor's Original Financial Statements were prepared; and
- (ii) sufficient information, in form and substance as may be reasonably required by the Facility Agent, to enable the Lenders to determine whether Clause 22 (*Financial Covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and that Transaction Obligor's Original Financial Statements.

Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

21.5 DAC6

- (a) In this Clause 21.5 (*DAC6*), "**DAC6**" means the Council Directive of 25 May 2018 (2018/822/EU) amending Directive 2011/16/EU.
- (b) The Borrowers shall supply to the Facility Agent (in sufficient copies for all the Lenders, if the Facility Agent so requests):
 - (i) promptly upon the making of such analysis or the obtaining of such advice, any analysis made or advice obtained on whether any transaction contemplated by the Transaction Documents or any transaction carried out (or to be carried out) in connection with any transaction contemplated by the Transaction Documents contains a hallmark as set out in Annex IV of DAC6; and
 - (ii) promptly upon the making of such reporting and to the extent permitted by applicable law and regulation, any reporting made to any governmental or taxation authority by or on behalf of any member of the Group or by any adviser to such member of the Group in relation to DAC6 or any law or regulation which implements DAC6 and any unique identification number issued by any governmental or taxation authority to which any such report has been made (if available).

21.6 Information: miscellaneous

Each Obligor shall and shall procure that each other Transaction Obligor shall supply to the Facility Agent (in sufficient copies for all the Lenders, if the Facility Agent so requests):

- (a) promptly at the Facility Agent's request, copies of all notices and minutes relating to any of their extraordinary shareholders' meeting which are dispatched by it to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings or investigations (including proceedings or investigations relating to any alleged or actual breach of the ISM Code or of the ISPS Code) which are current, threatened or pending against any member of the Group, and which might, if adversely determined, have a Material Adverse Effect;

- (c) promptly upon becoming aware of them, the details of any judgment or order of a court, arbitral body or agency which is made against any member of the Group and which might have a Material Adverse Effect;
- (d) promptly, its constitutional documents where these have been amended or varied;
- (e) promptly, such further information and/or documents regarding:
 - (i) each Ship, goods transported on each Ship, its Earnings and its Insurances;
 - (ii) the Security Assets;
 - (iii) compliance of the Transaction Obligors and each Approved Manager with the terms of the Finance Documents;
 - (iv) the financial condition, business and operations of any member of the Group, as any Finance Party (through the Facility Agent) may reasonably request; and
- (f) promptly, such further information and/or documents as any Finance Party (through the Facility Agent) may reasonably request so as to enable such Finance Party to comply with any laws applicable to it or as may be required by any regulatory authority including, without limitation, any information required for Common Reporting Standards (CRS) purposes.

21.7 Notification of Default

- (a) Each Obligor shall notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification has already been provided by another Obligor) and (ii) promptly upon becoming aware of the same, of any breach of any Sanctions applicable to any Ship, any Transaction Obligor, any Approved Manager or any other party to any agreement relating to any Ship.
- (b) Promptly upon a request by the Facility Agent, each Borrower shall supply to the Facility Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

21.8 Use of websites

- (a) Each Obligor may satisfy its obligation under the Finance Documents to which it is a party to deliver any information in relation to those Lenders (the “**Website Lenders**”) which accept this method of communication by posting this information onto an electronic website designated by the Borrowers and the Facility Agent (the “**Designated Website**”) if:
 - (i) the Facility Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method;
 - (ii) both the relevant Obligor and the Facility Agent are aware of the address of and any relevant password specifications for the Designated Website; and

(iii) the information is in a format previously agreed between the relevant Obligor and the Facility Agent.

If any Lender (a “**Paper Form Lender**”) does not agree to the delivery of information electronically then the Facility Agent shall notify the Obligors accordingly and each Obligor shall supply the information to the Facility Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event each Obligor shall supply the Facility Agent with at least one copy in paper form of any information required to be provided by it.

- (b) The Facility Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Obligors or any of them and the Facility Agent.
- (c) An Obligor shall promptly upon becoming aware of its occurrence notify the Facility Agent if:
 - (i) the Designated Website cannot be accessed due to technical failure;
 - (ii) the password specifications for the Designated Website change;
 - (iii) any new information which is required to be provided under this Agreement is posted onto the Designated Website;
 - (iv) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or
 - (v) if that Obligor becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.

If an Obligor notifies the Facility Agent under sub-paragraph (i) or (v) of paragraph (c) above, all information to be provided by the Obligors under this Agreement after the date of that notice shall be supplied in paper form unless and until the Facility Agent and each Website Lender is satisfied that the circumstances giving rise to the notification are no longer continuing.

- (d) Any Website Lender may request, through the Facility Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. The Obligors shall comply with any such request within 10 Business Days.

21.9 “Know your customer” checks

- (a) If:
 - (i) 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;
 - (ii) any change in the status of a Transaction Obligor (or of a Holding Company of a Transaction Obligor) (including, without limitation, a change of ownership of a Transaction Obligor or of a Holding Company of a Transaction Obligor) after the date of this Agreement; or

- (iii) 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 a Finance Party (or, in the case of sub-paragraph (iii) above, 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, each Obligor shall promptly upon the request of any Finance Party supply, or procure the supply of, such documentation and other evidence as is requested by a Servicing Party (for itself or on behalf of any other Finance Party) or any Lender (for itself or, in the case of the event described in sub-paragraph (iii) above, on behalf of any prospective new Lender) in order for such Finance Party or, in the case of the event described in sub-paragraph (iii) above, 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.
- (b) Each Lender shall promptly upon the request of a Servicing Party supply, or procure the supply of, such documentation and other evidence as is requested by the Servicing Party (for itself) in order for that Servicing Party 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.

22 FINANCIAL COVENANTS

22.1 Financial Covenants

The Parent Guarantor shall ensure that at all times:

- (a) the Leverage Ratio shall be less than 75 per cent.;
- (b) the Parent Guarantor and the other members of the Group maintain immediately freely available and unencumbered bank or cash deposits (including time deposits) in an amount of not less than the product of (i) \$500,000 and (ii) the number of Fleet Vessels at that time; and
- (c) the ratio of EBITDA to Net Interest Expense shall be no less than 2:1.

22.2 Definitions

In this Clause 22 (*Financial Covenants*):

“**Accounting Information**” means the annual audited consolidated financial statements or, as the case may be, the quarterly unaudited consolidated financial statements, each in respect of the Parent Guarantor and the Group, to be provided by the Obligors to the Facility Agent in accordance with Clause 21.2 (*Financial statements*).

“**EBITDA**” means, in respect of any relevant period, the aggregate amount of consolidated or combined pre-tax profits of the Group before extraordinary or exceptional items, depreciation, interest, repayment of principal in respect of any loan, rentals under finance leases and similar charges payable.

“**Fleet Vessels**” means all of the vessels from time to time owned by members of the Group (each, a “**Fleet Vessel**”).

“**Leverage Ratio**” means, any relevant time, the ratio (expressed as a percentage) of:

- (a) the Financial Indebtedness of the Group net of any Liquid Assets; and
- (b) the Market Value Adjusted Total Assets (including, without limitation, the Ships).

“**Liquid Assets**” means, at any relevant time hereunder, the aggregate of:

- (a) cash in hand or held with banks or other financial institutions of the Group in dollars or another currency freely convertible into dollars, which is free of any Security (other than a Permitted Security 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 (other than a Permitted Security);
- (c) any cash equivalent of the Group; and
- (d) any marketable securities of the Group,

as stated in the latest Accounting Information.

“**Market Value Adjusted Total Assets**” means, at any time, the Total Assets adjusted to reflect the aggregate Market Value of all the Fleet Vessels.

“**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 (excluding any amounts owing by one member of the Group to another member of the Group) and any net amounts payable under interest rate hedge agreements for the 12-month period commencing on the date of calculation less any income received from any Liquid Assets as stated in the latest Accounting Information.

“**Total Assets**” means, as at any date of calculation or, as the case may be, for any accounting period, the aggregate value of all assets of the Group on a consolidated basis, as stated in the latest Accounting Information.

22.3 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 Parent Guarantor to be issued by two Approved Valuers appointed by the Parent Guarantor, each valuation to be prepared:

- (a) as at a date not more than 30 days prior to the relevant date;
- (b) by an Approved Valuer;
- (c) with or without physical inspection of that Fleet Vessel (as the Facility Agent may require); and
- (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 Charter.

22.4 Equal treatment

If, in the opinion of the Facility Agent (acting on the instructions of all the Lenders), the Parent Guarantor agrees with any lender or other credit provider in the context of a future financing (including any lease financing) made or to be made available to any member of the Group, financial covenants in relation to the Parent Guarantor (the “**Covenants**”), which place such lender or credit provider in a more favourable position than that applicable to the Finance Parties pursuant to the Finance Documents, each Borrower shall, or shall procure that any

relevant Transaction Obligor shall give the Finance Parties the benefit of such Covenants which, in the opinion of the Finance Parties, would place them in an equivalent position as that applicable to the other lender or credit provider at the relevant time. Each Borrower and the Parent Guarantor shall also enter, if required by the Facility Agent (acting on the instructions of all Lenders), into a supplemental agreement to this Agreement or, as the case may be, any of the other Finance Documents, to amend each such document accordingly (with such supplemental agreement or agreements being entered into on or immediately after the date on which the Covenants are granted).

23 GENERAL UNDERTAKINGS

23.1 General

The undertakings in this Clause 23 (*General Undertakings*) remain in force throughout the Security Period except as the Facility Agent, acting with the authorisation of the Majority Lenders (or, where specified, all the Lenders) may otherwise permit **provided that** any undertaking made with respect to an Approved Manager, applies only to the extent it relates to a Ship and/or a Manager's Undertaking.

23.2 Authorisations

Each Obligor shall, and shall procure that each other Transaction Obligor and each Approved Manager will, promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Facility Agent of,

any Authorisation required under any law or regulation of a Relevant Jurisdiction or the state of the Approved Flag at any time of each Ship to enable it to:

- (i) perform its obligations under the Transaction Documents to which it is a party;
- (ii) ensure the legality, validity, enforceability or admissibility in evidence in any Relevant Jurisdiction or in the state of the Approved Flag at any time of each Ship, of any Transaction Document to which it is a party; and
- (iii) own and operate each Ship (in the case of the Borrowers).

23.3 Compliance with laws

Each Obligor shall, and shall procure that each other Transaction Obligor and each Approved Manager will, comply in all respects with all laws and regulations to which it may be subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect.

23.4 Environmental compliance

Each Obligor shall, and shall procure that each other Transaction Obligor and any Approved Manager will, and the Parent Guarantor shall ensure that each other member of the Group will:

- (a) comply with all Environmental Laws;

- (b) obtain, maintain and ensure compliance with all requisite Environmental Approvals;
- (c) implement procedures to monitor compliance with and to prevent liability under any Environmental Law, where failure to do so has or is reasonably likely to have a Material Adverse Effect.

23.5 Environmental Claims

Each Obligor shall, and shall procure that each other Transaction Obligor and any Approved Manager will, (through the Parent Guarantor) promptly upon becoming aware of the same, inform the Facility Agent in writing of:

- (a) any Environmental Claim against any member of the Group which is current, pending or threatened; and
- (b) any facts or circumstances which are reasonably likely to result in any Environmental Claim being commenced or threatened against any member of the Group,

where the claim, if determined against that member of the Group, has or is reasonably likely to have a Material Adverse Effect.

23.6 Taxation

- (a) Each Obligor shall, and the Parent Guarantor shall ensure that each other member of the Group will, pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

- (i) such payment is being contested in good faith;
- (ii) adequate reserves are maintained for those Taxes and the costs required to contest them and both have been disclosed in its latest financial statements delivered to the Facility Agent under Clause 21.2 (*Financial statements*); and
- (iii) such payment can be lawfully withheld and failure to pay those Taxes does not have or is not reasonably likely to have a Material Adverse Effect.

- (b) No Obligor shall and the Obligors shall procure that no other Transaction Obligor will, change its residence for Tax purposes.

23.7 Overseas companies

Each Obligor shall, and shall procure that each other Transaction Obligor and each Approved Manager will, promptly inform the Facility Agent if it delivers to the Registrar particulars required under the Overseas Regulations of any UK Establishment and it shall comply with any directions given to it by the Facility Agent regarding the recording of any Transaction Security on the register which it is required to maintain under The Overseas Companies (Execution of Documents and Registration of Charges) Regulations 2009.

23.8 No change to centre of main interests

No Obligor shall change the location of its centre of main interest (as that term is used in Article 3(1) of the Regulation) from that stated in relation to it in Clause 20.32 (*Centre of main interests and establishments*) and it will create no “**establishment**” (as that term is used in Article 2(10) of the Regulation) in any other jurisdiction.

23.9 **Pari passu ranking**

Each Obligor shall, and shall procure that each other Transaction Obligor and each Approved Manager will, ensure that at all times any unsecured and unsubordinated claims of a Finance Party against it under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.

23.10 **Title**

- (a) Each Borrower shall hold the legal title to, and own the entire beneficial interest in:
 - (i) the Shipbuilding Contract to which it is a party; and
 - (ii) with effect from the relevant Delivery Date, the Ship owned by it, that Ship's Earnings and Insurances.
- (b) With effect on and from its creation or intended creation, each Obligor shall hold the legal title to, and own the entire beneficial interest in any other assets the subject of any Transaction Security created or intended to be created by such Obligor.

23.11 **Negative pledge**

- (a) No Obligor shall, and the Obligors shall procure that no other Transaction Obligor or any Approved Manager will, create or permit to subsist any Security over any of its assets which are the subject of the Security created or intended to be created by the Finance Documents.
- (b) No Obligor shall:
 - (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by a Transaction Obligor or any other member of the Group and, in relation to any such sale, transfer or disposal by the Parent Guarantor, only to the extent that the Parent Guarantor's ability to perform its obligations under the Finance Documents is not adversely affected;
 - (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
 - (iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
 - (iv) enter into any other preferential arrangement having a similar effect,in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.
- (c) Paragraphs (a) and (b) above do not apply to any Permitted Security.

23.12 **Disposals**

- (a) No Borrower shall, and the Obligors shall procure that no other Transaction Obligor (except the Parent Guarantor) will, enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset (including without limitation any Ship, its Earnings or its Insurances).
- (b) The Parent Guarantor shall not enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of substantially all of its assets.
- (c) Paragraph (a) above does not apply to any Charter as all Charters are subject to Clause 25.16 (*Restrictions on chartering, appointment of managers etc.*).

23.13 Merger

No Obligor shall, and the Obligors shall procure that no other Transaction Obligor will, enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction, except for any amalgamation, demerger, merger, consolidation or corporate reconstruction of the Parent Guarantor in circumstances:

- (a) which would result in the Parent Guarantor being the surviving entity; and
- (b) where no Event of Default has occurred which is continuing or would result from the occurrence of such action.

23.14 Change of business

- (a) The Parent Guarantor shall procure that no substantial change is made to the general nature of the business of the Parent Guarantor from that carried on at the date of this Agreement.
- (b) No Borrower shall engage in any business other than the ownership and operation of its Ship.

23.15 Financial Indebtedness

No Borrower or the Shareholder shall incur or permit to be outstanding any Financial Indebtedness except Permitted Financial Indebtedness.

23.16 Expenditure

No Borrower shall incur any expenditure, except for expenditure reasonably incurred in the ordinary course of owning, operating, maintaining and repairing its Ship.

23.17 Shares

No Borrower shall:

- (a) purchase, cancel or redeem any of its shares;
- (b) increase or reduce its authorised shares;
- (c) issue any further shares except to the Shareholder and provided such new shares are made subject to the terms of the Shares Security applicable to that Borrower immediately upon the issue of such new shares in a manner satisfactory to the Security Agent and the terms of that Shares Security are complied with; or
- (d) appoint any further director, officer or secretary of that Borrower (unless the provisions of the Shares Security applicable to that Borrower are complied with).

23.18 Dividends

- (a) If an Event of Default has occurred which is continuing, no Obligor or the Shareholder shall;
- (b) On and from the Utilisation Date of the Tranche B Initial Advance until the date falling 36 Months from that Utilisation Date, if Vessel B is not subject to an Acceptable Charter, Borrower B shall not; and
- (c) If paragraph (a) of Clause 7.6 (*Cash Sweep*) applies for a Borrower, and until an amount equal to the Applicable Prepayment Amount is accumulated in its Earnings Account, that Borrower shall not, in each case:
 - (i) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its shares (or any class of its shares);
 - (ii) repay or distribute any dividend or share premium reserve;
 - (iii) pay any management, advisory or other fee to or to the order of any of its shareholders; or
 - (iv) redeem, repurchase, defease, retire or repay any of its shares or resolve to do so.

In this Clause 23.18 (*Dividends*), “**Acceptable Charter**” means a time charter in respect of Ship B that satisfies all of the following conditions at the time such Charter is entered into:

- (a) it has a duration (without taking account of any optional extension periods) of not less than 12 months; and
- (b) it is entered into by Borrower B with a charterer reasonably acceptable to the Majority Lenders (such acceptance not to be unreasonably withheld, delayed or conditioned).

23.19 Other transactions

No Borrower shall:

- (a) be the creditor in respect of any loan or any form of credit to any person other than another Transaction Obligor and where such loan or form of credit is Permitted Financial Indebtedness;
- (b) give or allow to be outstanding any guarantee or indemnity to or for the benefit of any person in respect of any obligation of any other person or enter into any document under which that Borrower assumes any liability of any other person other than any guarantee or indemnity given under the Finance Documents.
- (c) enter into any material agreement other than:
 - (i) the Transaction Documents;
 - (ii) any other agreement expressly allowed under any other term of this Agreement; and
- (d) enter into any transaction on terms which are, in any respect, less favourable to that Borrower than those which it could obtain in a bargain made at arms' length; or

- (e) 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.

23.20 Unlawfulness, invalidity and ranking; Security imperilled

No Obligor shall, and the Obligors shall procure that no other Transaction Obligor or any Approved Manager will, do (or fail to do) or cause or permit another person to do (or omit to do) anything which is likely to:

- (a) make it unlawful for a Transaction Obligor or any Approved Manager to perform any of its obligations under the Transaction Documents;
- (b) cause any obligation of a Transaction Obligor or any Approved Manager under the Transaction Documents to cease to be legal, valid, binding or enforceable;
- (c) cause any Transaction Document to cease to be in full force and effect;
- (d) cause any Transaction Security to rank after, or lose its priority to, any other Security; and
- (e) imperil or jeopardise the Transaction Security.

23.21 Further assurance

- (a) Each Obligor shall, and shall procure that each other Transaction Obligor and each Approved Manager will (and the Parent Guarantor shall procure that each member of the Group will), promptly, and in any event within the time period specified by the Security Agent do all such acts (including procuring or arranging any registration, notarisation or authentication or the giving of any notice) or execute or procure execution of all such documents (including assignments, transfers, mortgages, charges, notices, instructions, acknowledgments, proxies and powers of attorney), as the Security Agent may specify (and in such form as the Security Agent may require in favour of the Security Agent or its nominee(s)):
 - (i) to create, perfect, vest in favour of the Security Agent or protect the priority of the Security or any right of any kind created or intended to be created under or evidenced by the Finance Documents (which may include the execution of a mortgage, charge, assignment or other Security over all or any of the assets which are, or are intended to be, the subject of the Transaction Security) or for the exercise of any rights, powers and remedies of any of the Secured Parties provided by or pursuant to the Finance Documents or by law;
 - (ii) to confer on the Security Agent or confer on the Secured Parties Security over any property and assets of that Transaction Obligor or Approved Manager located in any jurisdiction equivalent or similar to the Security intended to be conferred by or pursuant to the Finance Documents;
 - (iii) to facilitate or expedite the realisation and/or sale of, the transfer of title to or the grant of, any interest in or right relating to the assets which are, or are intended to be, the subject of the Transaction Security or to exercise any power specified in any Finance Document in respect of which the Security has become enforceable; and/or
 - (iv) to enable or assist the Security Agent to enter into any transaction to commence, defend or conduct any proceedings and/or to take any other action relating to any item of the Security Property.

- (b) Each Obligor shall, and shall procure that each other Transaction Obligor and each Approved Manager will, (and the Parent Guarantor shall procure that each member of the Group will) take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Agent or the Secured Parties by or pursuant to the Finance Documents.
- (c) At the same time as an Obligor delivers to the Security Agent any document executed by itself or another Transaction Obligor or any Approved Manager pursuant to this Clause 23.21 (*Further assurance*), that Obligor shall deliver, or shall procure that such other Transaction Obligor or Approved Manager will deliver, to the Security Agent a certificate signed by an officer of that Obligor or Transaction Obligor or Approved Manager which shall:
 - (i) set out the text of a resolution of that Obligor's or Transaction Obligor's or Approved Manager's directors specifically authorising the execution of the document specified by the Security Agent; and
 - (ii) state that either the resolution was duly passed at a meeting of the directors validly convened and held, throughout which a quorum of directors entitled to vote on the resolution was present, or that the resolution has been signed by all the directors or officers and is valid under that Obligor's or Transaction Obligor's or Approved Manager's articles of incorporation or other constitutional documents.

23.22 Sanctions

- (a) Each Borrower shall, and shall procure that each member of the Group and any of their affiliates:
 - (i) will comply in all respects with Sanctions;
 - (ii) will not, directly or indirectly, use the proceeds of the Facility, or lend, contribute or otherwise make available such proceeds to any person:
 - (A) to fund any activities or business of or with any person that, at the time of such funding, is the subject of Sanctions, or in any other manner that would result in a violation of Sanctions by any person (including any person participating in any Loan, whether as underwriter, advisor, investor, or otherwise); or
 - (B) to fund any activities or business 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;
 - (iii) shall not fund all or part of any payment under a Finance Document out of proceeds, directly or indirectly, 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 or exposed to Sanctions.
- (b) No Transaction Obligor nor any member of the Group nor any Approved Manager or any of their affiliates:
 - (i) will be a Designated Person;

- (ii) has a Designated Party serving as a director, officer or, to the best of its knowledge, employee;
 - (iii) is domiciled, formed or is incorporated in any of the restricted, embargoed or sanctioned countries according to Sanctions (as that term is defined in the most recent applicable laws and regulations in respect of Sanctions);
- (c) In relation to each Finance Party, the representations and warranties provided for in this Clause 23.22 (*Sanctions*) shall only apply for the benefit of that Finance Party to the extent that such benefit and the exercise of any rights based on such representations and warranties will not result in a violation of, or conflict with or liability under any provision of Council Regulation (EC) 2271/96. In connection with any amendment, waiver, determination or direction relating to any part of this Clause 23.22 (*Sanctions*) of which a Finance Party does not have the benefit, the Commitments of that Finance Party will be disregarded for all purposes when determining whether the consent of the Majority Lenders (or such other applicable quorum) has been obtained or whether the determination or direction by the Majority Lenders (or such other applicable quorum) has been made.

23.23 Anti-bribery and corruption and anti-money laundering / combat Terrorist Financing information

Unless such disclosure would constitute an apparent breach of any applicable law or regulation made known to the Facility Agent, the Borrowers shall supply to the Facility Agent (in sufficient copies for all the Lenders, if the Facility Agent so requests):

- (a) promptly upon becoming aware of them, the details of any actual or potential violation by, or creation of liability for, any member of the Group or any agent, director, employee or officer of any member of the Group (or any counterparty of any such person in relation to any transaction contemplated by a Finance Document) of or in relation to any Anti-Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing Laws, or of any investigation or proceedings relating to the same;
- (b) copies of any correspondence delivered to, or received from, any regulatory authorities in relation to any matter referred to in paragraph (a) above at the same time as they are dispatched or promptly upon receipt (as the case may be); and
- (c) promptly upon request by any Finance Party (through the Facility Agent), such further information relating to any matter referred to in paragraphs (a) and (b) above as that Finance Party may reasonably require.

23.24 Anti-Bribery and Corruption Laws and Anti-Money Laundering / Combat Terrorist Financing laws

- (a) No Obligor shall (and shall ensure that no other member of the Group will) directly or indirectly use the proceeds of the Facility for any purpose which would breach any Anti-Bribery and Corruption Law and Anti-Money Laundering / Combat Terrorist Financing Law.
- (b) Each Obligor shall (and shall ensure that each other member of the Group will):
 - (i) conduct its businesses in compliance with Anti-Bribery and Corruption Laws and Anti-Money Laundering Laws.

- (ii) maintain policies and procedures designed to promote and achieve compliance with such laws; and
- (iii) take all reasonable and prudent steps to ensure that each of its agents, directors, employees and officers comply with Anti-Bribery and Corruption Laws and Anti-Money Laundering Laws.

23.25 No variation, release etc. of the Shipbuilding Contracts

Each Borrower shall not, whether by a document, by conduct, by acquiescence or in any other way:

- (a) vary the Shipbuilding Contract to which it is a party without the Facility Agent's consent (such consent not to be unreasonably withheld, delayed or conditioned); or
- (b) release, waive, suspend, subordinate or permit to be lost or impaired any interest or right of any kind which each Borrower has at any time to, in or in connection with, any warranties of quality in favour of the relevant Borrower under the Shipbuilding Contract to which it is a party or in relation to any matter arising out of or in connection with such warranties.

24 INSURANCE UNDERTAKINGS

24.1 General

The undertakings in this Clause 24 (*Insurance Undertakings*) remain in force from the date of this Agreement throughout the rest of the Security Period except as the Facility Agent, acting with the authorisation of the Majority Lenders (or, where specified, all the Lenders) may otherwise permit.

24.2 Maintenance of obligatory insurances

Each Borrower shall keep the Ship owned by it insured at its expense against:

- (a) fire and usual marine risks (including hull and machinery and excess risks);
- (b) war risks;
- (c) protection and indemnity risks; and
- (d) any other risks against which the Facility Agent acting on the instructions of the Majority Lenders considers, having regard to practices and other circumstances prevailing at the relevant time, it would be reasonable for that Borrower to insure and which are specified by the Facility Agent by notice to that Borrower.

24.3 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 hull and machinery and excess risks), in an amount on an agreed value basis at least the greater of:

- (i) an amount which when aggregated with the insured value of the other Ship then subject to a Mortgage is equal to the aggregate of (A) 120 per cent. of the Loan and (B) any deductibles under the relevant insurance policies; and
- (ii) the Market Value of that Ship;
- (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 and in the international marine insurance market but such amount shall not be less than \$1,000,000,000;
- (d) in the case of protection and indemnity risks, in respect of the full tonnage of its Ship;
- (e) on approved terms; and
- (f) 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.

24.4 Further protections for the Finance Parties

In addition to the terms set out in Clause 24.3 (*Terms of obligatory insurances*), each Borrower shall procure that the obligatory insurances effected by it shall:

- (a) subject always to paragraph (b), name that Borrower as the sole named insured unless the interest of every other named insured is limited:
 - (i) in respect of any obligatory insurances for hull and machinery and war risks;
 - (A) to any provable out-of-pocket expenses that it has incurred and which form part of any recoverable claim on underwriters; and
 - (B) to any third party liability claims where cover for such claims is provided by the policy (and then only in respect of discharge of any claims made against it); and
 - (ii) in respect of any obligatory insurances for protection and indemnity risks, to any recoveries it is entitled to make by way of reimbursement following discharge of any third party liability claims made specifically against it;

and every other named insured has undertaken in writing to the Security Agent (in such form as it requires) that any deductible shall be apportioned between that Borrower and every other named insured in proportion to the gross claims made or paid by each of them and that it shall do all things necessary and provide all documents, evidence and information to enable the Security Agent to collect or recover any moneys which at any time become payable in respect of the obligatory insurances;

- (b) whenever the Facility Agent requires, name (or be amended to name) the Security Agent as additional named insured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Security Agent, but without the Security Agent being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

- (c) name the Security Agent as loss payee with such directions for payment as the Facility Agent may specify;
- (d) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Security Agent shall be made without set off, counterclaim or deductions or condition whatsoever;
- (e) provide that the obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Security Agent or any other Finance Party; and
- (f) provide that the Security Agent may make proof of loss if that Borrower fails to do so.

24.5 Renewal of obligatory insurances

Each Borrower shall:

- (a) at least 21 days before the expiry of any obligatory insurance effected by it:
 - (i) notify the Facility Agent of the Approved Brokers (or other insurers) and any protection and indemnity or war risks association through or with which it proposes to renew that obligatory insurance and of the proposed terms of renewal; and
 - (ii) obtain the Facility Agents' approval to the matters referred to in sub-paragraph (i) above;
- (b) at least 14 days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Facility Agent's approval pursuant to paragraph (a) above; and
- (c) procure that the Approved Brokers and/or the approved war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Facility Agent in writing of the terms and conditions of the renewal.

24.6 Copies of policies; letters of undertaking

Each Borrower shall ensure that the Approved Brokers provide the Security Agent with:

- (a) *pro forma* copies of all policies relating to the obligatory insurances which they are to effect or renew; and
- (b) a letter or letters or undertaking in a form required by the Facility Agent and including undertakings by the Approved Brokers that:
 - (i) 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 24.4 (*Further protections for the Finance Parties*);
 - (ii) they will hold such policies, and the benefit of such insurances, to the order of the Security Agent in accordance with such loss payable clause;
 - (iii) they will advise the Security Agent immediately of any material change to the terms of the obligatory insurances;

- (iv) they will, if they have not received notice of renewal instructions from the relevant Borrower or its agents, notify the Security Agent not less than 14 days before the expiry of the obligatory insurances;
- (v) if they receive instructions to renew the obligatory insurances, they will promptly notify the Facility Agent of the terms of the instructions;
- (vi) 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;
- (vii) they will arrange for a separate policy to be issued in respect of the Ship owned by that Borrower forthwith upon being so requested by the Facility Agent;
- (viii) they will notify the Security Agent promptly if they cease to be the brokers through which the obligatory insurances are placed; and
- (ix) they will notify the Security Agent if they receive any notices of cancellation from the underwriters in respect of the insurances.

24.7 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 it is entered provide the Security Agent with:

- (a) a certified copy of the certificate of entry for that Ship;
- (b) a letter or letters of undertaking in such form as may be required by the Facility Agent acting on the instructions of Majority Lenders; and
- (c) 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.

24.8 Deposit of original policies

Each Borrower shall ensure that all policies relating to obligatory insurances effected by it are deposited with the Approved Brokers through which the insurances are effected or renewed.

24.9 Payment of premiums

Each Borrower shall punctually pay all premiums or other sums payable in respect of the obligatory insurances effected by it and produce all relevant receipts when so required by the Facility Agent or the Security Agent.

24.10 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.

24.11 Compliance with terms of insurances

- (a) No Borrower shall do or omit to do (nor permit 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 under an obligatory insurance repayable in whole or in part.
- (b) Without limiting paragraph (a) above, each Borrower shall:
 - (i) 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 sub-paragraph (iii) of paragraph (b) of Clause 24.6 (*Copies of policies; letters of undertaking*)) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Facility Agent has not given its prior approval;
 - (ii) not 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;
 - (iii) make (and promptly supply copies to the Facility Agent 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
 - (iv) not employ the Ship owned by it, nor 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.

24.12 Alteration to terms of insurances

No Borrower shall make or agree to any alteration to the terms of any obligatory insurance or waive any right relating to any obligatory insurance.

24.13 Settlement of claims

Each Borrower shall:

- (a) not settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty; and
- (b) do all things necessary and provide all documents, evidence and information to enable the Security Agent to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

24.14 Provision of copies of communications

Each Borrower shall provide the Security Agent, upon request, with copies of all written communications between that Borrower and:

- (a) the Approved Brokers;

- (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.

24.15 Provision of information

Each Borrower shall promptly provide the Facility Agent (or any persons which it may designate) with any information which the Facility Agent (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 24.16 (*Mortgagee's interest and additional perils insurances*) or dealing with or considering any matters relating to any such insurances,

and the Borrowers shall, forthwith upon demand, indemnify the Security Agent in respect of all fees and other expenses incurred by or for the account of the Security Agent in connection with any such report as is referred to in paragraph (a) above.

24.16 Mortgagee's interest and additional perils insurances

- (a) The Security Agent shall be entitled from time to time to effect, maintain and renew a mortgagee's interest marine insurance and a mortgagee's interest additional perils insurance in such amounts (but not less than 115 per cent. of the Loan), on such terms, through such insurers and generally in such manner as the Security Agent acting on the instructions of the Majority Lenders may from time to time consider appropriate.
- (b) The Borrowers shall upon demand fully indemnify the Security Agent in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any insurance referred to in paragraph (a) above or dealing with, or considering, any matter arising out of any such insurance.

25 SHIP UNDERTAKINGS

25.1 General

The undertakings in this Clause 25 (*Ship Undertakings*) remain in force on and from the date of this Agreement and throughout the rest of the Security Period except as the Facility Agent, acting with the authorisation of the Majority Lenders (or, where specified, all the Lenders) may otherwise permit (such permission not to be unreasonably withheld, delayed or conditioned in respect of paragraph (a) of Clause 25.2 (*Ship's names and registration*)).

25.2 Ships' names and registration

Each Borrower shall, in respect of the Ship owned by it:

- (a) keep that Ship registered in its name under the Approved Flag from time to time at its port of registration;
- (b) not do or allow to be done anything as a result of which such registration might be suspended, cancelled or imperilled;
- (c) not enter into any dual flagging arrangement in respect of that Ship; and
- (d) not change the name of that Ship,

provided that any change of flag of a Ship shall be subject to:

- (i) the prior authorisation of all Lenders;
- (ii) that Ship remaining subject to Security securing the Secured Liabilities created by a first priority or preferred ship mortgage on that Ship and, if appropriate, a first priority deed of covenant collateral to that mortgage (or equivalent first priority Security) on substantially the same terms as the Mortgage on that Ship and, if applicable, any related Deed of Covenant and on such other terms and in such other form as the Facility Agent, acting with the authorisation of the Majority Lenders, shall approve or require; and
- (iii) the execution of such other documentation amending and supplementing the Finance Documents as the Facility Agent, acting with the authorisation of the Majority Lenders, shall approve or require.

25.3 Repair and classification

Each Borrower shall keep the Ship owned by it in a good and safe condition and state of repair:

- (a) consistent with first class ship ownership and management practice; and
- (b) so as to maintain the Approved Classification free of all overdue recommendations and conditions.

25.4 Classification society undertaking

If required by the Facility Agent in writing each Borrower shall, in respect of the Ship owned by it, instruct the relevant Approved Classification Society (and procure that the Approved Classification Society undertakes with the Security Agent):

- (a) to send to the Security Agent, following receipt of a written request from the Security Agent, certified true copies of all original class records held by the Approved Classification Society in relation to that Ship;
- (b) to allow the Security Agent (or its agents), at any time and from time to time, to inspect the original class and related records of that Borrower and that Ship at the offices of the Approved Classification Society and to take copies of them;
- (c) to notify the Security Agent immediately in writing if the Approved Classification Society:

- (i) receives notification from that Borrower or any person that that Ship's Approved Classification Society is to be changed; or
 - (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 Borrower or that Ship's membership of the Approved Classification Society;
- (d) following receipt of a written request from the Security Agent:
- (i) to confirm that that Borrower is not in default of any of its contractual obligations or liabilities to the Approved Classification Society, including confirmation that it has paid in full all fees or other charges due and payable to the Approved Classification Society; or
 - (ii) to confirm that that Borrower is in default of any of its contractual obligations or liabilities to the Approved Classification Society, to specify to the Security Agent in reasonable detail the facts and circumstances of such default, the consequences of such default, and any remedy period agreed or allowed by the Approved Classification Society.

25.5 Modifications

No Borrower shall make any modification or repairs to, or replacement of, any Ship or equipment installed on it which would or might materially alter the structure, type or performance characteristics of that Ship or reduce its value.

25.6 Removal and installation of parts

- (a) Subject to paragraph (b) below, no Borrower shall remove any material part of any Ship, or any item of equipment installed on any Ship unless:
- (i) 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;
 - (ii) the replacement part or item is free from any Security in favour of any person other than the Security Agent; and
 - (iii) the replacement part or item becomes, on installation on that Ship, the property of that Borrower and subject to the security constituted by the Mortgage on that Ship and the related, if applicable, Deed of Covenant.
- (b) 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 that Borrower.

25.7 Surveys

Each Borrower shall submit the Ship owned by it regularly to all periodic or other surveys which may be required for classification purposes and, if so required by the Facility Agent acting on the instructions of the Majority Lenders, provide the Facility Agent, with copies of all survey reports.

25.8 Inspection

Each Borrower shall permit the Security Agent (acting through surveyors or other persons appointed by it for that purpose) to board the Ship owned by it at all reasonable times to inspect its condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections.

25.9 Prevention of and release from arrest

- (a) Each Borrower shall, in respect of the Ship owned by it, promptly discharge:
- (i) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against that Ship, its Earnings or its Insurances;
 - (ii) all Taxes, dues and other amounts charged in respect of that Ship, its Earnings or its Insurances; and
 - (iii) all other outgoings whatsoever in respect of that Ship, its Earnings or its Insurances.
- (b) Each Borrower shall immediately upon receiving notice of the arrest of the Ship owned by it or of its detention in exercise or purported exercise of any lien or claim, take all steps necessary to procure its release by providing bail or otherwise as the circumstances may require.

25.10 Compliance with laws etc.

Each Borrower shall:

- (a) comply, or procure compliance with all laws or regulations:
- (i) relating to its business generally; and
 - (ii) relating to the Ship owned by it, its ownership, employment, operation, management and registration,
- including, but not limited to, the ISM Code, the ISPS Code, all Environmental Laws, all Sanctions and the laws of the Approved Flag;
- (b) obtain, comply with and do all that is necessary to maintain in full force and effect any Environmental Approvals; and
- (c) without limiting paragraph (a) above, not employ the Ship owned by it nor allow its employment, operation or management in any manner contrary to any law or regulation including but not limited to the ISM Code, the ISPS Code and all Environmental Laws.

25.11 ISPS Code

Without limiting paragraph (a) of Clause 25.10 (*Compliance with laws etc.*), each Borrower shall:

- (a) procure that the Ship owned by it and the company responsible for that Ship's compliance with the ISPS Code comply with the ISPS Code; and
- (b) maintain an ISSC for that Ship; and

- (c) notify the Facility Agent immediately in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC.

25.12 Sanctions and Ship trading

Without limiting Clause 25.10 (*Compliance with laws etc.*), each Borrower shall procure:

- (a) that the Ship owned by it shall not be used by or for the benefit of a Designated Person;
- (b) that such Ship shall not be used in trading in any manner contrary to Sanctions (or which could be contrary to Sanctions, if Sanctions were binding on any Obligor or any other member of the Group);
- (c) that such Ship shall not be traded in any manner which would trigger the operation of any sanctions limitation or exclusion clause (or similar) in the Insurances; and
- (d) that each charterparty in respect of that Ship shall contain, for the benefit of that Borrower, language which gives effect to the provisions of paragraph (c) of Clause 25.10 (*Compliance with laws etc.*) as regards Sanctions and of this Clause 26.12 (*Sanctions and Ship trading*) and which permits refusal of employment or voyage orders if compliance would result in a breach of Sanctions (or which would result in a breach of Sanctions if Sanctions were binding on each Transaction Obligor and Approved Manager).

25.13 Trading in war zones or excluded areas

No Borrower shall cause or permit any Ship to enter or trade to any zone which is declared a war zone by any government or by that Ship's war risks insurers or which is otherwise excluded from the scope of coverage of the obligatory insurances unless:

- (a) the prior written consent of the Security Agent acting on the instructions of the Majority Lenders has been given; and
- (b) that Borrower has (at its expense) effected any special, additional or modified insurance cover which the Security Agent acting on the instructions of the Majority Lenders may require.

25.14 Provision of information

Without prejudice to Clause 21.6 (*Information: miscellaneous*) each Borrower shall, in respect of the Ship owned by it, promptly provide the Facility Agent with any information which it requests regarding:

- (a) that Ship, its employment, position and engagements;
- (b) the Earnings and payments and amounts due to its master and crew;
- (c) any expenditure in excess of \$500,000 incurred, or likely to be incurred, in connection with the operation, maintenance or repair of that Ship and any payments made by it in respect of that Ship;
- (d) any towages and salvages; and
- (e) its compliance, the Approved Manager's compliance and the compliance of that Ship with the ISM Code and the ISPS Code,

and, upon the Facility Agent's request, promptly provide copies of any current Charter relating to that Ship, of any current guarantee of any such Charter, the Ship's Safety Management Certificate and any relevant Document of Compliance.

25.15 Notification of certain events

Each Borrower shall, in respect of the Ship owned by it, immediately notify the Facility Agent by fax, confirmed forthwith by letter, of:

- (a) any casualty to that Ship which is or is likely to be or to become a Major Casualty;
- (b) any occurrence as a result of which that Ship has become or is, by the passing of time or otherwise, likely to become a Total Loss;
- (c) any requisition of that Ship for hire;
- (d) any requirement or recommendation made in relation to that Ship by any insurer or classification society or by any competent authority which is not immediately complied with;
- (e) any arrest or detention of that Ship or any exercise or purported exercise of any lien on that Ship or the Earnings;
- (f) any intended dry docking of that Ship;
- (g) any Environmental Claim made against that Borrower or in connection with that Ship, or any Environmental Incident;
- (h) any claim for breach of the ISM Code or the ISPS Code being made against that Borrower, an Approved Manager or otherwise in connection with that Ship;
- (i) 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; or
- (j) any amendment or supplement to a Management Agreement for which the prior consent of the Facility Agent pursuant to paragraph (c) of Clause 25.16 (*Restrictions on chartering, appointment of managers etc.*) is not required,

and each Borrower shall keep the Facility Agent advised in writing on a regular basis and in such detail as the Facility Agent shall require as to that Borrower's, any such Approved Manager's or any other person's response to any of those events or matters.

25.16 Restrictions on chartering, appointment of managers etc.

No Borrower shall, in relation to the Ship owned by it:

- (a) let that Ship on demise charter for any period;
- (b) enter into any time, voyage or consecutive voyage charter in respect of that Ship other than a Permitted Charter;
- (c) terminate or materially amend or supplement a Management Agreement **provided that** for the purposes of this paragraph (c), any amendment to a Management Agreement in respect of the parties thereto, the termination events and penalties and any increase in the management fees in excess of 7 per cent. in any calendar year would be considered material;

- (d) appoint a manager of that Ship other than the Approved Commercial Manager and the Approved Technical Manager or agree to any material alteration to the terms of an Approved Manager's appointment **provided that** for the purposes of this paragraph (d), any amendment to a Management Agreement pursuant to which an Approved Manager has been appointed in respect of the parties thereto, the termination events and penalties and any increase in the management fees in excess of 7 per cent. in any calendar year would be considered material;
- (e) de activate or lay up that Ship; or
- (f) put that Ship into the possession of any person for the purpose of work being done upon it in an amount exceeding or likely to exceed \$1,500,000 (or the equivalent in any other currency) unless that person has first given to the Security Agent and in terms satisfactory to it a written undertaking not to exercise any lien on that Ship or its Earnings for the cost of such work or for any other reason.

25.17 Notice of Mortgage

Each Borrower shall keep the relevant Mortgage registered against the Ship owned by it as a valid first priority or, as the case may be, preferred mortgage, carry, to the extent required by the Approved Flag state, on board that Ship a certified copy of the relevant Mortgage and place and maintain in a conspicuous place in the navigation room and the master's cabin of that Ship a framed printed notice stating that that Ship is mortgaged by that Borrower to the Security Agent.

25.18 Sharing of Earnings

No Borrower shall enter into any agreement or arrangement for the sharing of any Earnings other than for the purposes of this Agreement.

25.19 Charterparty Assignment

If a Borrower enters into any Assignable Charter (subject to obtaining the prior consent of the Facility Agent in accordance with paragraphs (a) and (b) of Clause 25.16 (*Restrictions on chartering, appointment of managers etc.*), that Borrower shall promptly after the date of entry into of such Assignable Charter:

- (a) if such Assignable Charter is a time charterparty, enter into a Charterparty Assignment and the assignment contemplated thereunder shall be notified to the relevant Charterer and any charter guarantor, and the relevant Borrower shall use its best efforts to procure that such Charterer and such charter guarantor acknowledges such assignment in accordance with the terms of such Charterparty Assignment; and
- (b) if such Assignable Charter is a bareboat charter, enter into a Charterparty Assignment or, as the case may be a tripartite agreement, and the assignment contemplated thereunder shall be notified to the relevant Charterer and any charter guarantor, and the relevant Borrower shall use its best efforts to procure that the relevant Charterer or any charter guarantor acknowledges such assignment in accordance with the terms of such Charterparty Assignment, and the relevant Borrower shall procure that the relevant Charterer executes in favour of the Security Agent an assignment of (inter alia) all its rights, title and interest in and to the Insurances in respect of the Ship effected either by that Borrower or by the relevant Charterer and a customary letter of undertaking in favour of the Security Agent whereby (inter alia) the interests of that Charterer under the Charter are subordinated to the interests of the Security Agent under the Finance Documents, and shall additionally deliver to the Facility Agent without delay such other documents equivalent to those referred to at paragraphs 1.2, 1.3, 1.5, 2.4, 5, 6.1, 6.2, 6.5 and 6.6 of Part A of Schedule 2 (*Conditions Precedent*) as the Facility Agent may require from that Borrower in connection with such Charterparty Assignment.

25.20 Poseidon Principles

Each Borrower shall, upon the request of any Lender and at the cost of the Borrowers, on or before 31st July in each calendar year, supply or procure the supply by the relevant Approved Classification Society (as specified by the relevant Lender) to the Facility Agent of all information necessary in order for any Lender to comply with its obligations under the Poseidon Principles in respect of the preceding year, including, without limitation, all ship fuel oil consumption data required to be collected and reported in accordance with Regulation 22A of Annex VI and any Statement of Compliance, in each case relating to the Ship owned by it for the preceding calendar year provided always that, for the avoidance of doubt, such information shall be “Confidential Information” for the purposes of Clause 45 (*Confidential Information*) but the Borrowers acknowledge that, in accordance with the Poseidon Principles, such information will form part of the information published regarding the relevant Lender’s portfolio climate alignment.

25.21 Inventory of Hazardous Materials

Each Borrower shall procure that the Ship owned by it has, from the Delivery Date of that Ship, obtained an Inventory of Hazardous Material, in respect of such Ship which shall be maintained until the Loan has been fully repaid.

25.22 Sustainable and socially responsible dismantling of Ships

Each of the Borrowers and the Parent Guarantor confirms that as long as it is in a lending relationship with the Lenders, it will ensure that any Ship controlled by it or sold to an intermediary with the intention of being scrapped, is recycled at a recycling yard which conducts its recycling business in a socially and environmentally responsible manner, in accordance with the provisions of The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009 and/or EU Ship Recycling Regulation.

25.23 Notification of compliance

Each Borrower shall promptly provide the Facility Agent from time to time with evidence (in such form as the Facility Agent reasonably requires) that it is complying with this Clause 25 (*Ship Undertakings*).

26 SECURITY COVER

26.1 Minimum required security cover

Clause 26.2 (*Provision of additional security; prepayment*) applies if the Facility Agent notifies the Borrowers that,

- (a) the Market Value of each Ship then subject to a Mortgage; plus
- (b) the net realisable value of additional Security previously provided under this Clause 26 (*Security Cover*), is below 120 per cent. of an amount which is the aggregate of (i) the Loan outstanding under the Tranche relating to that Ship and (ii) the Hedging Liabilities in respect of the Tranche relating to that Ship.

26.2 Provision of additional security; prepayment

- (a) If the Facility Agent serves a notice on the Borrowers under Clause 26.1 (*Minimum required security cover*), the Borrowers shall, on or before the date falling 30 days after the date (the “**Prepayment Date**”) on which the Facility Agent’s notice is served, prepay such part of the Loan as shall eliminate the shortfall.
- (b) A Borrower may, instead of making a prepayment as described in paragraph (a) above, provide, or ensure that a third party has provided, additional security which, in the opinion of the Facility Agent acting on the instructions of the Majority Lenders:
 - (i) has a net realisable value at least equal to the shortfall; and
 - (ii) is documented in such terms as the Facility Agent may approve or require,before the Prepayment Date; and conditional upon such security being provided in such manner, it shall satisfy such prepayment obligation.

26.3 Value of additional vessel security

The net realisable value of any additional security which is provided under Clause 26.2 (*Provision of additional security; prepayment*) and which consists of Security over a vessel shall be the Market Value of the vessel concerned.

26.4 Valuations binding

Any valuation under this Clause 26 (*Security Cover*) shall be binding and conclusive as regards each Borrower.

26.5 Provision of information

- (a) Each Borrower shall promptly provide the Facility Agent and any Approved Valuer acting under this Clause 26 (*Security Cover*) with any information which the Facility Agent or the Approved Valuer may request for the purposes of the valuation.
- (b) If a Borrower fails to provide the information referred to in paragraph (a) above by the date specified in the request, the valuation may be made on any basis and assumptions which the Approved Valuer or the Facility Agent considers prudent.

26.6 Prepayment mechanism

Any prepayment pursuant to Clause 26.2 (*Provision of additional security; prepayment*) shall be made in accordance with the relevant provisions of Clause 7 (*Prepayment and Cancellation*) and shall be treated as a voluntary prepayment pursuant to Clause 7.3 (*Voluntary prepayment of Loan*).

26.7 Provision of valuations

- (a) Each Borrower shall provide the Facility Agent annually on December 31st with two valuations of the Ship owned by it and any other vessel over which additional Security has been created in accordance with Clause 26.3 (*Value of additional vessel security*), from an Approved Valuer selected and appointed by the Borrowers, addressed to the Facility Agent, to enable the Facility Agent to determine the Market Value of that Ship throughout the Security Period (in addition to the valuations referred to in paragraph 2.6 of Part B of Schedule 2 (*Conditions Precedent*)).
- (b) If and when the Facility Agent believes (acting reasonably) that the Market Value of any Ship and any other vessel over which additional security has been created in accordance with Clause 26.2 (*Provision of additional security; prepayment*) have reduced to such extent that the security requirements under Clause 26.1 (*Minimum required security cover*) may have been breached, then the Facility Agent may at any time obtain additional sets of valuations of any Ship and any such other vessels from Approved Valuers to enable the Facility Agent to determine the Market Value of that Ship and any such other vessels.
- (c) The cost and expense of:
 - (i) any valuations obtained pursuant to paragraph (a) above;
 - (ii) the first two additional sets of valuations referred to in paragraph (b) above; and
 - (iii) in the event of an Event of Default having occurred, any additional such sets of valuations referred to in paragraph (b) above,shall be borne by the Borrowers and the Borrowers shall within 10 Business Days of demand by the Facility Agent pay to the Facility Agent all costs and expenses incurred by it in obtaining such valuations.

27 ACCOUNTS, APPLICATION OF EARNINGS AND HEDGE RECEIPTS

27.1 Accounts

- (a) No Borrower may, without the prior consent of the Facility Agent, maintain any bank account other than its Earnings Account.
- (b) Until the occurrence of an Event of Default which is continuing, each Borrower may freely dispose of amounts standing to the credit of its Earnings Account, other than any Applicable Prepayment Amount.
- (c) If and when an Event of Default is continuing, no Borrower shall withdraw, transfer or in any other way deal with all or any part of, or any interest in, or attempt to withdraw, transfer or in any other way deal with all or any part of, or any interest in, any amount standing to the credit of any of its Earnings Account.

27.2 Payment of Earnings and Hedge Receipts

Each Borrower shall ensure that:

- (a) subject only to the provisions of the General Assignment to which it is a party, all the Earnings in respect of the Ship owned by it are paid in to its Earnings Account; and

- (b) all Hedge Receipts are paid in to the relevant Borrower's Earnings Account.

27.3 Location of Accounts

Each Borrower shall promptly:

- (a) comply with any requirement of the Facility Agent as to the location or relocation of its Earnings Account; and
- (b) execute any documents which the Facility Agent specifies to create or maintain in favour of the Security Agent Security over (and/or rights of set-off, consolidation or other rights in relation to) the Earnings Accounts.

28 EVENTS OF DEFAULT

28.1 General

Each of the events or circumstances set out in this Clause 28 (*Events of Default*) is an Event of Default except for Clause 28.19 (*Acceleration*) and Clause 28.20 (*Enforcement of security*).

28.2 Non-payment

A Transaction Obligor does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by:
 - (i) administrative or technical error; or
 - (ii) a Disruption Event; and
- (b) payment is made within three Business Days of its due date.

28.3 Specific obligations

A breach occurs of Clause 4.4 (*Waiver of conditions precedent*), Clause 20.35 (*Sanctions*), Clause 22 (*Financial Covenants*), Clause 23.10 (*Title*), Clause 23.11 (*Negative pledge*), Clause 23.20 (*Unlawfulness, invalidity and ranking; Security imperilled*), Clause 23.22 (*Sanctions*), Clause 24.2 (*Maintenance of obligatory insurances*), Clause 24.3 (*Terms of obligatory insurances*), Clause 24.5 (*Renewal of obligatory insurances*) or, save to the extent such breach is a failure to pay and therefore subject to Clause 28.2 (*Non-payment*), Clause 26 (*Security Cover*).

28.4 Other obligations

- (a) A Transaction Obligor or any Approved Manager does not comply with any provision of the Finance Documents (other than those referred to in Clause 28.2 (*Non-payment*) and Clause 28.3 (*Specific obligations*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 10 Business Days of the Facility Agent giving notice to the Borrowers or (if earlier) any Transaction Obligor or any Approved Manager becoming aware of the failure to comply.

28.5 Misrepresentation

Any representation or statement made or deemed to be made by a Transaction Obligor or any Approved Manager in the Finance Documents or any other document delivered by or on behalf of any Transaction Obligor or any Approved Manager under or in connection with any Finance Document is or proves to have been incorrect or misleading when made or deemed to be made.

28.6 Cross default

- (a) Any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).
- (d) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).
- (e) No Event of Default will occur under this Clause 28.6 (*Cross default*) if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than in relation to the Parent Guarantor, \$10,000,000 (or its equivalent in any other currency).

28.7 Insolvency

- (a) A member of the Group:
 - (i) is unable or admits inability to pay its debts as they fall due;
 - (ii) is deemed to, or is declared to, be unable to pay its debts under applicable law;
 - (iii) suspends or threatens to suspend making payments on any of its debts; or
 - (iv) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding any Finance Party in its capacity as such) with a view to rescheduling any of its indebtedness.
- (b) The value of the assets of any member of the Group is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of any indebtedness of any member of the Group. If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium.

28.8 Insolvency proceedings

- (a) Any corporate action, legal proceedings or other procedure or step is taken in relation to:
- (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Group other than a solvent liquidation or reorganisation of any member of the Group which is not a Transaction Obligor;
 - (ii) a composition, compromise, assignment or arrangement with any creditor of any member of the Group;
 - (iii) the appointment of a liquidator (other than in respect of a solvent liquidation of a member of the Group which is not a Transaction Obligor), receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any member of the Group or any of its assets; or
 - (iv) enforcement of any Security over any assets of any member of the Group, or any analogous procedure or step is taken in any jurisdiction.
- (b) Paragraph (a) above shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 14 days of commencement.

28.9 Creditors' process

Any expropriation, attachment, sequestration, distress or execution (or any analogous process in any jurisdiction) affects any asset or assets of a Transaction Obligor (other than an arrest or detention of a Ship referred to in Clause 28.14 (*Arrest*)).

28.10 Ownership of the Obligors

- (a) Each Borrower is not or ceases to be a 100 per cent. directly owned Subsidiary of the Shareholder.
- (b) The Shareholder is not or ceases to be a 100 per cent. directly owned Subsidiary of the Parent Guarantor.
- (c) Any person or group of persons acting in concert gaining direct or indirect control of the Parent Guarantor other than the Permitted Holders.
- (d) Any person or group of persons acting in concert (save for any passive institutional investor) acquires ownership of more common units in the capital of the Parent Guarantor than the Permitted Holders.
- (e) Capital GP L.L.C. of the Republic of the Marshall Islands ceases to be the Parent Guarantor's general partner;
- (f) For the purpose of paragraph (c) above "**control**" means the power (whether by way of ownership of equity, proxy, contract, agency or otherwise) to:

- (i) cast, or control the casting of, more than 50 per cent. of the maximum number of votes that might be cast at a meeting of the limited partners of the Parent Guarantor; or
 - (ii) appoint or remove all, or the majority, of the directors of the Parent Guarantor or officers of the Parent Guarantor's general partner; or
 - (iii) give directions with respect to the operating and financial policies of the Parent Guarantor with which the directors of the Parent Guarantor or officers of the Parent Guarantor's general partner are obliged to comply; or
 - (iv) approve a merger or consolidation of the Parent Guarantor; and/or
 - (v) approve a complete liquidation or dissolution of the Parent Guarantor.
- (g) For the purpose of paragraph (e) above "**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 equity in the Parent Guarantor by any of them, either directly or indirectly, to obtain or consolidate control of the Parent Guarantor.

28.11 Unlawfulness, invalidity and ranking

- (a) It is or becomes unlawful for a Transaction Obligor or any Approved Manager to perform any of its obligations under the Finance Documents.
- (b) Any obligation of a Transaction Obligor or any Approved Manager under the Finance Documents is not or ceases to be legal, valid, binding or enforceable.
- (c) Any Finance Document ceases to be in full force and effect or to be continuing or is or purports to be determined or any Transaction Security is alleged by a party to it (other than a Finance Party) to be ineffective.
- (d) Any Transaction Security proves to have ranked after, or loses its priority to, any other Security.

28.12 Security imperilled

Any Security created or intended to be created by a Finance Document is in any way imperilled or in jeopardy.

28.13 Cessation of business

Any Transaction Obligor or any Approved Manager suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business.

28.14 Arrest

Any arrest of a Ship or its detention in the exercise or the purported exercise of any lien or claim unless it is redelivered to the full control of the relevant Borrower within 21 days of such arrest or detention.

28.15 Expropriation

The authority or ability of any Transaction Obligor or any Approved Manager to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to any Transaction Obligor or any Approved Manager or any of its assets other than:

- (a) an arrest or detention of a Ship referred to in Clause 28.14 (*Arrest*); or
- (b) any Requisition.

28.16 Repudiation and rescission of agreements

A Transaction Obligor (or any other relevant party) rescinds or purports to rescind or repudiates or purports to repudiate a Transaction Document or any of the Transaction Security or evidences an intention to rescind or repudiate a Transaction Document or any Transaction Security.

28.17 Litigation

Any litigation, arbitration or administrative proceedings or investigations of, or before, any court, arbitral body or agency are started or threatened, or any judgment or order of a court, arbitral body or agency is made, in relation to any of the Transaction Documents or the transactions contemplated in any of the Transaction Documents or against any Transaction Obligor or its assets which has or is reasonably likely to have a Material Adverse Effect.

28.18 Material adverse change

Any event or circumstance occurs which has or is reasonably likely to have a Material Adverse Effect.

28.19 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Facility Agent may, and shall if so directed by the Majority Lenders:

- (a) by notice to the Borrowers:
 - (i) cancel the Available Commitment of each Lender, whereupon they shall immediately be cancelled;
 - (ii) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon it shall become immediately due and payable; and/or
 - (iii) declare that all or part of the Loan be payable on demand, whereupon it shall immediately become payable on demand by the Facility Agent acting on the instructions of the Majority Lenders; and/or
- (b) exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents, and the Facility Agent may serve notices under sub-paragraphs (i), (ii) or (iii) of paragraph (a) above simultaneously or on different dates and any Servicing Party may take any action referred to in paragraph (b) above or Clause 28.20 (*Enforcement of security*) if no such notice is served or simultaneously with or at any time after the service of any of such notice.

28.20 Enforcement of security

On and at any time after the occurrence of an Event of Default which is continuing the Security Agent may, and shall if so directed by the Majority Lenders, take any action which, as a result of the Event of Default or any notice served under Clause 28.19 (*Acceleration*), the Security Agent is entitled to take under any Finance Document or any applicable law or regulation.

SECTION 9

CHANGES TO PARTIES

29 CHANGES TO THE LENDERS AND THE HEDGE COUNTERPARTIES

29.1 Assignments and transfers by the Lenders

Subject to this Clause 29 (*Changes to the Lenders and the Hedge Counterparties*), a Lender (the “**Existing Lender**”) may:

- (a) assign any of its rights; or
- (b) transfer by novation any of its rights and obligations,
under the Finance Documents to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the “**New Lender**”).

29.2 Conditions of assignment or transfer

- (a) The consent of the Borrowers is required for an assignment or transfer by an Existing Lender, unless the assignment or transfer is:
 - (i) to another Lender or an Affiliate of a Lender;
 - (ii) if the Existing Lender is a fund, to a fund which is a Related Fund; or
 - (iii) made at a time when an Event of Default is continuing.
- (b) The consent of the Borrowers to an assignment or transfer must not be unreasonably withheld, delayed or conditioned. Each Borrower will be deemed to have given its consent five Business Days after the Existing Lender has requested it unless consent is expressly refused by that Borrower within that time.
- (c) The consent of a Borrower to an assignment or transfer must not be withheld solely because the assignment or transfer may result in an increase to any amount payable under Clause 14.3 (*Mandatory Cost*).
- (d) An assignment will only be effective on:
 - (i) receipt by the Facility Agent (whether in the Assignment Agreement or otherwise) of written confirmation from the New Lender (in form and substance satisfactory to the Facility Agent) that the New Lender will assume the same obligations to the other Secured Parties as it would have been under if it had been an Original Lender; and
 - (ii) performance by the Facility Agent of all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Facility Agent shall promptly notify to the Existing Lender and the New Lender.

- (e) Each Obligor on behalf of itself and each Transaction Obligor and each Approved Manager agrees that all rights and interests (present, future or contingent) which the Existing Lender has under or by virtue of the Finance Documents are assigned to the New Lender absolutely, free of any defects in the Existing Lender's title and of any rights or equities which the Borrower or any other Transaction Obligor or any Approved Manager had against the Existing Lender.
- (f) A transfer will only be effective if the procedure set out in Clause 29.5 (*Procedure for transfer*) is complied with.
- (g) If:
 - (i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
 - (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, a Transaction Obligor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax Gross Up and Indemnities*) or under that clause as incorporated by reference or in full in any other Finance Document or Clause 13 (*Increased Costs*),then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred. This paragraph (g) shall not apply in respect of an assignment or transfer made in the ordinary course of the primary syndication of the Facility.
- (h) Each New Lender, by executing the relevant Transfer Certificate or Assignment Agreement, confirms, for the avoidance of doubt, that the Facility Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.

29.3 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Facility Agent (for its own account) a fee of \$3,500.

29.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
 - (i) the legality, validity, effectiveness, adequacy or enforceability of the Transaction Documents, the Transaction Security or any other documents;
 - (ii) the financial condition of any Transaction Obligor;
 - (iii) the performance and observance by any Transaction Obligor or any Approved Manager of its obligations under the Transaction Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Transaction Document or any other document, and any representations or warranties implied by law are excluded.

- (b) Each New Lender confirms to the Existing Lender and the other Finance Parties and the Secured Parties that it:
 - (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Transaction Obligor, any Approved Manager and their related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender or any other Finance Party in connection with any Transaction Document or the Transaction Security; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of each Transaction Obligor, any Approved Manager and their related entities throughout the Security Period.
- (c) Nothing in any Finance Document obliges an Existing Lender to:
 - (i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 29 (*Changes to the Lenders and the Hedge Counterparties*); or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Transaction Obligor or any Approved Manager of their obligations under the Transaction Documents or otherwise.

29.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 29.2 (*Conditions of assignment or transfer*), a transfer is effected in accordance with paragraph (c) below when the Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to paragraph (b) below as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with this Agreement and delivered in accordance with this Agreement, execute that Transfer Certificate.
- (b) The Facility Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (c) Subject to Clause 29.10 (*Pro rata interest settlement*), on the Transfer Date:
 - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents and in respect of the Transaction Security, each of the Transaction Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and in respect of the Transaction Security and their respective rights against one another under the Finance Documents and in respect of the Transaction Security shall be cancelled (being the “**Discharged Rights and Obligations**”);

- (ii) each of the Transaction Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Transaction Obligor and the New Lender have assumed and/or acquired the same in place of that Transaction Obligor and the Existing Lender;
- (iii) the Facility Agent, the Security Agent, the Co-ordinator, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves and in respect of the Transaction Security as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Facility Agent, the Security Agent, the Co-ordinator and the Existing Lenders shall each be released from further obligations to each other under the Finance Documents; and
- (iv) the New Lender shall become a Party as a “Lender”.

29.6 Procedure for assignment

- (a) Subject to the conditions set out in Clause 29.2 (*Conditions of assignment or transfer*) an assignment may be effected in accordance with paragraph (c) below when the Facility Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement.
- (b) The Facility Agent shall only be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the assignment to such New Lender.
- (c) Subject to Clause 29.10 (*Pro rata interest settlement*), on the Transfer Date:
 - (i) the Existing Lender will assign absolutely to the New Lender its rights under the Finance Documents and in respect of the Transaction Security expressed to be the subject of the assignment in the Assignment Agreement;
 - (ii) the Existing Lender will be released from the obligations (the “**Relevant Obligations**”) expressed to be the subject of the release in the Assignment Agreement (and any corresponding obligations by which it is bound in respect of the Transaction Security); and
 - (iii) the New Lender shall become a Party as a “Lender” and will be bound by obligations equivalent to the Relevant Obligations.
- (d) Lenders may utilise procedures other than those set out in this Clause 29.6 (*Procedure for assignment*) to assign their rights under the Finance Documents (but not, without the consent of the relevant Transaction Obligor or unless in accordance with Clause 29.5 (*Procedure for transfer*), to obtain a release by that Transaction Obligor from the obligations owed to that Transaction Obligor by the Lenders nor the assumption of equivalent obligations by a New Lender) **provided that** they comply with the conditions set out in Clause 29.2 (*Conditions of assignment or transfer*).

29.7 Copy of Transfer Certificate or Assignment Agreement to Borrowers

The Facility Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate or an Assignment Agreement, send to the Borrowers a copy of that Transfer Certificate or Assignment Agreement.

29.8 Additional Hedge Counterparties

- (a) The Borrowers or a Lender may request that a Lender or an Affiliate of a Lender becomes an Additional Hedge Counterparty, with the prior approval of the Majority Lenders and (in the case of a request by a Lender) the Borrowers, by delivering to the Facility Agent a duly executed Hedge Counterparty Accession Letter.
- (b) The relevant Lender or Affiliate will become an Additional Hedge Counterparty when the Facility Agent enters into the relevant Hedge Counterparty Accession Letter.

29.9 Security over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 29 (*Changes to the Lenders and the Hedge Counterparties*), each Lender may without consulting with or obtaining consent from any Transaction Obligor or any Approved Manager, at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

- (a) any charge, assignment or other Security to secure obligations to a federal reserve or central bank; and
- (b) any charge, assignment or other Security 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 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 for the Lender as a party to any of the Finance Documents; or
 - (ii) require any payments to be made by a Transaction Obligor or any Approved Manager other than or in excess of, 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.

29.10 Pro rata interest settlement

- (a) If the Facility Agent has notified the Lenders that it is able to distribute interest payments on a “*pro rata* basis” to Existing Lenders and New Lenders then (in respect of any transfer pursuant to Clause 29.5 (*Procedure for transfer*) or any assignment pursuant to Clause 29.6 (*Procedure for assignment*)) the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of an Interest Period):

- (i) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date (“**Accrued Amounts**”) and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period (or, if the Interest Period is longer than three Months, on the next of the dates which falls at three Monthly intervals after the first day of that Interest Period); and
- (ii) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts, so that, for the avoidance of doubt:
 - (A) when the Accrued Amounts become payable, those Accrued Amounts will be payable to the Existing Lender; and
 - (B) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 29.10 (*Pro rata interest settlement*), have been payable to it on that date, but after deduction of the Accrued Amounts.
- (b) In this Clause 29.10 (*Pro rata interest settlement*) references to “Interest Period” shall be construed to include a reference to any other period for accrual of fees.
- (c) An Existing Lender which retains the right to the Accrued Amounts pursuant to this Clause 29.10 (*Pro rata interest settlement*) but which does not have a Commitment shall be deemed not to be a Lender for the purposes of ascertaining whether 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.

30 CHANGES TO THE TRANSACTION OBLIGORS

30.1 Assignment or transfer by Transaction Obligors

No Transaction Obligor or any Approved Manager may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

30.2 Release of security

- (a) If a disposal of any asset subject to security created by a Security Document is made in the following circumstances:
 - (i) the disposal is permitted by the terms of any Finance Document;
 - (ii) all the Lenders agree to the disposal;
 - (iii) the disposal is being made at the request of the Security Agent in circumstances where any security created by the Security Documents has become enforceable; or
 - (iv) the disposal is being effected by enforcement of a Security Document,

the Security Agent may release the asset(s) being disposed of from any security over those assets created by a Security Document. However, the proceeds of any disposal (or an amount corresponding to them) must be applied in accordance with the requirements of the Finance Documents (if any).

- (b) If the Security Agent is satisfied that a release is allowed under this Clause 30.2 (*Release of security*) (at the request and expense of the Borrowers) each Finance Party must enter into any document and do all such other things which are reasonably required to achieve that release. Each other Finance Party irrevocably authorises the Security Agent to enter into any such document. Any release will not affect the obligations of any other Transaction Obligor or any Approved Manager under the Finance Documents.

30.3 Additional Subordinated Creditors

- (a) The Borrowers may request that any person becomes a Subordinated Creditor, with the prior approval of the Facility Agent, by delivering to the Facility Agent:
- (i) a duly executed Subordination Agreement;
 - (ii) a duly executed Subordinated Debt Security; and
 - (iii) such constitutional documents, corporate authorisations and other documents and matters as the Facility Agent may reasonably require, in form and substance satisfactory to the Facility Agent, to verify that the person's obligations are legally binding, valid and enforceable and to satisfy any applicable legal and regulatory requirements.
- (b) A person referred to in paragraph (a) above will become a Subordinated Creditor on the date the Security Agent enters into the Subordination Agreement and the Subordinated Debt Security delivered under paragraph (a) above.

THE FINANCE PARTIES

31 THE FACILITY AGENT, THE CO-ORDINATOR AND THE REFERENCE BANKS

31.1 Appointment of the Facility Agent

- (a) Each of the Co-ordinator, the Lenders and the Hedge Counterparties appoints the Facility Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each of the Co-ordinator, the Lenders and the Hedge Counterparties authorises the Facility Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Facility Agent under, or in connection with, the Finance Documents together with any other incidental rights, powers, authorities and discretions.

31.2 Instructions

- (a) The Facility Agent shall:
 - (i) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by:
 - (A) all Lenders if the relevant Finance Document stipulates the matter is an all Lender decision; and
 - (B) in all other cases, the Majority Lenders; and
 - (ii) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with sub-paragraph (i) above (or, if this Agreement stipulates the matter is a decision for any other Finance Party or group of Finance Parties, in accordance with instructions given to it by that Finance Party or group of Finance Parties).
- (b) The Facility Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or, if the relevant Finance Document stipulates the matter is a decision for any other Finance Party or group of Finance Parties, from that Finance Party or group of Finance Parties) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion and the Facility Agent may refrain from acting unless and until it receives any such instructions or clarification that it has requested.
- (c) Save in the case of decisions stipulated to be a matter for any other Finance Party or group of Finance Parties under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Facility Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.
- (d) Paragraph (a) above shall not apply:
 - (i) where a contrary indication appears in a Finance Document;

- (ii) where a Finance Document requires the Facility Agent to act in a specified manner or to take a specified action; and
 - (iii) in respect of any provision which protects the Facility Agent's own position in its personal capacity as opposed to its role of Facility Agent for the relevant Finance Parties.
- (e) If giving effect to instructions given by the Majority Lenders would in the Facility Agent's opinion have an effect equivalent to an amendment or waiver referred to in Clause 44 (*Amendments and Waivers*), the Facility Agent shall not act in accordance with those instructions unless consent to it so acting is obtained from each Party (other than the Facility Agent) whose consent would have been required in respect of that amendment or waiver.
- (f) In exercising any discretion to exercise a right, power or authority under the Finance Documents where it has not received any instructions as to the exercise of that discretion the Facility Agent shall do so having regard to the interests of all the Finance Parties.
- (g) The Facility Agent may refrain from acting in accordance with any instructions of any Finance Party or group of Finance Parties until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability (together with any applicable VAT) which it may incur in complying with those instructions.
- (h) Without prejudice to the remainder of this Clause 31.2 (*Instructions*), in the absence of instructions, the Facility Agent shall not be obliged to take any action (or refrain from taking action) even if it considers acting or not acting to be in the best interests of the Finance Parties. The Facility Agent may act (or refrain from acting) as it considers to be in the best interest of the Finance Parties.
- (i) The Facility Agent is not authorised to act on behalf of a Finance Party (without first obtaining that Finance Party's consent) in any legal or arbitration proceedings relating to any Finance Document. This paragraph (i) shall not apply to any legal or arbitration proceeding relating to the perfection, preservation or protection of rights under the Security Documents or enforcement of the Transaction Security or Security Documents.

31.3 Duties of the Facility Agent

- (a) The Facility Agent's duties under the Finance Documents are solely mechanical and administrative in nature.
- (b) Subject to paragraph (c) below, the Facility Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Facility Agent for that Party by any other Party.
- (c) Without prejudice to Clause 29.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrower*), paragraph (b) above shall not apply to any Transfer Certificate or any Assignment Agreement.
- (d) Except where a Finance Document specifically provides otherwise, the Facility Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

- (e) If the Facility Agent receives notice from a Party referring to any Finance Document, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.
- (f) If the Facility Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Facility Agent, the Co-ordinator or the Security Agent) under this Agreement, it shall promptly notify the other Finance Parties.
- (g) The Facility Agent shall provide to the Borrowers within 10 Business Days of a request by the Borrowers (but no more frequently than once per calendar month), a list (which may be in electronic form) setting out the names of the Lenders as at the date of that request, their respective Commitments, the address and fax number (and the department or officer, if any, for whose attention any communication is to be made) of each Lender for any communication to be made or document to be delivered under or in connection with the Finance Documents, the electronic mail address and/or any other information required to enable the sending and receipt of information by electronic mail or other electronic means to and by each Lender to whom any communication under or in connection with the Finance Documents may be made by that means and the account details of each Lender for any payment to be distributed by the Facility Agent to that Lender under the Finance Documents.
- (h) The Facility Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

31.4 Role of the Co-ordinator

Except as specifically provided in the Finance Documents, the Co-ordinator has no obligations of any kind to any other Party under or in connection with any Finance Document.

31.5 No fiduciary duties

- (a) Nothing in any Finance Document constitutes the Facility Agent or the Co-ordinator as a trustee or fiduciary of any other person.
- (b) Neither the Facility Agent nor the Co-ordinator shall be bound to account to other Finance Party for any sum or the profit element of any sum received by it for its own account.

31.6 Application of receipts

Except as expressly stated to the contrary in any Finance Document, any moneys which the Facility Agent receives or recovers in its capacity as Facility Agent shall be applied by the Facility Agent in accordance with Clause 35.5 (*Application of receipts; partial payments*).

31.7 Business with the Group

The Facility Agent and the Co-ordinator may accept deposits from, lend money to, and generally engage in any kind of banking or other business with, any member of the Group.

31.8 Rights and discretions

- (a) The Facility Agent may:

- (i) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;
- (ii) assume that:
 - (A) any instructions received by it from the Majority Lenders, any Finance Parties or any group of Finance Parties are duly given in accordance with the terms of the Finance Documents; and
 - (B) unless it has received notice of revocation, that those instructions have not been revoked; and
- (iii) rely on a certificate from any person:
 - (A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or
 - (B) to the effect that such person approves of any particular dealing, transaction, step, action or thing,as sufficient evidence that that is the case and, in the case of paragraph (A) above, may assume the truth and accuracy of that certificate.
- (b) The Facility Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Finance Parties) that:
 - (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 28.2 (*Non-payment*));
 - (ii) any right, power, authority or discretion vested in any Party or any group of Finance Parties has not been exercised; and
 - (iii) any notice or request made by any Borrower (other than a Utilisation Request or a Selection Notice) is made on behalf of and with the consent and knowledge of all the Transaction Obligors and each Approved Manager.
- (c) The Facility Agent may engage and pay for the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.
- (d) Without prejudice to the generality of paragraph (c) above or paragraph (e) below, the Facility Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Facility Agent (and so separate from any lawyers instructed by the Lenders) if the Facility Agent in its reasonable opinion deems this to be desirable.
- (e) The Facility Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Facility Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.
- (f) The Facility Agent may act in relation to the Finance Documents and the Security Property through its officers, employees and agents and shall not:
 - (i) be liable for any error of judgment made by any such person; or

- (ii) be bound to supervise, or be in any way responsible for any loss incurred by reason of misconduct, omission or default on the part of any such person,
unless such error or such loss was directly caused by the Facility Agent's gross negligence or wilful misconduct.
- (g) Unless a Finance Document expressly provides otherwise the Facility Agent may disclose to any other Party any information it reasonably believes it has received as agent under the Finance Documents.
- (h) Notwithstanding any other provision of any Finance Document to the contrary, neither the Facility Agent nor the Co-ordinator is obliged to do or omit to do anything if it would or might, in its reasonable opinion, constitute a breach of any Sanctions, any law or regulation or a breach of a fiduciary duty or duty of confidentiality.
- (i) Notwithstanding any provision of any Finance Document to the contrary, the Facility Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

31.9 Responsibility for documentation

Neither the Facility Agent nor the Co-ordinator is responsible or liable for:

- (a) the adequacy, accuracy or completeness of any information (whether oral or written) supplied by the Facility Agent, the Security Agent, the Co-ordinator, a Transaction Obligor or any other person in, or in connection with, any Transaction Document or the transactions contemplated in the Transaction Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Transaction Document or the Security Property or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Transaction Document or the Security Property; or
- (c) any determination as to whether any information provided or to be provided to any Finance Party or Secured Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

31.10 No duty to monitor

The Facility Agent shall not be bound to enquire:

- (a) whether or not any Default has occurred;
- (b) as to the performance, default or any breach by any Transaction Obligor or any Approved Manager of its obligations under any Transaction Document; or
- (c) whether any other event specified in any Transaction Document has occurred.

31.11 Exclusion of liability

- (a) Without limiting paragraph (b) below (and without prejudice to paragraph (e) of Clause 35.11 (*Disruption to Payment Systems etc.*) or any other provision of any Finance Document excluding or limiting the liability of the Facility Agent), the Facility Agent will not be liable (including, without limitation, for negligence or any other category of liability whatsoever) for:
- (i) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Transaction Document or the Security Property, unless directly caused by its gross negligence or wilful misconduct;
 - (ii) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Transaction Document, the Security Property or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Transaction Document or the Security Property; or
 - (iii) any shortfall which arises on the enforcement or realisation of the Security Property; or
 - (iv) without prejudice to the generality of paragraphs (i) to (iii) above, any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of:
 - (A) any act, event or circumstance not reasonably within its control; or
 - (B) the general risks of investment in, or the holding of assets in, any jurisdiction,including (in each case and without limitation) such damages, costs, losses, diminution in value or liability arising as a result of nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.
- (b) No Party other than the Facility Agent may take any proceedings against any officer, employee or agent of the Facility Agent in respect of any claim it might have against the Facility Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Transaction Document or any Security Property and any officer, employee or agent of the Facility Agent may rely on this paragraph (b) subject to Clause 1.5 (*Third party rights*) and the provisions of the Third Parties Act.
- (c) The Facility Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Facility Agent if the Facility Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Facility Agent for that purpose.
- (d) Nothing in this Agreement shall oblige the Facility Agent or the Co-ordinator to carry out:

- (i) any “know your customer” or other checks in relation to any person; or
- (ii) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Finance Party,

on behalf of any Finance Party and each Finance Party confirms to the Facility Agent and the Co-ordinator that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Facility Agent or the Co-ordinator.

- (e) Without prejudice to any provision of any Finance Document excluding or limiting the Facility Agent’s liability, any liability (including, without limitation, for negligence or any other category of liability whatsoever) of the Facility Agent arising under or in connection with any Transaction Document or the Security Property shall be limited to the amount of actual loss which has been finally judicially determined to have been suffered (as determined by reference to the date of default of the Facility Agent or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Facility Agent at any time which increase the amount of that loss. In no event shall the Facility Agent be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Facility Agent has been advised of the possibility of such loss or damages.

31.12 Lenders’ indemnity to the Facility Agent

- (a) Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Facility Agent, within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Facility Agent (otherwise than by reason of the Facility Agent’s gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 35.11 (*Disruption to Payment Systems etc.*) notwithstanding the Facility Agent’s negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) in acting as Facility Agent under the Finance Documents (unless the Facility Agent has been reimbursed by a Transaction Obligor pursuant to a Finance Document).
- (b) Subject to paragraph (c) below, the Borrowers shall immediately on demand reimburse any Lender for any payment that Lender makes to the Facility Agent pursuant to paragraph (a) above.
- (c) Paragraph (b) above shall not apply to the extent that the indemnity payment in respect of which the Lender claims reimbursement relates to a liability of the Facility Agent to an Obligor.

31.13 Resignation of the Facility Agent

- (a) The Facility Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Borrowers.
- (b) Alternatively, the Facility Agent may resign by giving 30 days’ notice to the other Finance Parties and the Borrowers, in which case the Majority Lenders may appoint a successor Facility Agent.

- (c) If the Majority Lenders have not appointed a successor Facility Agent in accordance with paragraph (b) above within 20 days after notice of resignation was given, the retiring Facility Agent may appoint a successor Facility Agent.
- (d) If the Facility Agent wishes to resign because (acting reasonably) it has concluded that it is no longer appropriate for it to remain as agent and the Facility Agent is entitled to appoint a successor Facility Agent under paragraph (c) above, the Facility Agent may (if it concludes (acting reasonably) that it is necessary to do so in order to persuade the proposed successor Facility Agent to become a party to this Agreement as Facility Agent) agree with the proposed successor Facility Agent amendments to this Clause 31 (*The Facility Agent, the Co-ordinator and the Reference Banks*) and any other term of this Agreement dealing with the rights or obligations of the Facility Agent consistent with then current market practice for the appointment and protection of corporate trustees together with any reasonable amendments to the agency fee payable under this Agreement which are consistent with the successor Facility Agent's normal fee rates and those amendments will bind the Parties.
- (e) The retiring Facility Agent shall make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents. The Borrowers shall, within three Business Days of demand, reimburse the retiring Facility Agent for the amount of all costs and expenses (including legal fees) properly incurred by it in making available such documents and records and providing such assistance.
- (f) The Facility Agent's resignation notice shall only take effect upon the appointment of a successor.
- (g) Upon the appointment of a successor, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (e) above) but shall remain entitled to the benefit of Clause 14.4 (*Indemnity to the Facility Agent*) and this Clause 31 (*The Facility Agent, the Co-ordinator and the Reference Banks*) and any other provisions of a Finance Document which are expressed to limit or exclude its liability (or to indemnify it) in acting as Facility Agent. Any fees for the account of the retiring Facility Agent shall cease to accrue from (and shall be payable on) that date). Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (h) The Majority Lenders may, by notice to the Facility Agent, require it to resign in accordance with paragraph (b) above. In this event, the Facility Agent shall resign in accordance with paragraph (b) above but the cost referred to in paragraph (e) above shall be for the account of the Borrowers.
- (i) The consent of any Borrower (or any other Transaction Obligor or any Approved Manager) is not required for an assignment or transfer of rights and/or obligations by the Facility Agent.
- (j) The Facility Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Facility Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Facility Agent under the Finance Documents, either:

- (i) the Facility Agent fails to respond to a request under Clause 12.7 (*FATCA Information*) and the Borrowers or a Lender reasonably believes that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;
- (ii) the information supplied by the Facility Agent pursuant to Clause 12.7 (*FATCA Information*) indicates that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or
- (iii) the Facility Agent notifies the Borrowers and the Lenders that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) the Borrowers or a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Facility Agent were a FATCA Exempt Party, and the Borrowers or that Lender, by notice to the Facility Agent, requires it to resign.

31.14 Confidentiality

- (a) In acting as Facility Agent for the Finance Parties, the Facility Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by a division or department of the Facility Agent other than the division or department responsible for complying with the obligations assumed by it under the Finance Documents, that information may be treated as confidential to that division or department, and the Facility Agent shall not be deemed to have notice of it nor shall it be obliged to disclose such information to any Party.
- (c) Notwithstanding any other provision of any Finance Document to the contrary, neither the Facility Agent nor the Co-ordinator is obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty.

31.15 Relationship with the other Finance Parties

- (a) Subject to Clause 29.10 (*Pro rata interest settlement*), the Facility Agent may treat the person shown in its records as Lender or Hedge Counterparty at the opening of business (in the place of the Facility Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office or, as the case may be, the Hedge Counterparty:
 - (i) entitled to or liable for any payment due under any Finance Document on that day; and
 - (ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five Business Days' prior notice from that Lender or Hedge Counterparty to the contrary in accordance with the terms of this Agreement.

- (b) Each Finance Party shall supply the Facility Agent with any information that the Security Agent may reasonably specify (through the Facility Agent) as being necessary or desirable to enable the Security Agent to perform its functions as Security Agent. Each Finance Party shall deal with the Security Agent exclusively through the Facility Agent and shall not deal directly with the Security Agent and any reference to any instructions being given by or sought from any Finance Party or group of Finance Parties by or to the Security Agent in this Agreement must be given or sought through the Facility Agent.
- (c) Any Lender may by notice to the Facility Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 38.5 (*Electronic communication*) electronic mail address and/or any other information required to enable the transmission of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address (or such other information), department and officer by that Lender for the purposes of Clause 38.2 (*Addresses*) and sub-paragraph (ii) of paragraph (a) of Clause 38.5 (*Electronic communication*) and the Facility Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

31.16 Credit appraisal by the Finance Parties

Without affecting the responsibility of any Transaction Obligor or any Approved Manager for information supplied by it or on its behalf in connection with any Transaction Document, each Finance Party confirms to the Facility Agent and the Co-ordinator that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under, or in connection with, any Transaction Document including but not limited to:

- (a) the financial condition, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Transaction Document, the Security Property and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document or the Security Property;
- (c) whether that Finance Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under, or in connection with, any Transaction Document, the Security Property, the transactions contemplated by the Transaction Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document or the Security Property;
- (d) the adequacy, accuracy or completeness of any information provided by the Facility Agent, any Party or by any other person under, or in connection with, any Transaction Document, the transactions contemplated by any Transaction Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document; and
- (e) the right or title of any person in or to or the value or sufficiency of any part of the Security Assets, the priority of any of the Transaction Security or the existence of any Security affecting the Security Assets.

31.17 Deduction from amounts payable by the Facility Agent

If any Party owes an amount to the Facility Agent under the Finance Documents, the Facility Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Facility Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

31.18 Reliance and engagement letters

Each Secured Party confirms that each of the Co-ordinator and the Facility Agent has authority to accept on its behalf (and ratifies the acceptance on its behalf of any letters or reports already accepted by the Co-ordinator or the Facility Agent) the terms of any reliance letter or engagement letters or any reports or letters provided by accountants, auditors or providers of due diligence reports in connection with the Finance Documents or the transactions contemplated in the Finance Documents and to bind it in respect of those, reports or letters and to sign such letters on its behalf and further confirms that it accepts the terms and qualifications set out in such letters.

31.19 Full freedom to enter into transactions

Without prejudice to Clause 31.7 (*Business with the Group*) or any other provision of a Finance Document and notwithstanding any rule of law or equity to the contrary, the Facility Agent shall be absolutely entitled:

- (a) to enter into and arrange banking, derivative, investment and/or other transactions of every kind with or affecting any Transaction Obligor or any person who is party to, or referred to in, a Finance Document (including, but not limited to, any interest or currency swap or other transaction, whether related to this Agreement or not, and acting as syndicate agent and/or security agent for, and/or participating in, other facilities to such Transaction Obligor or any person who is party to, or referred to in, a Finance Document);
- (b) to deal in and enter into and arrange transactions relating to:
 - (i) any securities issued or to be issued by any Transaction Obligor or any other person; or
 - (ii) any options or other derivatives in connection with such securities; and
- (c) to provide advice or other services to any Borrower or any person who is a party to, or referred to in, a Finance Document,

and, in particular, the Facility Agent shall be absolutely entitled, in proposing, evaluating, negotiating, entering into and arranging all such transactions and in connection with all other matters covered by paragraphs (a), (b) and (c) above, to use (subject only to insider dealing legislation) any information or opportunity, howsoever acquired by it, to pursue its own interests exclusively, to refrain from disclosing such dealings, transactions or other matters or any information acquired in connection with them and to retain for its sole benefit all profits and benefits derived from the dealings transactions or other matters.

31.20 Role of Reference Banks

- (a) No Reference Bank is under any obligation to provide a quotation or any other information to the Facility Agent.
- (b) No Reference Bank will be liable for any action taken by it under or in connection with any Finance Document, or for any Reference Bank Quotation, unless directly caused by its gross negligence or wilful misconduct.
- (c) No Party (other than the relevant Reference Bank) may take any proceedings against any officer, employee or agent of any Reference Bank in respect of any claim it might have against that Reference Bank or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document, or to any Reference Bank Quotation, and any officer, employee or agent of each Reference Bank may rely on this Clause 31.21 (*Role of Reference Banks*) subject to Clause 1.5 (*Third party rights*) and the provisions of the Third Parties Act.

31.21 Third Party Reference Banks

A Reference Bank which is not a Party may rely on Clause 31.21 (*Role of Reference Banks*), Clause 44.3 (*Other exceptions*) and Clause 46 (*Confidentiality of Funding Rates and Reference Bank Quotations*) subject to Clause 1.5 (*Third party rights*) and the provisions of the Third Parties Act.

31.22 No obligation on breach of Sanctions, laws or other duties

Notwithstanding any other provision of any Finance Document to the contrary, the Facility Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any Sanctions, law or regulation or a breach of a fiduciary duty or duty of confidentiality.

32 THE SECURITY AGENT

32.1 Trust

- (a) The Security Agent declares that it holds the Security Property on trust for the Secured Parties on the terms contained in this Agreement and shall deal with the Security Property in accordance with this Clause 32 (*The Security Agent*) and the other provisions of the Finance Documents.
- (b) Each other Finance Party authorises the Security Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Security Agent under, or in connection with, the Finance Documents together with any other incidental rights, powers, authorities and discretions.

32.2 Parallel Debt (Covenant to pay the Security Agent)

- (a) Each Obligor irrevocably and unconditionally undertakes to pay to the Security Agent its Parallel Debt which shall be amounts equal to, and in the currency or currencies of, its Corresponding Debt.
- (b) The Parallel Debt of an Obligor:

- (i) shall become due and payable at the same time as its Corresponding Debt;
 - (ii) is independent and separate from, and without prejudice to, its Corresponding Debt.
- (c) For the purposes of this Clause 32.2 (*Parallel Debt (Covenant to pay the Security Agent)*), the Security Agent:
- (i) is the independent and separate creditor of each Parallel Debt;
 - (ii) acts in its own name and not as agent, representative or trustee of the Finance Parties and its claims in respect of each Parallel Debt shall not be held on trust; and
 - (iii) shall have the independent and separate right to demand payment of each Parallel Debt in its own name (including, without limitation, through any suit, execution, enforcement of security, recovery of guarantees and applications for and voting in any kind of insolvency proceeding).
- (d) The Parallel Debt of an Obligor shall be:
- (i) decreased to the extent that its Corresponding Debt has been irrevocably and unconditionally paid or discharged; and
 - (ii) increased to the extent that its Corresponding Debt has increased,
- and the Corresponding Debt of an Obligor shall be decreased to the extent that its Parallel Debt has been irrevocably and unconditionally paid or discharged,
- in each case provided that the Parallel Debt of an Obligor shall never exceed its Corresponding Debt.
- (e) All amounts received or recovered by the Security Agent in connection with this Clause 32.2 (*Parallel Debt (Covenant to pay the Security Agent)*) to the extent permitted by applicable law, shall be applied in accordance with Clause 35.5 (*Application of receipts; partial payments*).
- (f) This Clause 32.2 (*Parallel Debt (Covenant to pay the Security Agent)*) shall apply, with any necessary modifications, to each Finance Document.

32.3 Enforcement through Security Agent only

The Secured Parties shall not have any independent power to enforce, or have recourse to, any of the Transaction Security or to exercise any right, power, authority or discretion arising under the Security Documents except through the Security Agent.

32.4 Instructions

- (a) The Security Agent shall:
- (i) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Security Agent in accordance with any instructions given to it by:
 - (A) all Lenders (or the Facility Agent on their behalf) if the relevant Finance Document stipulates the matter is an all Lender decision; and

- (B) in all other cases, the Majority Lenders (or the Facility Agent on their behalf); and
- (ii) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with sub-paragraph (i) above (or if this Agreement stipulates the matter is a decision for any other Finance Party or group of Finance Parties, in accordance with instructions given to it by that Finance Party or group of Finance Parties).
- (b) The Security Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or the Facility Agent on their behalf) (or, if the relevant Finance Document stipulates the matter is a decision for any other Finance Party or group of Finance Parties, from that Finance Party or group of Finance Parties) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion and the Security Agent may refrain from acting unless and until it receives any such instructions or clarification that it has requested.
- (c) Save in the case of decisions stipulated to be a matter for any other Finance Party or group of Finance Parties under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Security Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.
- (d) Paragraph (a) above shall not apply:
 - (i) where a contrary indication appears in a Finance Document;
 - (ii) where a Finance Document requires the Security Agent to act in a specified manner or to take a specified action;
 - (iii) in respect of any provision which protects the Security Agent's own position in its personal capacity as opposed to its role of Security Agent for the relevant Secured Parties.
 - (iv) in respect of the exercise of the Security Agent's discretion to exercise a right, power or authority under any of:
 - (A) Clause 32.28 (*Application of receipts*);
 - (B) Clause 32.29 (*Permitted Deductions*); and
 - (C) Clause 32.30 (*Prospective liabilities*).
- (e) If giving effect to instructions given by the Majority Lenders would in the Security Agent's opinion have an effect equivalent to an amendment or waiver referred to in Clause 44 (*Amendments and Waivers*), the Security Agent shall not act in accordance with those instructions unless consent to it so acting is obtained from each Party (other than the Security Agent) whose consent would have been required in respect of that amendment or waiver.
- (f) In exercising any discretion to exercise a right, power or authority under the Finance Documents where either:
 - (i) it has not received any instructions as to the exercise of that discretion; or

(ii) the exercise of that discretion is subject to sub-paragraph (iv) of paragraph (d) above, the Security Agent shall do so having regard to the interests of all the Secured Parties.

- (g) The Security Agent may refrain from acting in accordance with any instructions of any Finance Party or group of Finance Parties until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability (together with any applicable VAT) which it may incur in complying with those instructions.
- (h) Without prejudice to the remainder of this Clause 32.4 (*Instructions*), in the absence of instructions, the Security Agent may (but shall not be obliged to) take such action in the exercise of its powers and duties under the Finance Documents as it considers in its discretion to be appropriate.
- (i) The Security Agent is not authorised to act on behalf of a Finance Party (without first obtaining that Finance Party's consent) in any legal or arbitration proceedings relating to any Finance Document. This paragraph (i) shall not apply to any legal or arbitration proceeding relating to the perfection, preservation or protection of rights under the Security Documents or enforcement of the Transaction Security or Security Documents.

32.5 Duties of the Security Agent

- (a) The Security Agent's duties under the Finance Documents are solely mechanical and administrative in nature.
- (b) The Security Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Security Agent for that Party by any other Party.
- (c) Except where a Finance Document specifically provides otherwise, the Security Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (d) If the Security Agent receives notice from a Party referring to any Finance Document, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.
- (e) The Security Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

32.6 No fiduciary duties

- (a) Nothing in any Finance Document constitutes the Security Agent as an agent, trustee or fiduciary of any Transaction Obligor or any Approved Manager.
- (b) The Security Agent shall not be bound to account to any other Secured Party for any sum or the profit element of any sum received by it for its own account.

32.7 Business with the Group

The Security Agent may accept deposits from, lend money to, and generally engage in any kind of banking or other business with, any member of the Group.

32.8 Rights and discretions

- (a) The Security Agent may:
 - (i) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;
 - (ii) assume that:
 - (A) any instructions received by it from the Majority Lenders, any Finance Parties or any group of Finance Parties are duly given in accordance with the terms of the Finance Documents;
 - (B) unless it has received notice of revocation, that those instructions have not been revoked;
 - (C) if it receives any instructions to act in relation to the Transaction Security, that all applicable conditions under the Finance Documents for so acting have been satisfied; and
 - (iii) rely on a certificate from any person:
 - (A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or
 - (B) to the effect that such person approves of any particular dealing, transaction, step, action or thing,
as sufficient evidence that that is the case and, in the case of paragraph (A) above, may assume the truth and accuracy of that certificate.
- (b) The Security Agent shall be entitled to carry out all dealings with the other Finance Parties through the Facility Agent and may give to the Facility Agent any notice or other communication required to be given by the Security Agent to any Finance Party.
- (c) The Security Agent may assume (unless it has received notice to the contrary in its capacity as security agent for the Secured Parties) that:
 - (i) no Default has occurred;
 - (ii) any right, power, authority or discretion vested in any Party or any group of Finance Parties has not been exercised; and
 - (iii) any notice or request made by any Borrower (other than a Utilisation Request or a Selection Notice) is made on behalf of and with the consent and knowledge of all the Transaction Obligors and each Approved Manager.
- (d) The Security Agent may engage and pay for the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.

- (e) Without prejudice to the generality of paragraph (c) above or paragraph (f) below, the Security Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Security Agent (and so separate from any lawyers instructed by the Facility Agent or the Lenders) if the Security Agent in its reasonable opinion deems this to be desirable.
- (f) The Security Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Security Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.
- (g) The Security Agent may act in relation to the Finance Documents and the Security Property through its officers, employees and agents and shall not:
 - (i) be liable for any error of judgment made by any such person; or
 - (ii) be bound to supervise, or be in any way responsible for any loss incurred by reason of misconduct, omission or default on the part of any such person,unless such error or such loss was directly caused by the Security Agent's gross negligence or wilful misconduct.
- (h) Unless a Finance Document expressly provides otherwise the Security Agent may disclose to any other Party any information it reasonably believes it has received as security agent under the Finance Documents.
- (i) Notwithstanding any other provision of any Finance Document to the contrary, the Security Agent is not obliged to do or omit to do anything if it would or might, in its reasonable opinion, constitute a breach of any Sanctions, any law or regulation or a breach of a fiduciary duty or duty of confidentiality.
- (j) Notwithstanding any provision of any Finance Document to the contrary, the Security Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

32.9 Responsibility for documentation

None of the Security Agent, any Receiver or Delegate is responsible or liable for:

- (a) the adequacy, accuracy or completeness of any information (whether oral or written) supplied by the Facility Agent, the Security Agent, the Co-ordinator, a Transaction Obligor or any other person in, or in connection with, any Transaction Document or the transactions contemplated in the Transaction Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document; or
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Transaction Document or the Security Property or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Transaction Document or the Security Property; or
- (c) any determination as to whether any information provided or to be provided to any Secured Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

32.10 No duty to monitor

The Security Agent shall not be bound to enquire:

- (a) whether or not any Default has occurred;
- (b) as to the performance, default or any breach by any Transaction Obligor or any Approved Manager of its obligations under any Transaction Document; or
- (c) whether any other event specified in any Transaction Document has occurred.

32.11 Exclusion of liability

- (a) Without limiting paragraph (b) below (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the Security Agent or any Receiver or Delegate), none of the Security Agent nor any Receiver or Delegate will be liable (including, without limitation, for negligence or any other category of liability whatsoever) for:
 - (i) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Transaction Document or the Security Property, unless directly caused by its gross negligence or wilful misconduct;
 - (ii) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Transaction Document, the Security Property or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Transaction Document or the Security Property; or
 - (iii) any shortfall which arises on the enforcement or realisation of the Security Property; or
 - (iv) without prejudice to the generality of sub-paragraphs (i) to (iii) above, any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of:
 - (A) any act, event or circumstance not reasonably within its control; or
 - (B) the general risks of investment in, or the holding of assets in, any jurisdiction, including (in each case and without limitation) such damages, costs, losses, diminution in value or liability arising as a result of nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.
- (b) No Party other than the Security Agent, that Receiver or that Delegate (as applicable) may take any proceedings against any officer, employee or agent of the Security Agent, a Receiver or a Delegate in respect of any claim it might have against the Security Agent, a Receiver or a Delegate or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Transaction Document or any Security Property and any officer, employee or agent of the Security Agent, a Receiver or a Delegate may rely on this paragraph (b) subject to Clause 1.5 (*Third party rights*) and the provisions of the Third Parties Act.

- (c) The Security Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Security Agent if the Security Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Security Agent for that purpose.
- (d) Nothing in this Agreement shall oblige the Security Agent to carry out:
 - (i) any “know your customer” or other checks in relation to any person; or
 - (ii) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Finance Party,on behalf of any Finance Party and each Finance Party confirms to the Security Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Security Agent.
- (e) Without prejudice to any provision of any Finance Document excluding or limiting the liability of the Security Agent or any Receiver or Delegate, any liability (including, without limitation, for negligence or any other category of liability whatsoever) of the Security Agent or any Receiver or Delegate arising under or in connection with any Transaction Document or the Security Property shall be limited to the amount of actual loss which has been finally judicially determined to have been suffered (as determined by reference to the date of default of the Security Agent, Receiver or Delegate or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Security Agent, any Receiver or Delegate at any time which increase the amount of that loss. In no event shall the Security Agent, any Receiver or Delegate be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Security Agent, the Receiver or Delegate has been advised of the possibility of such loss or damages.

32.12 Lenders' indemnity to the Security Agent

- (a) Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Security Agent and every Receiver, within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by any of them (otherwise than by reason of the Security Agent's or Receiver's gross negligence or wilful misconduct) in acting as Security Agent or Receiver under the Finance Documents (unless the Security Agent or Receiver has been reimbursed by a Transaction Obligor pursuant to a Finance Document).
- (b) Subject to paragraph (c) below, the Borrowers shall immediately on demand reimburse any Lender for any payment that Lender makes to the Security Agent pursuant to paragraph (a) above.
- (c) Paragraph (b) above shall not apply to the extent that the indemnity payment in respect of which the Lender claims reimbursement relates to a liability of the Security Agent to an Obligor.

32.13 Resignation of the Security Agent

- (a) The Security Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Borrowers.
- (b) Alternatively, the Security Agent may resign by giving 30 days' notice to the other Finance Parties and the Borrowers, in which case the Majority Lenders may appoint a successor Security Agent.
- (c) If the Majority Lenders have not appointed a successor Security Agent in accordance with paragraph (b) above within 20 days after notice of resignation was given, the retiring Security Agent may appoint a successor Security Agent.
- (d) The retiring Security Agent shall make available to the successor Security Agent such documents and records and provide such assistance as the successor Security Agent may reasonably request for the purposes of performing its functions as Security Agent under the Finance Documents. The Borrowers shall, within three Business Days of demand, reimburse the retiring Security Agent for the amount of all costs and expenses (including legal fees) properly incurred by it in making available such documents and records and providing such assistance.
- (e) The Security Agent's resignation notice shall only take effect upon:
 - (i) the appointment of a successor; and
 - (ii) the transfer, by way of a document expressed as a deed, of all the Security Property to that successor.
- (f) Upon the appointment of a successor, the retiring Security Agent shall be discharged, by way of a document executed as a deed, from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (b) of Clause 32.25 (*Winding up of trust*) and paragraph (d) above) but shall remain entitled to the benefit of Clause 14.5 (*Indemnity to the Security Agent*) and this Clause 32 (*The Security Agent*) and any other provisions of a Finance Document which are expressed to limit or exclude its liability (or to indemnify it) in acting as Security Agent. Any fees for the account of the retiring Security Agent shall cease to accrue from (and shall be payable on) that date). Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) The Majority Lenders may, by notice to the Security Agent, require it to resign in accordance with paragraph (b) above. In this event, the Security Agent shall resign in accordance with paragraph (b) above but the cost referred to in paragraph (d) above shall be for the account of the Borrowers.
- (h) The consent of any Borrower (or any other Transaction Obligor or any Approved Manager) is not required for an assignment or transfer of rights and/or obligations by the Security Agent.

32.14 Confidentiality

- (a) In acting as Security Agent for the Finance Parties, the Security Agent shall be regarded as acting through its trustee division which shall be treated as a separate entity from any other of its divisions or departments.

- (b) If information is received by a division or department of the Security Agent other than the division or department responsible for complying with the obligations assumed by it under the Finance Documents, that information may be treated as confidential to that division or department, and the Security Agent shall not be deemed to have notice of it nor shall it be obliged to disclose such information to any Party.
- (c) Notwithstanding any other provision of any Finance Document to the contrary, the Security Agent is not obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty.

32.15 Credit appraisal by the Finance Parties

Without affecting the responsibility of any Transaction Obligor or any Approved Manager for information supplied by it or on its behalf in connection with any Transaction Document, each Finance Party confirms to the Security Agent that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under, or in connection with, any Transaction Document including but not limited to:

- (a) the financial condition, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Transaction Document, the Security Property and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document or the Security Property;
- (c) whether that Finance Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under, or in connection with, any Transaction Document, the Security Property, the transactions contemplated by the Transaction Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document or the Security Property;
- (d) the adequacy, accuracy or completeness of any information provided by the Security Agent, any Party or by any other person under, or in connection with, any Transaction Document, the transactions contemplated by any Transaction Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document; and
- (e) the right or title of any person in or to or the value or sufficiency of any part of the Security Assets, the priority of any of the Transaction Security or the existence of any Security affecting the Security Assets.

32.16 Security Agent's management time

- (a) Any amount payable to the Security Agent under Clause 14.5 (*Indemnity to the Security Agent*), Clause 16 (*Costs and Expenses*) and Clause 32.12 (*Lenders' indemnity to the Security Agent*) shall include the cost of utilising the Security Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Security Agent may notify to the Borrowers and the other Finance Parties, and is in addition to any fee paid or payable to the Security Agent under Clause 11 (*Fees*).
- (b) Without prejudice to paragraph (a) above, in the event of:

- (i) a Default;
 - (ii) the Security Agent being requested by a Transaction Obligor or the Majority Lenders to undertake duties which the Security Agent and the Borrowers agree to be of an exceptional nature or outside the scope of the normal duties of the Security Agent under the Finance Documents; or
 - (iii) the Security Agent and the Borrowers agreeing that it is otherwise appropriate in the circumstances,
- the Borrowers shall pay to the Security Agent any additional remuneration (together with any applicable VAT) that may be agreed between them or determined pursuant to paragraph (c) below.
- (c) If the Security Agent and the Borrowers fail to agree upon the nature of the duties, or upon the additional remuneration referred to in paragraph (b) above or whether additional remuneration is appropriate in the circumstances, any dispute shall be determined by an investment bank (acting as an expert and not as an arbitrator) selected by the Security Agent and approved by the Borrowers or, failing approval, nominated (on the application of the Security Agent) by the President for the time being of the Law Society of England and Wales (the costs of the nomination and of the investment bank being payable by the Borrowers) and the determination of any investment bank shall be final and binding upon the Parties.

32.17 Reliance and engagement letters

Each Secured Party confirms that the Security Agent has authority to accept on its behalf (and ratifies the acceptance on its behalf of any letters or reports already accepted by the Security Agent) the terms of any reliance letter or engagement letters or any reports or letters provided by accountants, auditors or providers of due diligence reports in connection with the Finance Documents or the transactions contemplated in the Finance Documents and to bind it in respect of those, reports or letters and to sign such letters on its behalf and further confirms that it accepts the terms and qualifications set out in such letters.

32.18 No responsibility to perfect Transaction Security

The Security Agent shall not be liable for any failure to:

- (a) require the deposit with it of any deed or document certifying, representing or constituting the title of any Transaction Obligor or any Approved Manager to any of the Security Assets;
- (b) obtain any licence, consent or other authority for the execution, delivery, legality, validity, enforceability or admissibility in evidence of any Finance Document or the Transaction Security;
- (c) register, file or record or otherwise protect any of the Transaction Security (or the priority of any of the Transaction Security) under any law or regulation or to give notice to any person of the execution of any Finance Document or of the Transaction Security;
- (d) take, or to require any Transaction Obligor to take, any step to perfect its title to any of the Security Assets or to render the Transaction Security effective or to secure the creation of any ancillary Security under any law or regulation; or
- (e) require any further assurance in relation to any Finance Document.

32.19 Insurance by Security Agent

- (a) The Security Agent shall not be obliged:
 - (i) to insure any of the Security Assets;
 - (ii) to require any other person to maintain any insurance; or
 - (iii) to verify any obligation to arrange or maintain insurance contained in any Finance Document,and the Security Agent shall not be liable for any damages, costs or losses to any person as a result of the lack of, or inadequacy of, any such insurance.
- (b) Where the Security Agent is named on any insurance policy as an insured party, it shall not be liable for any damages, costs or losses to any person as a result of its failure to notify the insurers of any material fact relating to the risk assumed by such insurers or any other information of any kind, unless the Majority Lenders request it to do so in writing and the Security Agent fails to do so within 14 days after receipt of that request.

32.20 Custodians and nominees

The Security Agent may appoint and pay any person to act as a custodian or nominee on any terms in relation to any asset of the trust as the Security Agent may determine, including for the purpose of depositing with a custodian this Agreement or any document relating to the trust created under this Agreement and the Security Agent shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it under this Agreement or be bound to supervise the proceedings or acts of any person.

32.21 Delegation by the Security Agent

- (a) Each of the Security Agent, any Receiver and any Delegate may, at any time, delegate by power of attorney or otherwise to any person for any period, all or any right, power, authority or discretion vested in it in its capacity as such.
- (b) That delegation may be made upon any terms and conditions (including the power to sub delegate) and subject to any restrictions that the Security Agent, that Receiver or that Delegate (as the case may be) may, in its discretion, think fit in the interests of the Secured Parties.
- (c) No Security Agent, Receiver or Delegate shall be bound to supervise, or be in any way responsible for any damages, costs or losses incurred by reason of any misconduct, omission or default on the part of any such delegate or sub delegate.

32.22 Additional Security Agents

- (a) The Security Agent may at any time appoint (and subsequently remove) any person to act as a separate trustee or as a co-trustee jointly with it:
 - (i) if it considers that appointment to be in the interests of the Secured Parties; or
 - (ii) for the purposes of conforming to any legal requirement, restriction or condition which the Security Agent deems to be relevant; or

- (iii) for obtaining or enforcing any judgment in any jurisdiction, and the Security Agent shall give prior notice to the Borrowers and the Finance Parties of that appointment.
- (b) Any person so appointed shall have the rights, powers, authorities and discretions (not exceeding those given to the Security Agent under or in connection with the Finance Documents) and the duties, obligations and responsibilities that are given or imposed by the instrument of appointment.
- (c) The remuneration that the Security Agent may pay to that person, and any costs and expenses (together with any applicable VAT) incurred by that person in performing its functions pursuant to that appointment shall, for the purposes of this Agreement, be treated as costs and expenses incurred by the Security Agent.

32.23 Acceptance of title

The Security Agent shall be entitled to accept without enquiry, and shall not be obliged to investigate, any right and title that any Transaction Obligor or any Approved Manager may have to any of the Security Assets and shall not be liable for or bound to require any Transaction Obligor or any Approved Manager to remedy any defect in its right or title.

32.24 Releases

Upon a disposal of any of the Security Assets pursuant to the enforcement of the Transaction Security by a Receiver, a Delegate or the Security Agent, the Security Agent is irrevocably authorised (at the cost of the Obligors and without any consent, sanction, authority or further confirmation from any other Secured Party) to release, without recourse or warranty, that property from the Transaction Security and to execute any release of the Transaction Security or other claim over that asset and to issue any certificates of non-crystallisation of floating charges that may be required or desirable.

32.25 Winding up of trust

If the Security Agent, with the approval of the Facility Agent determines that:

- (a) all of the Secured Liabilities and all other obligations secured by the Security Documents have been fully and finally discharged; and
 - (b) no Secured Party is under any commitment, obligation or liability (actual or contingent) to make advances or provide other financial accommodation to any Transaction Obligor pursuant to the Finance Documents,
- then
- (i) the trusts set out in this Agreement shall be wound up and the Security Agent shall release, without recourse or warranty, all of the Transaction Security and the rights of the Security Agent under each of the Security Documents; and
 - (ii) any Security Agent which has resigned pursuant to Clause 32.13 (*Resignation of the Security Agent*) shall release, without recourse or warranty, all of its rights under each Security Document.

32.26 Powers supplemental to Trustee Acts

The rights, powers, authorities and discretions given to the Security Agent under or in connection with the Finance Documents shall be supplemental to the Trustee Act 1925 and the Trustee Act 2000 and in addition to any which may be vested in the Security Agent by law or regulation or otherwise.

32.27 Disapplication of Trustee Acts

Section 1 of the Trustee Act 2000 shall not apply to the duties of the Security Agent in relation to the trusts constituted by this Agreement and the other Finance Documents. Where there are any inconsistencies between (i) the Trustee Acts 1925 and 2000 and (ii) the provisions of this Agreement and any other Finance Document, the provisions of this Agreement and any other Finance Document shall, to the extent permitted by law and regulation, prevail and, in the case of any inconsistency with the Trustee Act 2000, the provisions of this Agreement and any other Finance Document shall constitute a restriction or exclusion for the purposes of the Trustee Act 2000.

32.28 Application of receipts

All amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Finance Document, under Clause 32.2 (*Parallel Debt (Covenant to pay the Security Agent)*) or in connection with the realisation or enforcement of all or any part of the Security Property (for the purposes of this Clause 32 (*The Security Agent*), the “**Recoveries**”) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the remaining provisions of this Clause 32 (*The Security Agent*), in the following order of priority:

- (a) in discharging any sums owing to the Security Agent (in its capacity as such) (other than pursuant to Clause 32.2 (*Parallel Debt (Covenant to pay the Security Agent)*) or any Receiver or Delegate;
- (b) in payment or distribution to the Facility Agent, on its behalf and on behalf of the other Secured Parties, for application towards the discharge of all sums due and payable by any Transaction Obligor or any Approved Manager under any of the Finance Documents in accordance with Clause 35.5 (*Application of receipts; partial payments*);
- (c) if none of the Transaction Obligors or any Approved Manager is under any further actual or contingent liability under any Finance Document, in payment or distribution to any person to whom the Security Agent is obliged to pay or distribute in priority to any Transaction Obligor; and
- (d) the balance, if any, in payment or distribution to the relevant Transaction Obligor.

32.29 Permitted Deductions

The Security Agent may, in its discretion:

- (a) set aside by way of reserve amounts required to meet, and to make and pay, any deductions and withholdings (on account of Taxes or otherwise) which it is or may be required by any applicable law to make from any distribution or payment made by it under this Agreement; and

- (b) pay all Taxes which may be assessed against it in respect of any of the Security Property, or as a consequence of performing its duties, or by virtue of its capacity as Security Agent under any of the Finance Documents or otherwise (other than in connection with its remuneration for performing its duties under this Agreement).

32.30 Prospective liabilities

Following enforcement of any of the Transaction Security, the Security Agent may, in its discretion, or at the request of the Facility Agent, hold any Recoveries in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) for later payment to the Facility Agent for application in accordance with Clause 32.28 (*Application of receipts*) in respect of:

- (a) any sum to the Security Agent, any Receiver or any Delegate; and
- (b) any part of the Secured Liabilities,

that the Security Agent or, in the case of paragraph (b) only, the Facility Agent, reasonably considers, in each case, might become due or owing at any time in the future.

32.31 Investment of proceeds

Prior to the payment of the proceeds of the Recoveries to the Facility Agent for application in accordance with Clause 32.28 (*Application of receipts*) the Security Agent may, in its discretion, hold all or part of those proceeds in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) pending the payment from time to time of those moneys in the Security Agent's discretion in accordance with the provisions of Clause 32.28 (*Application of receipts*).

32.32 Currency conversion

- (a) For the purpose of, or pending the discharge of, any of the Secured Liabilities the Security Agent may convert any moneys received or recovered by the Security Agent from one currency to another, at a market rate of exchange.
- (b) The obligations of any Transaction Obligor to pay in the due currency shall only be satisfied to the extent of the amount of the due currency purchased after deducting the costs of conversion.

32.33 Good discharge

- (a) Any payment to be made in respect of the Secured Liabilities by the Security Agent may be made to the Facility Agent on behalf of the Secured Parties and any payment made in that way shall be a good discharge, to the extent of that payment, by the Security Agent.
- (b) The Security Agent is under no obligation to make the payments to the Facility Agent under paragraph (a) above in the same currency as that in which the obligations and liabilities owing to the relevant Finance Party are denominated.

32.34 Amounts received by Obligor

If any of the Obligor receives or recovers any amount which, under the terms of any of the Finance Documents, should have been paid to the Security Agent, that Obligor will hold the amount received or recovered on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of this Agreement.

32.35 Application and consideration

In consideration for the covenants given to the Security Agent by each Obligor in relation to Clause 32.2 (*Parallel Debt (Covenant to pay the Security Agent)*), the Security Agent agrees with each Obligor to apply all moneys from time to time paid by such Obligor to the Security Agent in accordance with the foregoing provisions of this Clause 32 (*The Security Agent*).

32.36 Full freedom to enter into transactions

Without prejudice to Clause 32.7 (*Business with the Group*) or any other provision of a Finance Document and notwithstanding any rule of law or equity to the contrary, the Security Agent shall be absolutely entitled:

- (a) to enter into and arrange banking, derivative, investment and/or other transactions of every kind with or affecting any Transaction Obligor or any person who is party to, or referred to in, a Finance Document (including, but not limited to, any interest or currency swap or other transaction, whether related to this Agreement or not, and acting as syndicate agent and/or security agent for, and/or participating in, other facilities to such Transaction Obligor or any person who is party to, or referred to in, a Finance Document);
- (b) to deal in and enter into and arrange transactions relating to:
 - (i) any securities issued or to be issued by any Transaction Obligor or any other person; or
 - (ii) any options or other derivatives in connection with such securities; and
- (c) to provide advice or other services to the Borrowers or any person who is a party to, or referred to in, a Finance Document, and, in particular, the Security Agent shall be absolutely entitled, in proposing, evaluating, negotiating, entering into and arranging all such transactions and in connection with all other matters covered by paragraphs (a), (b) and (c) above, to use (subject only to insider dealing legislation) any information or opportunity, howsoever acquired by it, to pursue its own interests exclusively, to refrain from disclosing such dealings, transactions or other matters or any information acquired in connection with them and to retain for its sole benefit all profits and benefits derived from the dealings transactions or other matters.

33 CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

34 SHARING AMONG THE FINANCE PARTIES

34.1 Payments to Finance Parties

If a Finance Party (a “**Recovering Finance Party**”) receives or recovers any amount from a Transaction Obligor or any Approved Manager other than in accordance with Clause 35 (*Payment Mechanics*) (a “**Recovered Amount**”) and applies that amount to a payment due to it under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery, to the Facility Agent;
- (b) the Facility Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Facility Agent and distributed in accordance with Clause 35 (*Payment Mechanics*), without taking account of any Tax which would be imposed on the Facility Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three Business Days of demand by the Facility Agent, pay to the Facility Agent an amount (the “**Sharing Payment**”) equal to such receipt or recovery less any amount which the Facility Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 35.5 (*Application of receipts; partial payments*).

34.2 Redistribution of payments

The Facility Agent shall treat the Sharing Payment as if it had been paid by the relevant Transaction Obligor or any Approved Manager and distribute it among the Finance Parties (other than the Recovering Finance Party) (the “**Sharing Finance Parties**”) in accordance with Clause 35.5 (*Application of receipts; partial payments*) towards the obligations of that Transaction Obligor or Approved Manager to the Sharing Finance Parties.

34.3 Recovering Finance Party’s rights

On a distribution by the Facility Agent under Clause 34.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from a Transaction Obligor or any Approved Manager, as between the relevant Transaction Obligor and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Transaction Obligor or Approved Manager.

34.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Sharing Finance Party shall, upon request of the Facility Agent, pay to the Facility Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the “**Redistributed Amount**”); and
- (b) as between the relevant Transaction Obligor or Approved Manager and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Transaction Obligor or Approved Manager.

34.5 Exceptions

- (a) This Clause 34 (*Sharing among the Finance Parties*) shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Transaction Obligor or Approved Manager.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (i) it notified that other Finance Party of the legal or arbitration proceedings; and
 - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

ADMINISTRATION

35 PAYMENT MECHANICS**35.1 Payments to the Facility Agent**

- (a) On each date on which a Transaction Obligor or a Lender is required to make a payment under a Finance Document, that Transaction Obligor or Lender shall make an amount equal to such payment available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in a principal financial centre in such Participating Member State or London, as specified by the Facility Agent) and with such bank as the Facility Agent, in each case, specifies.

35.2 Distributions by the Facility Agent

Each payment received by the Facility Agent under the Finance Documents for another Party shall, subject to Clause 35.3 (*Distributions to a Transaction Obligor*) and Clause 35.4 (*Clawback and pre-funding*) be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Facility Agent by not less than five Business Days' notice with a bank specified by that Party in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre of a Participating Member State or London), as specified by that Party or, in the case of an Advance, to such account of such person as may be specified by the Borrowers in a Utilisation Request.

35.3 Distributions to a Transaction Obligor

The Facility Agent may (with the consent of the Transaction Obligor or in accordance with Clause 36 (*Set-Off*)) apply any amount received by it for that Transaction Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Transaction Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

35.4 Clawback and pre-funding

- (a) Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) Unless paragraph (c) below applies, if the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.

- (c) If the Facility Agent has notified the Lenders that it is willing to make available amounts for the account of the Borrowers before receiving funds from the Lenders then if and to the extent that the Facility Agent does so but it proves to be the case that it does not then receive funds from a Lender in respect of a sum which it paid to the Borrowers:
 - (i) the Facility Agent shall notify the Borrowers of that Lender's identity and the Borrowers shall on demand refund it to the Facility Agent; and
 - (ii) the Lender by whom those funds should have been made available or, if the Lender fails to do so, the Borrowers shall on demand pay to the Facility Agent the amount (as certified by the Facility Agent) which will indemnify the Facility Agent against any funding cost incurred by it as a result of paying out that sum before receiving those funds from that Lender.

35.5 Application of receipts; partial payments

- (a) If the Facility Agent receives a payment that is insufficient to discharge all the amounts then due and payable by a Transaction Obligor or Approved Manager under the Finance Documents, the Facility Agent shall apply that payment towards the obligations of that Transaction Obligor or Approved Manager under the Finance Documents in the following order:
 - (i) **first**, in or towards payment *pro rata* of any unpaid fees, costs and expenses of, and any other amounts owing to, the Facility Agent, the Security Agent, any Receiver or any Delegate under the Finance Documents;
 - (ii) **secondly**, in or towards payment *pro rata* of:
 - (A) any accrued interest and fees due but unpaid to the Lenders under this Agreement; and
 - (B) any periodical payments (not being payments as a result of termination or closing out) due but unpaid to the Hedge Counterparties under the Hedging Agreements;
 - (iii) **thirdly**, in or towards payment *pro rata* of:
 - (A) any principal due but unpaid to the Lenders under this Agreement; and
 - (B) any payments as a result of termination or closing out due but unpaid to the Hedge Counterparties under the Hedging Agreements; and
 - (iv) **fourthly**, in or towards payment *pro rata* of any other sum due but unpaid under the Finance Documents.
- (b) The Facility Agent shall, if so directed by the Majority Lenders and the Hedge Counterparties, vary, or instruct the Security Agent to vary (as applicable), the order set out in sub-paragraphs (ii) to (iv) of paragraph (a) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by a Transaction Obligor.

35.6 No set-off by Transaction Obligors

- (a) All payments to be made by a Transaction Obligor or Approved Manager under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.
- (b) Paragraph (a) above shall not affect the operation of any payment or close-out netting in respect of any amounts owing under any Hedging Agreement.

35.7 Business Days

- (a) Any payment under the Finance Documents which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or an Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

35.8 Currency of account

- (a) Subject to paragraphs (b) and (c) below, dollars is the currency of account and payment for any sum due from a Transaction Obligor or Approved Manager under any Finance Document.
- (b) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (c) Any amount expressed to be payable in a currency other than dollars shall be paid in that other currency.

35.9 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
 - (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Facility Agent (after consultation with the Borrowers); and
 - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Facility Agent (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Facility Agent (acting reasonably and after consultation with the Borrowers) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

35.10 Currency Conversion

- (a) For the purpose of, or pending any payment to be made by any Servicing Party under any Finance Document, such Servicing Party may convert any moneys received or recovered by it from one currency to another, at a market rate of exchange.
- (b) The obligations of any Transaction Obligor to pay in the due currency shall only be satisfied to the extent of the amount of the due currency purchased after deducting the costs of conversion.

35.11 Disruption to Payment Systems etc.

If either the Facility Agent determines (in its discretion) that a Disruption Event has occurred or the Facility Agent is notified by a Borrower that a Disruption Event has occurred:

- (a) the Facility Agent may, and shall if requested to do so by a Borrower, consult with the Borrowers with a view to agreeing with the Borrowers such changes to the operation or administration of the Facility as the Facility Agent may deem necessary in the circumstances;
- (b) the Facility Agent shall not be obliged to consult with the Borrowers in relation to any changes mentioned in paragraph (a) above if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;
- (c) the Facility Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (a) above but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;
- (d) any such changes agreed upon by the Facility Agent and the Borrowers shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties and any Transaction Obligors and any Approved Manager as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 44 (*Amendments and Waivers*);
- (e) the Facility Agent shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 35.11 (*Disruption to Payment Systems etc.*); and
- (f) the Facility Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (d) above.

36 SET-OFF

A Finance Party may set off any matured obligation due from a Transaction Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Transaction Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

37 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
- (b) 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.

38 NOTICES

38.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

38.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents are:

- (a) in the case of the Borrowers, that specified in Schedule 1 (*The Parties*);
- (b) in the case of each Lender, each Hedge Counterparty or any other Obligor, that specified in Schedule 1 (*The Parties*) or, if it becomes a Party after the date of this Agreement, that notified in writing to the Facility Agent on or before the date on which it becomes a Party;
- (c) in the case of the Facility Agent, that specified in Schedule 1 (*The Parties*); and
- (d) in the case of the Security Agent, that specified in Schedule 1 (*The Parties*),

or any substitute address, fax number or department or officer as the Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five Business Days' notice.

38.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
 - (i) if by way of fax, when received in legible form; or

- (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 38.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to a Servicing Party will be effective only when actually received by that Servicing Party and then only if it is expressly marked for the attention of the department or officer of that Servicing Party specified in Schedule 1 (*The Parties*) (or any substitute department or officer as that Servicing Party shall specify for this purpose).
- (c) All notices from or to a Transaction Obligor or Approved Manager shall be sent through the Facility Agent unless otherwise specified in any Finance Document.
- (d) Any communication or document made or delivered to the Borrowers in accordance with this Clause will be deemed to have been made or delivered to each of the Transaction Obligors and Approved Managers.
- (e) Any communication or document which becomes effective, in accordance with paragraphs (a) to (d) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

38.4 Notification of address and fax number

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 38.2 (*Addresses*) or changing its own address or fax number, the Facility Agent shall notify the other Parties.

38.5 Electronic communication

- (a) Any communication to be made or document to be delivered by one Party to another under or in connection with the Finance Documents may be made or delivered by electronic mail or other electronic means (including, without limitation, by way of posting to a secure website) if those two Parties:
 - (i) notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; and
 - (ii) notify each other of any change to their address or any other such information supplied by them by not less than five Business Days' notice.
- (b) Any such electronic communication or delivery as specified in paragraph (a) above to be made between an Obligor and a Finance Party may only be made in that way to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication or delivery.
- (c) Any such electronic communication or document as specified in paragraph (a) above made or delivered by one Party to another will be effective only when actually received (or made available) in readable form and in the case of any electronic communication or document made or delivered by a Party to the Facility Agent or the Security Agent only if it is addressed in such a manner as the Facility Agent or the Security Agent shall specify for this purpose.

- (d) Any electronic communication or document which becomes effective, in accordance with paragraph (c) above, after 5.00 p.m. in the place in which the Party to whom the relevant communication or document is sent or made available has its address for the purpose of this Agreement shall be deemed only to become effective on the following day.
- (e) Any reference in a Finance Document to a communication being sent or received or a document being delivered shall be construed to include that communication or document being made available in accordance with this Clause 38.5 (*Electronic communication*).

38.6 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Facility Agent, accompanied by a certified English translation prepared by a translator approved by the Facility Agent and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

38.7 Hedging Agreement

Notwithstanding anything in Clause 1.1 (*Definitions*), references to the Finance Documents or a Finance Document in this Clause do not include any Hedging Agreement entered into by a Borrower with a Hedge Counterparty in connection with the Facility.

39 CALCULATIONS AND CERTIFICATES

39.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

39.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

39.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

40 PARTIAL INVALIDITY

If, at any time, any provision of a Finance Document is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions under the law of that jurisdiction nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

41 REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Secured Party, any right or remedy under a Finance Document shall operate as a waiver of any such right or remedy or constitute an election to affirm any Finance Document. No election to affirm any Finance Document on the part of a Secured Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in each Finance Document are cumulative and not exclusive of any rights or remedies provided by law.

42 SETTLEMENT OR DISCHARGE CONDITIONAL

Any settlement or discharge under any Finance Document between any Finance Party and any Transaction Obligor or Approved Manager shall be conditional upon no security or payment to any Finance Party by any Transaction Obligor or any other person being set aside, adjusted or ordered to be repaid, whether under any insolvency law or otherwise.

43 IRREVOCABLE PAYMENT

If the Facility Agent considers that an amount paid or discharged by, or on behalf of, a Transaction Obligor or by any other person in purported payment or discharge of an obligation of that Transaction Obligor to a Secured Party under the Finance Documents is capable of being avoided or otherwise set aside on the liquidation or administration of that Transaction Obligor or otherwise, then that amount shall not be considered to have been unconditionally and irrevocably paid or discharged for the purposes of the Finance Documents.

44 AMENDMENTS AND WAIVERS

44.1 Required consents

- (a) Subject to Clause 44.2 (*All Lender matters*) and Clause 44.3 (*Other exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and, in the case of an amendment, the Obligors and any such amendment or waiver will be binding on all Parties.
- (b) The Facility Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 44 (*Amendments and Waivers*).
- (c) Without prejudice to the generality of Clause 31.8 (*Rights and discretions*), the Facility Agent may engage, pay for and rely on the services of lawyers in determining the consent level required for and effecting any amendment, waiver or consent under this Agreement.
- (d) Paragraph (c) of Clause 29.10 (*Pro rata interest settlement*) shall apply to this Clause 44 (*Amendments and Waivers*).

44.2 All Lender matters

Subject to Clause 44.4 (*Replacement of Screen Rate*), an amendment of or waiver or consent in relation to any term of any Finance Document that has the effect of changing or which relates to:

- (a) the definition of “Majority Lenders”, “Designated Person”, “Sanctions” “Sanctions Authority”, “Sanctions List” or “UHRC” in Clause 1.1 (*Definitions*);
- (b) a postponement to or extension of the date of payment of any amount under the Finance Documents;
- (c) a reduction in the Margin or the amount of any payment of principal, interest, fees or commission payable;
- (d) a change in currency of payment of any amount under the Finance Documents;
- (e) an increase in any Commitment or the Total Commitments, an extension of any Availability Period or any requirement that a cancellation of Commitments reduces the Commitments rateably under the Facility;
- (f) a change to any Transaction Obligor other than in accordance with Clause 30 (*Changes to the Transaction Obligors*);
- (g) any provision which expressly requires the consent of all the Lenders;
- (h) this Clause 44 (*Amendments and Waivers*);
- (i) any change to the preamble (*Background*), Clause 2 (*The Facility*), Clause 3 (*Purpose*), Clause 5 (*Utilisation*), Clause 6.2 (*Effect of cancellation and prepayment on scheduled repayments*), Clause 7.4 (*Mandatory prepayment on sale or Total Loss*), Clause 7.5 (*Termination of Approved Charter*), Clause 7.6 (*Mandatory prepayment of Hedging Prepayment Proceeds*), Clause 8 (*Interest*), Clause 20.35 (*Sanctions*), Clause 23.22 (*Sanctions*), Clause 25.10 (*Compliance with laws etc.*), Clause 26.1 (*Minimum required Security Cover*), Clause 27 (*Accounts, application of Earnings and Hedge Receipts*), Clause 28.10 (*Ownership of the Obligors*), Clause 29 (*Changes to the Lenders and the Hedge Counterparties*), Clause 34 (*Sharing among the Finance Parties*), Clause 48 (*Governing Law*) or Clause 49 (*Enforcement*);
- (j) any release of, or material variation to, any Transaction Security, guarantee, indemnity or subordination arrangement set out in a Finance Document (except in the case of a release of Transaction Security as it relates to the disposal of an asset which is the subject of the Transaction Security and where such disposal is expressly permitted by the Majority Lenders or otherwise under a Finance Document);
- (k) (other than as expressly permitted by the provisions of any Finance Document), the nature or scope of:
 - (i) the guarantees and indemnities granted under Clause 17 (*Guarantee and Indemnity – Parent Guarantor*);
 - (ii) the guarantees and indemnities granted under Clause 19 (*Guarantee and Indemnity – Hedge Guarantors*);

- (iii) the joint and several liability of the Borrowers under Clause 18 (*Joint and Several Liability of the Borrowers*);
 - (iv) the Security Assets; or
 - (v) the manner in which the proceeds of enforcement of the Transaction Security are distributed,
(except in the case of sub-paragraphs (iv) and (v) above, insofar as it relates to a sale or disposal of an asset which is the subject of the Transaction Security where such sale or disposal is expressly permitted under this Agreement or any other Finance Document);
- (l) the release of the guarantees and indemnities granted under Clause 17 (*Guarantee and Indemnity – Parent Guarantor*) or Clause 19 (*Guarantee and Indemnity – Hedge Guarantors*) or the release of the joint and several liability of the Borrowers under Clause 18 (*Joint and Several Liability of the Borrowers*) or of any Transaction Security unless permitted under this Agreement or any other Finance Document or relating to a sale or disposal of an asset which is the subject of the Transaction Security where such sale or disposal is expressly permitted under this Agreement or any other Finance Document,
- shall not be made, or given, without the prior consent of all the Lenders.

44.3 Other exceptions

- (a) An amendment or waiver which relates to the rights or obligations of a Servicing Party, the Co-ordinator or a Reference Bank (each in their capacity as such) may not be effected without the consent of that Servicing Party, the Co-ordinator or that Reference Bank, as the case may be.
- (b) An amendment or waiver which relates to and would adversely affect the rights or obligations of a Hedge Counterparty (in its capacity as such) may not be effected without the consent of that Hedge Counterparty.
- (c) The Borrowers and the Facility Agent, the Co-ordinator or the Security Agent, as applicable, may amend or waive a term of a Fee Letter to which they are party.
- (d) The relevant Hedge Counterparty and the relevant Borrower may amend, supplement or waive the terms of any Hedging Agreement if permitted by paragraph (g) of Clause 8.5 (*Hedging*).

44.4 Replacement of Screen Rate

- (a) Subject to Clause 44.3 (*Other exceptions*), if a Screen Rate Replacement Event has occurred in relation to the Screen Rate for dollars, any amendment or waiver which relates to:
 - (i) providing for the use of a Replacement Benchmark in relation to that currency in place of that (or in addition to that) Screen Rate; and
 - (ii)
 - (A) aligning any provision of any Finance Document to the use of that Replacement Benchmark;

- (B) enabling that Replacement Benchmark to be used for the calculation of interest under this Agreement (including, without limitation, any consequential changes required to enable that Replacement Benchmark to be used for the purposes of this Agreement);
- (C) implementing market conventions applicable to that Replacement Benchmark;
- (D) providing for appropriate fallback (and market disruption) provisions for that Replacement Benchmark; or
- (E) adjusting the pricing to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one Party to another as a result of the application of that Replacement Benchmark (and if any adjustment or method for calculating any adjustment has been formally designated, nominated or recommended by the Relevant Nominating Body, the adjustment shall be determined on the basis of that designation, nomination or recommendation),

may be made with the consent of the Facility Agent (acting on the instructions of the Majority Lenders) and the Borrowers.

- (b) If, as at 30 September 2022 this Agreement provides that the rate of interest for a Loan in dollars is to be determined by reference to the Screen Rate for LIBOR:
 - (i) a Screen Rate Replacement Event shall be deemed to have occurred on that date in relation to the Screen Rate dollars; and
 - (ii) the Facility Agent, (acting on the instructions of the Majority Lenders) and the Obligors shall enter into negotiations in good faith with a view to agreeing the use of a Replacement Benchmark in relation to dollars in place of that Screen Rate from and including a date no later than 31 March 2023 with the terms relating to the use of that Replacement Benchmark including:

Replacement Benchmark for U.S. dollars

SOFR compounded in arrears

SOFR

The secured overnight financing rate administered by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate) published by the Federal Reserve Bank of New York (or any other person which takes over publication of that rate)

Credit adjustment spread

A credit adjustment spread will be included to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one Party to another as a result of the application of that Replacement Benchmark

Banking days

SOFR banking days are days other than: (i) a Saturday or Sunday; or (ii) any day on which SIFMA recommends that the fixed income departments of its members be closed for the entire for purposes of trading in US Government securities.

Lookback	5 SOFR banking days (as applicable) without Observation Shift
Rounding	SOFR to be rounded (and not truncated) to 4 decimal points and U.S. dollar amounts to be rounded to two decimal points
Day count	U.S. dollars: ACT/360
Margin Treatment	Margin will be added after the rate compounding (i.e. the margin will not be compounded)
Prepayments	Proportional accrued interest will be paid at the time of prepayment on any amounts of principal prepaid

- (iii) Any term in paragraph (b)(ii) may be replaced where the Facility Agent (acting on the instructions of the Lenders) determines that it is no longer consistent with the market convention for that term having reference, to the extent in the view of the Lenders appropriate, to the applicable LMA compounded RFR facilities agreement.
- (c) If any Lender fails to respond to a request for an amendment or waiver described in, or for any other vote of Lenders in relation to, paragraphs (a) or (b) above within five Business Days (or such longer time period in relation to any request which the Borrowers and the Facility Agent may agree) of that request being made:
 - (i) its Commitment or its participation in the Loan (as the case may be) shall not be included for the purpose of calculating the Total Commitments or the amount of the Loan (as applicable) when ascertaining whether any relevant percentage of Total Commitments or the aggregate of participations in the Loan (as applicable) 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.

44.5 Obligor Intent

Without prejudice to the generality of Clauses 1.2 (*Construction*), 17.4 (*Waiver of defences*), 18.2 (*Waiver of defences*) and 19.4 (*Waiver of defences*), each Obligor expressly confirms that it intends that any guarantee contained in this Agreement or any other Finance Document and any Security created by any Finance Document shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Finance Documents and/or any facility or amount made available under any of the Finance Documents for the purposes of or in connection with any of the following: business acquisitions of any nature; increasing working capital; enabling investor distributions to be made; carrying out restructurings; refinancing existing facilities; refinancing any other indebtedness; making facilities available to new borrowers; any other variation or extension of the purposes for which any such facility or amount might be made available from time to time; and any fees, costs and/or expenses associated with any of the foregoing.

45 CONFIDENTIAL INFORMATION

45.1 Confidentiality

Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 45.2 (*Disclosure of Confidential Information*) and Clause 45.4 (*Disclosure to numbering service providers*) 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.

45.2 Disclosure of Confidential Information

Any Finance Party may disclose:

- (a) to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, insurers, insurance advisors, insurance brokers, risk mitigation providers, partners and Representatives such Confidential Information as that Finance 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 or Security 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 one or more Transaction Obligors and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
 - (iii) appointed by any Finance Party or by a person to whom sub-paragraph (i) or (ii) of paragraph (b) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including, without limitation, any person appointed under paragraph (c) of Clause 31.15 (*Relationship with the other Finance Parties*));
 - (iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in sub-paragraph (i) or (ii) of paragraph (b) 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, arbitrations, administrative or other investigations, proceedings or disputes;
- (vii) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 29.9 (*Security over Lenders' rights*);
- (viii) which is a classification society or other entity which a Lender has engaged to make the calculations necessary to enable that Lender to comply with its reporting obligations under the Poseidon Principles;
- (ix) who is a Party, a member of the Group or any related entity of a Transaction Obligor;
- (x) as a result of the registration of any Finance Document as contemplated by any Finance Document or any legal opinion obtained in connection with any Finance Document; or
- (xi) with the consent of the Parent Guarantor;

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

- (A) in relation to sub-paragraphs (i), (ii) and (iii) of paragraph (b) 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 sub-paragraphs (iv) and (viii) of paragraph (b) 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; and
 - (C) in relation to sub-paragraphs (v), (vi) and (vii) of paragraph (b) 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 Finance Party, it is not practicable so to do in the circumstances;
- (c) to any person appointed by that Finance Party or by a person to whom sub-paragraph (i) or (ii) of paragraph (b) 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 in to 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 Finance Party;

- (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 Transaction Obligors if the rating agency 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.

45.3 DAC6

Nothing in any Finance Document shall prevent disclosure of any Confidential Information or other matter to the extent that preventing that disclosure would otherwise cause any transaction contemplated by the Finance Documents or any transaction carried out in connection with any transaction contemplated by the Finance Documents to become an arrangement described in Part II A 1 of Annex IV of Directive 2011/16/EU.

45.4 Disclosure to numbering service providers

- (a) Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Facility and/or one or more Transaction Obligors the following information:
- (i) names of Transaction Obligors;
 - (ii) country of domicile of Transaction Obligors;
 - (iii) place of incorporation of Transaction Obligors;
 - (iv) date of this Agreement;
 - (v) Clause 48 (*Governing Law*);
 - (vi) the names of the Facility Agent and the Co-ordinator;
 - (vii) date of each amendment and restatement of this Agreement;
 - (viii) amount of Total Commitments;
 - (ix) currency of the Facility;
 - (x) type of Facility;
 - (xi) ranking of Facility;
 - (xii) Termination Date for Facility;
 - (xiii) changes to any of the information previously supplied pursuant to sub-paragraphs (i) to (xii) above; and
 - (xiv) such other information agreed between such Finance Party and the Borrowers,
- to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

- (b) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Facility and/or one or more Transaction Obligors 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) Each Obligor represents, on behalf of itself and the other Transaction Obligors, that none of the information set out in sub-paragraphs (i) to (xiv) of paragraph (a) above is, nor will at any time be, unpublished price-sensitive information.
- (d) The Facility Agent shall notify the Parent Guarantor and the other Finance Parties of:
 - (i) the name of any numbering service provider appointed by the Facility Agent in respect of this Agreement, the Facility and/or one or more Transaction Obligors; and
 - (ii) the number or, as the case may be, numbers assigned to this Agreement, the Facility and/or one or more Transaction Obligors by such numbering service provider.

45.5 Entire agreement

This Clause 45 (*Confidential Information*) constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

45.6 Inside information

Each of the Finance 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 Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

45.7 Notification of disclosure

Each of the Finance 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 sub-paragraph (v) of paragraph (b) of Clause 45.2 (*Disclosure of Confidential Information*) 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 45 (*Confidential Information*).

45.8 Continuing obligations

The obligations in this Clause 45 (*Confidential Information*) are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of 12 months from the earlier of:

- (a) the date on which all amounts payable by the Obligors 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 Finance Party otherwise ceases to be a Finance Party.

46 CONFIDENTIALITY OF FUNDING RATES AND REFERENCE BANK QUOTATIONS

46.1 Confidentiality and disclosure

- (a) The Facility Agent and each Obligor agree to keep each Funding Rate (and, in the case of the Facility Agent, each Reference Bank Quotation) confidential and not to disclose it to anyone, save to the extent permitted by paragraphs (b), (c) and (d) below.
- (b) The Facility Agent may disclose:
 - (i) any Funding Rate (but not, for the avoidance of doubt, any Reference Bank Quotation) to the Borrower pursuant to Clause 8.4 (*Notification of rates of interest*); and
 - (ii) any Funding Rate or any Reference Bank Quotation to any person appointed by it to provide administration services in respect of one or more of the Finance Documents to the extent necessary to enable such service provider to provide those services if the service provider to whom that 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 Facility Agent and the relevant Lender or Reference Bank, as the case may be.
- (c) The Facility Agent may disclose any Funding Rate or any Reference Bank Quotation, and each Obligor may disclose any Funding Rate, to:
 - (i) any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives, if any person to whom that Funding Rate or Reference Bank Quotation is to be given pursuant to this sub-paragraph (i) is informed in writing of its confidential nature and that it 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 that Funding Rate or Reference Bank Quotation or is otherwise bound by requirements of confidentiality in relation to it;
 - (ii) 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 if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price sensitive information except that there shall be no requirement to so inform if, in the opinion of the Facility Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances;
 - (iii) any person 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 if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price sensitive information except that there shall be no requirement to so inform if, in the opinion of the Facility Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances; and

- (iv) any person with the consent of the relevant Lender or Reference Bank, as the case may be.
- (d) The Facility Agent's obligations in this Clause 46 (*Confidentiality of Funding Rates and Reference Bank Quotations*) relating to Reference Bank Quotations are without prejudice to its obligations to make notifications under Clause 8.4 (*Notification of rates of interest*) **provided that** (other than pursuant to sub-paragraph (i) of paragraph (b) above) the Facility Agent shall not include the details of any individual Reference Bank Quotation as part of any such notification.

46.2 Related obligations

- (a) The Facility Agent and each Obligor acknowledge that each Funding Rate (and, in the case of the Facility Agent, each Reference Bank Quotation) is or may be price sensitive information and that its use may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Facility Agent and each Obligor undertake not to use any Funding Rate or, in the case of the Facility Agent, any Reference Bank Quotation for any unlawful purpose.
- (b) The Facility Agent and each Obligor agree (to the extent permitted by law and regulation) to inform the relevant Lender or Reference Bank, as the case may be:
 - (i) of the circumstances of any disclosure made pursuant to sub-paragraph (ii) of paragraph (c) of Clause 46.1 (*Confidentiality and disclosure*) 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
 - (ii) upon becoming aware that any information has been disclosed in breach of this Clause 46 (*Confidentiality of Funding Rates and Reference Bank Quotations*).

46.3 No Event of Default

No Event of Default will occur under Clause 28.4 (*Other obligations*) by reason only of an Obligor's failure to comply with this Clause 46 (*Confidentiality of Funding Rates and Reference Bank Quotations*).

47 COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

GOVERNING LAW AND ENFORCEMENT

48 GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

49 ENFORCEMENT**49.1 Jurisdiction**

- (a) Unless specifically provided in another Finance Document in relation to that Finance Document, the courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with any Finance Document (including a dispute regarding the existence, validity or termination of any Finance Document or any non-contractual obligation arising out of or in connection with any Finance Document) (a “**Dispute**”).
- (b) The Obligors accept that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Obligor will argue to the contrary.
- (c) This Clause 49.1 (*Jurisdiction*) is for the benefit of the Secured Parties only. As a result, no Secured Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Secured Parties may take concurrent proceedings in any number of jurisdictions.

49.2 Service of process

- (a) Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in England and Wales):
 - (i) irrevocably appoints Curzon Maritime Limited, at its registered office for the time being, presently at 60 Sloane Avenue, London SW3 3DD, England as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and
 - (ii) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.
- (b) If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process, the Borrowers (on behalf of all the Obligors) must immediately (and in any event within five days of such event taking place) appoint another agent on terms acceptable to the Facility Agent. Failing this, the Facility Agent may appoint another agent for this purpose.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

THE PARTIES

PART A

THE OBLIGORS

Name of Borrowers	Place of Incorporation	Registration number (or equivalent, if any)	Address for Communication
ATROTOS GAS CARRIER CORP.	The Republic of the Marshall Islands	97442	c/o Capital Gas Ship Management Corp. 3, Iassonos Street 185 37 Piraeus Greece Fax No: +30 210 4285 679 for the attention of: Capital Product Partners L.P./Chief Financial Officer
POSEIDON GAS CARRIER CORP.	The Republic of the Marshall Islands	97444	c/o Capital Gas Ship Management Corp. 3, Iassonos Street 185 37 Piraeus Greece Fax No: +30 210 4285 679 for the attention of: Capital Product Partners L.P./Chief Financial Officer
Name of Parent Guarantor	Place of Formation	Registration number (or equivalent, if any)	Address for Communication
CAPITAL PRODUCT PARTNERS L.P.	The Republic of the Marshall Islands	950013	c/o Capital Gas Ship Management Corp. 3, Iassonos Street 185 37 Piraeus Greece Fax No: +30 210 4285 679 for the attention of: Capital Product Partners L.P./Chief Financial Officer

Name of Hedge Guarantor	Place of Incorporation	Registration number (or equivalent, if any)	Address for Communication
ATROTOS GAS CARRIER CORP.	The Republic of the Marshall Islands	97442	c/o Capital Gas Ship Management Corp. 3, Iassonos Street 185 37 Piraeus Greece Fax No: +30 210 4285 679 for the attention of: Capital Product Partners L.P./Chief Financial Officer
POSEIDON GAS CARRIER CORP.	The Republic of the Marshall Islands	97444	c/o Capital Gas Ship Management Corp. 3, Iassonos Street 185 37 Piraeus Greece Fax No: +30 210 4285 679 for the attention of: Capital Product Partners L.P./Chief Financial Officer

PART B

THE ORIGINAL LENDERS

Name of Original Lender	Commitment	Address for Communication
Alpha Bank S.A.	\$30,000,000	93 Akti Miaouli 185 38 Piraeus Greece Attention: Konstantinos Flokos/ Dimitra Orfanioti Email: konstantinos.flokos@alpha.gr / dimitra.orfanioti@alpha.gr Fax No.: +30 210 429 0677
ING Bank N.V., London Branch	\$130,610,000	8-10 Moorgate, London EC2R 6DA, United Kingdom Attention: Robartus Krol Email: Robartus.Krol@ing.com
National Bank of Greece S.A.	\$75,000,000	2 Bouboulinas Street and Akti Miaouli Piraeus 18535 Greece Attention: Mr. Tsagarakis/ Mr. Kagkarakis Email: tsagarakis.em@nbg.gr / nkagkarakis@nbg.gr Fax No.: +30 210 4144155
Piraeus Bank S.A.	\$25,000,000	170 Alexandras Ave., 11521, Athens, Greece Facsimile No: +30 210 3739783 Attention: The Manager E-mail: shipping@piraeusbank.gr

THE ORIGINAL HEDGE COUNTERPARTIES

Name of Original Hedge Counterparty

ING Bank N.V.

Address for Communication

Foppingadreef 7
P.O. Box 1800
NL-1000 BV Amsterdam The Netherlands

Email: Trade.Processing.Derivatives.AMS@INGBank.com

Fax: +31 20 501 3381

Tel: +31 20 563-8222

Attn: Operations / Derivatives / TRC 00.13

National Bank of Greece S.A.

Akadimias 68
106 78 Athens
Greece

Attention: Mrs Katerina Strati, Mrs Maria Vogiatzi

Tel: +30 210 3328741, 229

Email: astrat@nbg.gr, vogiagi.maria@nbg.gr

Fax No.: +30 210 3328745

Piraeus Bank S.A.

170 Alexandras Ave.,
11521, Athens, Greece
Facsimile No: +30 210 3739783
Attention: The Manager
E-mail: shipping@piraeusbank.gr

PART C

THE SERVICING PARTIES

Name of Facility Agent

ING Bank N.V., London Branch

Address for Communication

8-10 Moorgate, London EC2R 6DA, United Kingdom Agency - Client Service Delivery

Email: Loans.Agency@uk.ing.com
with copy to:

Robartus Krol
ING Bank N.V., London Branch
8-10 Moorgate
London EC2R 6DA
Email: Robartus.Krol@ing.com

Name of Security Agent

ING Bank N.V., London Branch

Address for Communication

8-10 Moorgate, London EC2R 6DA, United Kingdom Agency - Client Service Delivery

Email: Loans.Agency@uk.ing.com
with copy to:

Robartus Krol
ING Bank N.V., London Branch
8-10 Moorgate
London EC2R 6DA
Email: Robartus.Krol@ing.com

SCHEDULE 2

CONDITIONS PRECEDENT

PART A

CONDITIONS PRECEDENT TO INITIAL UTILISATION REQUEST

1 Obligors

- 1.1 A copy of the constitutional documents of each Transaction Obligor and each Approved Manager.
- 1.2 A copy of a resolution of the board of directors of each Transaction Obligor and each Approved Manager:
 - (a) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
 - (b) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
 - (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, a Utilisation Request and each Selection Notice) to be signed and/or despatched by it under, or in connection with, the Finance Documents to which it is a party.
- 1.3 An original of the power of attorney of any Transaction Obligor and any Approved Manager authorising a specified person or persons to execute the Finance Documents to which it is a party.
- 1.4 A specimen of the signature of each person authorised by the resolution referred to in paragraph 1.2 above.
- 1.5 A copy of a resolution signed by the Shareholder as the holder of the issued shares in each Borrower, approving the terms of, and the transactions contemplated by, the Finance Documents to which that Borrower is a party.
- 1.6 A certificate of each Obligor (signed by a director) confirming that borrowing or guaranteeing, as appropriate, the Total Commitments would not cause any borrowing, guaranteeing or similar limit binding on that Transaction Obligor to be exceeded.
- 1.7 A certificate of each Transaction Obligor that is incorporated outside the UK (signed by a director) certifying either that (i) it has not delivered particulars of any UK Establishment to the Registrar of Companies as required under the Overseas Regulations or (ii) it has a UK Establishment and specifying the name and registered number under which it is registered with the Registrar of Companies
- 1.8 A certificate of an authorised signatory of the relevant Transaction Obligor certifying that each copy document relating to it specified in this Part A of Schedule 2 (*Conditions Precedent*) is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

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- 1.9 Evidence of the shareholding structure of the Obligors.
- 2 Shipbuilding Contracts and other Documents**
- 2.1 Copies of each Shipbuilding Contract and of all documents signed or issued by the relevant Borrower or the Builder (or both of them) under or in connection with it.
- 2.2 Such documentary evidence as the Facility Agent may reasonably require in relation to the due authorisation and execution of the Shipbuilding Contracts by each of the parties to it.
- 2.3 Copies of each Hedging Agreement executed by a Hedge Counterparty and the relevant Borrower.
- 2.4 A copy of the Initial Charter and such documentary evidence as the Facility Agent may require (acting reasonably) in relation to the due authorisation and execution of the Initial Charter by each of the parties to it.
- 3 Finance Documents**
- 3.1 A duly executed original of any Fee Letter and the Side Letter;
- 3.2 A duly executed original of the Subordination Agreement and copies of each Subordinated Finance Document.
- 3.3 A duly executed original of any Finance Document not otherwise referred to in this Schedule 2 (*Conditions Precedent*).
- 3.4 A duly executed original of any other document required to be delivered by each Finance Document if not otherwise referred to in this Schedule 2 (*Conditions Precedent*).
- 4 Security**
- 4.1 A duly executed original of the Account Security in relation to each Account and of the Shares Security in respect of each Borrower (and of each document to be delivered under each of them).
- 4.2 A duly executed original of the Hedging Agreement Security in respect of each Borrower (and of each document to be delivered under each of them).
- 4.3 A duly executed original of the Subordinated Debt Security (if applicable).
- 5 Legal opinions**
- 5.1 A legal opinion of Watson Farley & Williams, legal advisers to the Co-ordinator, the Facility Agent and the Security Agent in England, substantially in the form distributed to the Original Lenders before signing this Agreement.
- 5.2 If a Transaction Obligor is incorporated in a jurisdiction other than England and Wales, a legal opinion of the legal advisers to the Co-ordinator, the Facility Agent and the Security Agent in the relevant jurisdiction, substantially in the form distributed to the Original Lenders before signing this Agreement.

6 Other documents and evidence

- 6.1 Evidence that any process agent referred to in Clause 49.2 (*Service of process*), if not an Obligor, has accepted its appointment.
- 6.2 A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent considers to be necessary or desirable (if it has notified the Borrowers accordingly) in connection with the entry into and performance of the transactions contemplated by any Transaction Document or for the validity and enforceability of any Transaction Document.
- 6.3 The Original Financial Statements of the Parent Guarantor.
- 6.4 The original of any mandates or other documents required in connection with the opening or operation of the Accounts.
- 6.5 Evidence that the fees, costs and expenses then due from the Borrowers pursuant to Clause 11 (*Fees*) and Clause 16 (*Costs and Expenses*) have been paid or will be paid by the first Utilisation Date.
- 6.6 Such evidence as the Facility Agent may require for the Finance Parties to be able to satisfy each of their “anti-money laundering”, “FATCA”, “know your customer”, “common reporting standards” or similar identification procedures in relation to the transactions contemplated by the Finance Documents.

PART B

CONDITIONS PRECEDENT TO UTILISATION– TRANCHE A AND INITIAL TRANCHE B ADVANCE

In this Part B, the following expressions shall have the following meanings:

“**Relevant Borrower**” means the Borrower whose Ship is to be financed by the relevant Advance.

“**Relevant Ship**” means, in relation to an Advance, the Ship which is to be financed by such Advance.

1 Borrowers

A certificate of an authorised signatory of the Relevant Borrower certifying that each copy document which it is required to provide under this Part B of Schedule 2 (*Conditions Precedent*) is correct, complete and in full force and effect as at the Utilisation Date of the relevant Advance under a Tranche.

2 Ship and other security

- 2.1 A duly executed original of the Mortgage, (to the extent permitted under the laws of the relevant Approved Flag) any Deed of Covenant, the General Assignment, the Charterparty Assignment, any Quiet Enjoyment Agreement in respect of the Relevant Ship and of each document to be delivered under or pursuant to each of them (any acknowledgment under any Charterparty Assignment to be delivered on a best efforts basis) together with documentary evidence that the Mortgage in respect of the Relevant Ship has been duly registered or (if applicable) recorded as a valid first preferred or, as the case may be, priority ship mortgage in accordance with the laws of the jurisdiction of its Approved Flag.
- 2.2 If applicable in case the Relevant Ship is Ship B, a copy of the Qualifying Charter and such documentary evidence as the Facility Agent and its legal advisers may require in relation to the due authorisation and execution of the Qualifying Charter by each of the parties to it.
- 2.3 Documentary evidence that the Relevant Ship:
- (a) has been unconditionally delivered by the Builder to, and accepted by, the Relevant Borrower under the relevant Shipbuilding Contract and that the full purchase price payable and all other sums due to the Builder under the relevant Shipbuilding Contract have been paid to the Builder other than (i) the sums to be financed pursuant to the Utilisation of the relevant Advance and (ii) the value of the bunkers and other stores of consumable nature remaining on board the Relevant Ship at the time of delivery, which shall be paid to the Builder no later than 7 days after the date of delivery;
 - (b) is definitively and permanently registered in the name of the Relevant Borrower under the Approved Flag applicable to the Relevant Ship;
 - (c) has been unconditionally delivered by the relevant Borrower to, and accepted by, the relevant charterer under (i) in relation to Ship A, the Initial Charter and (ii) in relation to Ship B, if entered into at the time of Utilisation of the Initial Tranche B Advance, the Qualifying Charter;
 - (d) is in the absolute and unencumbered ownership of the Relevant Borrower save as contemplated by the Finance Documents;

- (e) maintains the Approved Classification with the Approved Classification Society free of all recommendations and conditions of the Approved Classification Society; and
 - (f) is insured in accordance with the provisions of this Agreement and all requirements in this Agreement in respect of insurances have been complied with.
- 2.4 Documents establishing that the Relevant Ship, will, as from the Utilisation Date of the relevant Advance under a Tranche, be managed commercially by its Approved Commercial Manager and managed technically by its Approved Technical Manager on terms acceptable to the Facility Agent acting with the authorisation of all of the Lenders, together with:
- (a) a Manager's Undertaking for each of the Approved Technical Manager and the Approved Commercial Manager of the Relevant Ship; and
 - (b) copies of the relevant Approved Technical Manager's Document of Compliance and of the Relevant Ship's Safety Management Certificate (together with any other details of the applicable Safety Management System which the Facility Agent requires) and of any other documents required under the ISM Code and the ISPS Code in relation to the Relevant Ship including without limitation an ISSC.
- 2.5 An opinion from an independent insurance consultant acceptable to the Facility Agent on such matters relating to the Insurances as the Facility Agent may require.
- 2.6 Two valuations of the Relevant Ship, addressed to the Facility Agent on behalf of the Finance Parties, stated to be for the purposes of this Agreement and dated not earlier than 30 days before the Utilisation Date for the relevant Advance under a Tranche from an Approved Valuer.
- 2.7 A copy of the Inventory of Hazardous Materials of the Relevant Ship (or equivalent document acceptable to the Facility Agent).
- 2.8 Evidence of the lightweight tonnage of the Relevant Ship.

3 Legal opinions

Legal opinions of the legal advisers to the Co-ordinator, the Facility Agent and the Security Agent in the jurisdiction of the Approved Flag of the Relevant Ship and such other relevant jurisdictions as the Facility Agent may require.

4 Other documents and evidence

- 4.1 Evidence that the fees, costs and expenses then due from the Borrowers pursuant to Clause 11 (*Fees*) and Clause 16 (*Costs and Expenses*) have been paid or will be paid by the Utilisation Date for the relevant Advance under a Tranche.
- 4.2 A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Transaction Document referred to in Paragraph 2 (*Ship and other security*) above or for the validity and enforceability of any such Transaction Document.

PART C

CONDITIONS PRECEDENT TO UTILISATION – TRANCHE B INCREASE

5 Borrowers

A certificate of an authorised signatory of Borrower B certifying that each copy document which it is required to provide under this Part C of Schedule 2 (*Conditions Precedent*) is correct, complete and in full force and effect as at the Utilisation Date of the relevant Advance under Tranche B.

6 Qualifying Charter

6.1 A duly executed original of the Charterparty Assignment in relation to the Qualifying Charter, the Quiet Enjoyment Agreement and of each document to be delivered under or pursuant to each of them (any acknowledgment under any Charterparty Assignment to be delivered on a best efforts basis).

6.2 A copy of the Qualifying Charter and such documentary evidence as the Facility Agent may require (acting reasonably) in relation to the due authorisation and execution of the Qualifying Charter by each of the parties to it.

7 Legal opinions

Legal opinions of the legal advisers to the Co-ordinator, the Facility Agent and the Security Agent in any relevant jurisdictions as the Facility Agent may require.

8 Other documents and evidence

8.1 Evidence that the fees, costs and expenses then due from Borrower B pursuant to Clause 11 (*Fees*) and Clause 16 (*Costs and Expenses*) have been paid or will be paid by the Utilisation Date for the Delivery Advance.

SCHEDULE 3

REQUESTS

PART A

UTILISATION REQUEST

From: **ATROTOS GAS CARRIER CORP.
POSEIDON GAS CARRIER CORP.**

To: **ING BANK N.V., LONDON BRANCH**

Dated: [•]

Dear Sirs

Atrotos Gas Carrier Corp. and Poseidon Gas Carrier Corp. – US\$260,610,000 Facility Agreement dated 18 December 2020 as amended and restated pursuant to a deed of accession, amendment and restatement dated [•] 2021 (the “Agreement”)

- 1 We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.
- 2 We wish to borrow [an Advance under Tranche A][the Initial Tranche B Advance under Tranche B][the Tranche B Increase under Tranche B] on the following terms:

Proposed Utilisation Date: [•] (or, if that is not a Business Day, the next Business Day)
Amount: [•] or, if less, the Available Facility
First Interest Period for the Advance: [•]
- 3 We confirm that each condition specified in Clause 4.1 (*Initial conditions precedent*) and Clause 4.2 (*Further conditions precedent*) of the Agreement as they relate to the Advance to which this Utilisation Request refers is satisfied on the date of this Utilisation Request.
- 4 The [net] proceeds of this Advance should be credited to [account].
- 5 This Utilisation Request is irrevocable.

Yours faithfully

[•]

authorised signatory for

Name:

Title:

For and on behalf of

POSEIDON GAS CARRIER CORP.

PART B

SELECTION NOTICE

From: **ATROTOS GAS CARRIER CORP.
POSEIDON GAS CARRIER CORP.**

To: **ING BANK N.V., LONDON BRANCH**

Dated: [•]

Dear Sirs

Atrotos Gas Carrier Corp. and Poseidon Gas Carrier Corp. – US\$260,610,000 Facility Agreement dated 18 December 2020 as amended and restated pursuant to a deed of accession, amendment and restatement dated [•] 2021 (the “Agreement”)

- 1 We refer to the Agreement. This is a Selection Notice. Terms defined in the Agreement have the same meaning in this Selection Notice unless given a different meaning in this Selection Notice.
- 2 We request [that the next Interest Period for Tranche [A][B] be [•]] OR [an Interest Period for a part of Tranche [A][B] in an amount equal to [•] (which is the amount of the Repayment Instalment next due) ending on [•] (which is the Repayment Date relating to that Repayment Instalment) and that the Interest Period for the remaining part of Tranche [A][B] shall be [•].
- 3 This Selection Notice is irrevocable.

Yours faithfully

Name:
Title:
For and on behalf of
ATROTOS GAS CARRIER CORP.

Name:
Title:
For and on behalf of
POSEIDON GAS CARRIER CORP.

SCHEDULE 4

FORM OF TRANSFER CERTIFICATE

To: **ING BANK N.V., LONDON BRANCH** as Facility Agent

From: [The Existing Lender] (the “**Existing Lender**”) and [The New Lender] (the “**New Lender**”)

Dated: [•]

Dear Sirs

Atrotos Gas Carrier Corp. and Poseidon Gas Carrier Corp. – US\$260,610,000 Facility Agreement dated 18 December 2020 as amended and restated pursuant to a deed of accession, amendment and restatement dated _____ 2021 (the “Agreement”)

- 1 We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
- 2 We refer to Clause 29.5 (*Procedure for transfer*) of the Agreement:
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all of the Existing Lender’s rights and obligations under the Agreement and the other Finance Documents which relate to that portion of the Existing Lender’s Commitment and participation in the Loan under the Agreement as specified in the Schedule in accordance with Clause 29.5 (*Procedure for transfer*) of the Agreement.
 - (b) The proposed Transfer Date is [•].
 - (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 38.2 (*Addresses*) of the Agreement are set out in the Schedule.
- 3 The New Lender expressly acknowledges the limitations on the Existing Lender’s obligations set out in paragraph (c) of Clause 29.4 (*Limitation of responsibility of Existing Lenders*) of the Agreement.
- 4 This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
- 5 This Transfer Certificate and any non-contractual obligations arising out of or in connection with it are governed by English law.
- 6 This Transfer Certificate has been entered into on the date stated at the beginning of this Transfer Certificate.

Note: The execution of this Transfer Certificate may not transfer a proportionate share of the Existing Lender’s interest in the Transaction Security in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in the Existing Lender’s Transaction Security in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.

THE SCHEDULE
Commitment/rights and obligations to be transferred

[insert relevant details]
[Facility Office address, fax number and attention details
for notices and account details for payments.]

[Existing Lender]

[New Lender]

By: [•]

By: [•]

This Transfer Certificate is accepted by the Facility Agent and the Transfer Date is confirmed as [•].

ING BANK N.V., LONDON BRANCH

By: [•]

SCHEDULE 5

FORM OF ASSIGNMENT AGREEMENT

To: ING BANK N.V., LONDON BRANCH as Facility Agent and Atrotos Gas Carrier Corp. and Poseidon Gas Carrier Corp. as Borrowers, for and on behalf of each Transaction Obligor

From: [the Existing Lender] (the “Existing Lender”) and [the New Lender] (the “New Lender”)

Dated: [•]

Dear Sirs

Atrotos Gas Carrier Corp. and Poseidon Gas Carrier Corp. – US\$260,610,000 Facility Agreement dated 18 December 2020 as amended and restated pursuant to a deed of accession, amendment and restatement dated _____ 2021 (the “Agreement”)

- 1 We refer to the Agreement. This is an Assignment Agreement. Terms defined in the Agreement have the same meaning in this Assignment Agreement unless given a different meaning in this Assignment Agreement.
- 2 We refer to Clause 29.6 (*Procedure for assignment*) of the Agreement:
 - (a) The Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Agreement, the other Finance Documents and in respect of the Transaction Security which correspond to that portion of the Existing Lender’s Commitment and participations in the Loan under the Agreement as specified in the Schedule.
 - (b) The Existing Lender is released from all the obligations of the Existing Lender which correspond to that portion of the Existing Lender’s Commitments and participations in the Loan under the Agreement specified in the Schedule.
 - (c) The New Lender becomes a Party as a Lender and is bound by obligations equivalent to those from which the Existing Lender is released under paragraph (b) above.
 - (d) All rights and interests (present, future or contingent) which the Existing Lender has under or by virtue of the Finance Documents are assigned to the New Lender absolutely, free of any defects in the Existing Lender’s title and of any rights or equities which the Borrower or any other Transaction Obligor had against the Existing Lender.
- 3 The proposed Transfer Date is [•].
- 4 On the Transfer Date the New Lender becomes Party to the Finance Documents as a Lender.
- 5 The Facility Office and address, fax, number and attention details for notices of the New Lender for the purposes of Clause 38.2 (*Addresses*) of the Agreement are set out in the Schedule.
- 6 The New Lender expressly acknowledges the limitations on the Existing Lender’s obligations set out in paragraph (c) of Clause 29.4 (*Limitation of responsibility of Existing Lenders*) of the Agreement.
- 7 This Assignment Agreement acts as notice to the Facility Agent (on behalf of each Finance Party) and, upon delivery in accordance with Clause 29.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrowers*) of the Agreement, to the Borrowers (on behalf of each Transaction Obligor) of the assignment referred to in this Assignment Agreement.

- 8 This Assignment Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Assignment Agreement.
- 9 This Assignment Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.
- 10 This Assignment Agreement has been entered into on the date stated at the beginning of this Assignment Agreement.

Note: The execution of this Assignment Agreement may not transfer a proportionate share of the Existing Lender's interest in the Transaction Security in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in the Existing Lender's Transaction Security in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.

THE SCHEDULE

Commitment rights and obligations to be transferred by assignment, release and accession

[insert relevant details]

[Facility office address, fax number and attention details for notices
and account details for payments]

[Existing Lender]

[New Lender]

By: [•]

By: [•]

This Assignment Agreement is accepted by the Facility Agent and the Transfer Date is confirmed as [•].

Signature of this Assignment Agreement by the Facility Agent constitutes confirmation by the Facility Agent of receipt of notice of the assignment referred to herein, which notice the Facility Agent receives on behalf of each Finance Party.

ING BANK N.V., LONDON BRANCH

By:

FORM OF HEDGE COUNTERPARTY ACCESSION LETTER

To: ING BANK N.V., LONDON BRANCH as Facility Agent

From: [Additional Hedge Counterparty] (the “**Additional Hedge Counterparty**”)

Dated: [•]

Dear Sirs

Atrotos Gas Carrier Corp. and Poseidon Gas Carrier Corp. – US\$260,610,000 Facility Agreement dated 18 December 2020 as amended and restated pursuant to a deed of accession, amendment and restatement dated [•] 2021 (the “Agreement”)

- 1 We refer to the Agreement. This is a Hedge Counterparty Accession Letter. Terms defined in the Agreement have the same meaning in this Hedge Counterparty Accession Letter unless given a different meaning in this Hedge Counterparty Accession Letter.
- 2 We refer to Clause 29.8 (*Additional Hedge Counterparties*). The Additional Hedge Counterparty agrees to become an Additional Hedge Counterparty and to be bound by the terms of the Agreement as an Additional Hedge Counterparty.
- 3 This Hedge Counterparty Accession Letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

Yours faithfully

[**Additional Hedge Counterparty**]

By: [•]

ING BANK N.V., LONDON BRANCH

By: [•]

FORM OF COMPLIANCE CERTIFICATE

To: ING BANK N.V., LONDON BRANCH as Facility Agent

From: CAPITAL PRODUCT PARTNERS L.P.

Dated: [•]

Dear Sirs

Atrotos Gas Carrier Corp. and Poseidon Gas Carrier Corp. – US\$260,610,000 Facility Agreement dated 18 December 2020 as amended and restated pursuant to a deed of accession, amendment and restatement dated _____ 2021 (the “Agreement”)

- 1 We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.
- 2 We enclose with this certificate a copy of the [unaudited consolidated financial statements of the Group for the 3-month period ended [31 March] [30 June][30 September][31 December] 20[•]]/[the audited consolidated annual financial statements of the Group for the financial year ended 31 December 20[•]]. The financial statements (i) have been prepared in accordance with all applicable laws and GAAP consistently applied, (ii) give a true and fair view of the state of affairs of the Group at the date of the financial statements and of its profit for the period to which the financial statements relate and (iii) fully disclose or provide for all significant liabilities of the Group.
- 3 We confirm that, on the basis of the calculations appended to this Certificate, as at [•]:
 - (a) the Leverage Ratio is less than 75 per cent.;
 - (b) the aggregate amount of immediately freely available and unencumbered bank or cash deposits held by the Borrower and the other members of the Group is \$[•] (representing an amount [equal to] [in excess of] the product of \$500,000 and [•]), being the number of Fleet Vessels as at the last day of the financial period to which the financial statements of the Borrower attached to this certificate relate);
 - (c) the ratio of EBITDA to Net Interest Expense is no less than 2:1; and
 - (d) the security cover ratio, calculated in accordance with clause 26.1 of the Agreement) is [•] per cent.
- 4 We confirm that no Default is continuing.

Signed: _____

Chief Financial Officer

of

CAPITAL PRODUCT PARTNERS L.P.

SCHEDULE 8

DETAILS OF THE SHIPS

<u>Ship name</u>	<u>Name of the Borrower owner</u>	<u>Type</u>	<u>GRT</u>	<u>NRT</u>	<u>Approved Flag</u>	<u>Approved Classification Society</u>	<u>Approved Classification</u>	<u>Approved Commercial Manager</u>	<u>Approved Technical Manager</u>
ARISTIDIS I	Atrotos Gas Carrier Corp. (Borrower A)	LNG carrier	116,581	34,974	Malta	BV	I, +HULL, +MACH, Unrestricted navigation, Liquefied gas carrier(Ship type 2G, Methane(LNG) in Membrane tanks, Maximum vapour pressure 0.35 bar, Minimum temperature -163°C), ESA, dual fuel, +VeriSTAR-HULL CM, Spectral fatigue (worldwide) FAT 40 years, CPS(WBT), GREEN PASSPORT EU, INWATERSURVEY, LI-HG-S3, +AUT-UMS, BWT, MON-SHAFT, +AVM-DPS, SYS-NEQ-1, +ALP, CLEANSHIP	Capital Commercial Services Corp.	Bernhard Schulte Shipmanagement (UK) Limited
ATTALOS	Poseidon Gas Carrier Corp. (Borrower B)	LNG carrier	116,581	34,974	Malta	BV	I, +HULL, +MACH, Unrestricted navigation, Liquefied gas carrier(Ship type 2G, Methane(LNG) in Membrane tanks, Maximum vapour pressure 0.35 bar, Minimum temperature -163°C), ESA, dual fuel, +VeriSTAR-HULL CM, Spectral fatigue (worldwide) FAT 40 years, CPS(WBT), GREEN PASSPORT EU, INWATERSURVEY, LI-HG-S3, +AUT-UMS, BWT, MON-SHAFT, +AVM-DPS, SYS-NEQ-1, +ALP, CLEANSHIP	Capital Commercial Services Corp.	Bernhard Schulte Shipmanagement (UK) Limited

SCHEDULE 9

QUALIFYING CHARTERERS

ADNOC
BP
CHENIERE
CENTRICA
DIAMOND GAS INTERNATIONAL
EDISON
EDP
ENDESA
ENEL
ENGIE
ENI
EQUINOR
EXXONMOBIL
GLENCORE
GUNVOR
JERA
MITSUI
NATURGY
NOBLE
OMV
PETROBRAS
PETROCHINA
PGNIG
QATARGAS
REPSOL
RWE
SHELL
TRAFIGURA
TOTAL
TOTAL GAS & POWER
UNIPER
VITOL

SCHEDULE 10

TIMETABLES

Delivery of a duly completed Utilisation Request (Clause 5.1 (<i>Delivery of a Utilisation Request</i>)) or a Selection Notice (Clause 9.1 (<i>Selection of Interest Periods</i>))	Three Business Days before the intended Utilisation Date (Clause 5.1 (<i>Delivery of a Utilisation Request</i>)) or the expiry of the preceding Interest Period (Clause 9.1 (<i>Selection of Interest Periods</i>))
Facility Agent notifies the Lenders of the Advance in accordance with Clause 5.4 (<i>Lenders' participation</i>)	Three Business Days before the intended Utilisation Date.
LIBOR is fixed	Quotation Day as of 10:00 am London time
Reference Bank Rate calculated by reference to available quotations in accordance with Clause 10.2 (<i>Calculation of Reference Bank Rate</i>)	Noon on the Quotation Day

BORROWERS

SIGNED by)
duly authorised)
attorney-in-fact)
for and on behalf of)
ATROTOS GAS CARRIER CORP.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

SIGNED by)
duly authorised)
attorney-in-fact)
for and on behalf of)
POSEIDON GAS CARRIER CORP.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

PARENT GUARANTOR

SIGNED by)
duly authorised)
attorney-in-fact)
for and on behalf of)
CAPITAL PRODUCT PARTNERS L.P.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

HEDGE GUARANTORS

SIGNED by)
duly authorised)
attorney-in-fact)
for and on behalf of)
ATROTOS GAS CARRIER CORP.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

SIGNED by)
duly authorised)
attorney-in-fact)
for and on behalf of)
POSEIDON GAS CARRIER CORP.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

ORIGINAL LENDERS

SIGNED by)
duly authorised)
for and on behalf of)
ALPHA BANK S.A.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

SIGNED by)
duly authorised)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

SIGNED by)
duly authorised)
for and on behalf of)
NATIONAL BANK OF GREECE S.A.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

SIGNED by)
duly authorised)
for and on behalf of)
PIRAEUS BANK S.A.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

ORIGINAL HEDGE COUNTERPARTIES

SIGNED by)
duly authorised)
for and on behalf of)
ING BANK N.V.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

SIGNED by)
duly authorised)
for and on behalf of)
NATIONAL BANK OF GREECE S.A.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

SIGNED by)
duly authorised)
for and on behalf of)
PIRAEUS BANK S.A.)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

BOOKRUNNER

SIGNED by)
duly authorised)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

CO-ORDINATOR

SIGNED by)
duly authorised)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

FACILITY AGENT

SIGNED by)
duly authorised)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

SECURITY AGENT

SIGNED by)
duly authorised)
for and on behalf of)
ING BANK N.V., LONDON BRANCH)
in the presence of:)

Witness' signature:)
Witness' name:)
Witness' address:)

FORM OF FLOATING RATE MANAGEMENT AGREEMENT

THIS AGREEMENT dated as of the [•], is entered into by and between [•], a company duly organized and existing under the laws of [•] (the "Owner") and CAPITAL-GAS SHIP MANAGEMENT CORP., a company duly organized and existing under the laws of Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "Manager").

WHEREAS:

- A. The Owner is the registered owner of [•] (the "Vessel") and requires certain commercial and technical management services for the operation of the Vessel; and
- B. The Owner wishes to engage the Manager to provide such commercial and technical management services to the Owner on the terms set out herein.

NOW THEREFORE, the parties agree that, in consideration of the fees set forth in Schedule "C" to this Agreement (the "Fees and Costs") and subject to the Terms and Conditions attached hereto, the Manager shall provide the services set forth in Schedule "A" to this Agreement (the "Services") to the Vessel and for the time period set out in Schedule "B" to this Agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement by their duly authorized signatories with effect on the date first above written.

[•]

By: _____
Name:
Title:

CAPITALGAS SHIP MANAGEMENT CORP.,

By: _____
Name:
Title:

ARTICLE I

TERMS AND CONDITIONS

Section 1. Definitions. In this Agreement, the term:

“Affiliates” means, with respect to any Person as at any particular date, any other Persons that directly or indirectly, through one or more intermediaries, are Controlled by, Control or are under common Control with the person in question, and “Affiliate” means any one of them.

“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);

“Consumer Price Index” means the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor, New York, N.Y. –Northeastern N.J. Area, All Items (1982-1984 = 100), or any successor index thereto, appropriately adjusted. In the event that the Consumer Price Index is converted to a different standard reference base or otherwise revised, the determination of amounts provided for in this Agreement shall be made with the use of such conversion factor, formula or table for converting the Consumer Price Index as may be published by the Bureau of Labor Statistics or, if said Bureau shall not publish the same, then with the use of such conversion factor, formula or table as may be published by Prentice-Hall, Inc., or any other nationally recognized publisher of similar statistical information. If the Consumer Price Index ceases to be published, and there is no successor thereto, such other index as the Manager may reasonably select shall be substituted for the Consumer Price Index.

Section 2. General. The Manager shall provide the Services, in a commercially reasonable manner, as the Owner, may from time to time direct. The Manager 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 Vessel would possess and exercise.

Section 3. Covenants. During the term of this Agreement the Manager shall:

- (i) diligently provide or subcontract for the provision of (in accordance with Section 18 hereof) the Services to the Owner as an independent contractor, and be responsible to the Owner 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. The Manager and its employees may provide services of a nature similar to the Services to any other person. There is no obligation for the Manager to provide the Services to the Owner on an exclusive basis.

Section 5. Confidential Information. The Manager 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. The Owner shall be entitled to any equitable remedy available at law or equity, including specific performance, against a breach by the Manager of this obligation. The Manager shall not resist such application for relief on the basis that the Owner has an adequate remedy at law, and the Manager shall waive any requirement for the securing or posting of any bond in connection with such remedy.

Section 6. Service Fee. In consideration for the Manager providing the Services, the Owner shall pay the Manager the Fees and reimburse the Costs as set out in Schedule "C" to this Agreement.

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 the Manager and the Owner.

Section 8. Force Majeure and Indemnity.

- (i) Neither the Owner nor the Manager 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) The Manager shall be under no liability whatsoever to the Owner 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 Vessel) 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 the Manager or their employees in connection with the Vessel, in which case (save where such loss, damage, delay or expense has resulted from the Manager'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) the Manager's liability for each incident or series of incidents giving rise to a claim or claims shall never exceed a total of US\$3,000,000.

- (iii) Notwithstanding anything that may appear to the contrary in this Agreement, the Manager shall not be responsible for any of the actions of the crew of the Vessel even if such actions are negligent, grossly negligent or willful.
- (iv) The Owner shall indemnify and hold harmless the Manager 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 the Manager or its employees or agents, or (B) any breach of this Agreement by the Manager.
- (v) Without prejudice to the general indemnity set out in this Section, the Owner hereby undertakes to indemnify the Manager, their employees, agents and sub-contractors against all taxes, imposts and duties levied by any government as a result of the operations of the Owner or the Vessel, whether or not such taxes, imposts and duties are levied on the Owner or the Manager. For the avoidance of doubt, such indemnity shall not apply to taxes imposed on amounts paid to the Manager as consideration for the performance of Services for the Owner. The Owner shall pay all taxes, dues or fines imposed on the Vessel or the Manager as a result of the operation of the Vessel.
- (vi) It is hereby expressly agreed that no employee or agent of the Manager (including any sub-contractor from time to time employed by the Manager and the employees of such sub-contractors) shall in any circumstances whatsoever be under any liability whatsoever to the Owner for any loss, damage or delay of whatsoever kind arising or resulting directly or indirectly from any act, neglect or default on his part while acting in the course of or in connection with his employment and, without prejudice to the generality of the foregoing provisions in this Section, every exemption, limitation, condition and liberty herein contained and every right, exemption from liability, defense and immunity of whatsoever nature applicable to the Manager or to which the Manager are entitled hereunder shall also be available and shall extend to protect every such employee or agent of the Manager acting as aforesaid.

- (vii) The Owner acknowledges that it is aware that the Manager is unable to confirm that the Vessel, her systems, equipment and machinery are free from defects, and agrees that the Manager shall not under any circumstances be liable for any losses, costs, claims, liabilities and expenses which the Owner may suffer or incur resulting from pre-existing or latent deficiencies in the Vessel, her 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 the Vessel, this Agreement shall commence from the date of this Agreement and will continue for approximately five years, unless terminated by either party hereto on not less than one hundred and twenty (120) days notice if:

- (a) in the case of the Owner, there is a Change of Control of the Manager and in the case of the Manager, if there is a Change of Control of the Owner;
- (b) the other party breaches this Agreement;
- (c) a receiver is appointed for all or substantially all of the property of the other party;
- (d) an order is made to wind-up the other party;
- (e) 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
- (f) 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 the Vessel is listed in Schedule "B" to this Agreement (the "Date of Termination") next to the Vessel's name. This Agreement shall be deemed to be terminated with respect to the Vessel in the case of the sale of the Vessel or if she 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 or Costs outstanding at the time of the sale or loss shall be paid in accordance with the provisions of this Agreement.

For the purpose of this clause:

- (i) the date upon which the Vessel is to be treated as having been sold or otherwise disposed of shall be the date on which the Owner ceases to be the legal owner of the Vessel, or the Vessel owning company, as the case may be;

- (ii) the 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 Owner 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 the Vessel. Upon termination of this Agreement, the Fee shall be adjusted with respect to the Vessel as at the effective date of termination of this Agreement, based on the Fees set forth in Schedule C and all reimbursements due to the Manager shall be immediately payable. Any overpayment shall forthwith be refunded to the Owner and any underpayment shall forthwith be paid to the Manager

Section 11. Surrender Of Books And Records. Upon termination of this Agreement, the Manager shall forthwith surrender to the Owner any and all books, records, documents and other property in the possession or control of the Manager relating to this Agreement and to the business, finance, technology, trademarks or affairs of the Owner 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. The Manager 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 Vessel. Such changes will be intimated in writing to the Owner 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 the Owner:

3 Iassonos Street

Piraeus, 18537, Greece

Attn: Director

Fax: +30 210 428 4285

If to the Manager :

3 Iassonos Street

Piraeus, 18537, Greece

Attn: Legal Representative

Fax: +30 210 4285769

Section 18. Subcontracting And Assignment. The Manager may freely sub-contract and sub-license this Agreement to any party, so long as the Manager 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. Counterparts. This Agreement may be executed in one or more signed counterparts, facsimile or otherwise, which shall together form one instrument.

SCHEDULE A

SERVICES

The Manager shall provide such of the following commercial and technical management services (the "Services") to the Owner, as the latter from time to time request and direct the Manager to provide:

- (1) Negotiating on behalf of the Owner time charters, bareboat charters, voyage charters and other employment contracts with respect to the Vessel and monitor payments thereunder;
- (2) Exercising of due diligence to:
 - (i) maintain and preserve the Vessel and her equipment in full compliance with applicable rules and regulations, including Environmental Laws, good condition, running order and repair, so that the Vessel shall be, insofar as due diligence can make her in every respect seaworthy and in good operating condition;
 - (ii) keep the Vessel in such condition as will entitle her to the highest classification and rating from the classification society chosen by the 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 the Owner 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 the Owner to deal with the media in the event of discharges of oil;

- (vi) arrange and procure for the vetting of the Vessel and the Owner or the Manager by major charterers and arranging and attending relevant inspections of the Vessel, including pre-vetting inspections, or visits at the premises of the Manager up to a maximum number of five inspection visits per year to be attended by the Manager , with additional visits to be for the account of the Owner; and
- (vii) provide copies of any vessel inspection reports, valuations, surveys or similar reports upon request.

The Manager is expressly authorized as agents for the Owner to enter into such arrangements by contract or otherwise as are required to ensure the availability of the Services outlined above. The Manager is further expressly authorized as agents for the Owner 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 the Vessel and the arranging for the purchase of certain day to day stores, supplies and parts;
- (4) Procuring and arrangement for port entrance and clearance, pilots, vessel agents, consular approvals, and other services necessary or desirable for the management and safe operation of the 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 the Vessel's business;
- (8) Arrangement and retention in full force and effect of all customary insurance pertaining to the 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 the Vessel; if requested by the Owner or charterer, making application for certificates of financial responsibility on behalf of the Vessel 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 the Owner with technical assistance in connection with any sale of the Vessel. The Manager will, if requested in writing by the Owner, comment on the terms of any proposed Memorandum of Agreement, but the Owner will remain solely responsible for agreeing on the terms of any Memorandum of Agreement regulating any sale;
- (11) Arrangement or the prompt dispatch of the 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 the Vessel; it being understood that the Owner 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 the Vessel and her Owner; it being understood that the Owner 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 the Owner 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 the Vessel Owner's or charterer's protection and indemnity insurance and the arranging for the making of disbursements accordingly for the Owner's or charterer's account; the Owner shall arrange for the provision of any necessary guarantee bond or other security;

(16) Attendance to all matters involving the Vessel's crew, including, but not limited to, the following:

- (i) arranging for the procurement and enlistment for the 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 the Owner or disponent owner and the crew members and the prompt reporting to the 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, the Owner or charterer, and rendering to the Owner or charterer any and all reports when, as and in such form as requested by the Owner or charterer;
- (vii) the performance of any other function in connection with crew members as may be requested by the Owner or charterer; and
- (viii) negotiating with unions, if required.

(17) Payment of all charges incurred in connection with the management of the Vessel, including, but not limited to, the cost of the items listed in (2) to (16) above, canal tolls, repair charges and port charges, and any amounts due to any governmental agency with respect to the Vessel crews;

(18) In such form and on such terms as may be requested by the Owner, the prompt reporting to the Owner of the Vessel's movement, position at sea, arrival and departure dates, casualties and damages received or caused by the Vessel;

(19) In case the Vessel is employed under a voyage charter, the Owner shall pay for all voyage related expenses (including bunkers, canal tolls and port dues) and the Manager shall arrange for the provision of bunker fuel of the quality agreed with the Owner as required for the Vessel's trade. The Manager shall be entitled to order bunker fuel through such brokers or suppliers as the Manager deem appropriate unless the Owner instruct the Manager to utilize a particular supplier which the Manager will be obliged to do provided that the Owner have made prior credit arrangements with such supplier. The Owner shall comply with the terms of any credit arrangements made by the Manager on their behalf;

(20) The Manager shall not in any circumstances have any liability for any bunkers which do not meet the required specification. The Manager will, however, take such action, on behalf of the Owner, against the supplier of the bunkers, as is agreed with the Owner.

(21) The Manager shall make arrangements and supervise the drydocking, repairs, alterations and maintenance of the Vessel to the standards required to ensure that she will comply with the laws of the flag and of the jurisdictions where the Vessel trades and all requirements and recommendations of the applicable Classification Society.

SCHEDULE B

VESSEL AND DATE OF TERMINATION

Vessel Name

Expected

[•]

Termination Date

[•]

SCHEDULE C

FEES AND COSTS

In consideration for the provision of the Services set out in Schedule "A" by the Manager to the Owner, the Owner shall:

- (i) pay the Manager a technical management fee equal to \$2,000 per day for technical services provided to the Owner. Such \$2,000 amount shall be subject to increase on each anniversary of the date hereof based on the total percentage increase, if any, in the Consumer Price Index over the immediately preceding twelve months of the term of this Agreement;
- (ii) reimburse the Manager for all of the reasonable direct and indirect costs, liabilities and expenses incurred by the Manager and its appointed advisors or Affiliates in providing the Services set out in Schedule "A", not covered by the fee set out in (i) above.

For the avoidance of doubt and notwithstanding anything to the contrary in this Agreement, the Manager shall not be responsible for, and the Owner shall pay:

- (i) any tax (including tonnage tax), dues or fines imposed on the Vessel or the Manager due to the operation or management of the Vessel.
- (ii) for any expenses incurred in connection with the sale of the Vessel, such as in connection with legal, inspections and technical assistance.
- (iii) for any similar costs, liabilities and expenses that were not reasonably contemplated by the Owner and the Manager as being encompassed by or a component of the Fees at the time the Fees were determined.

SETTLEMENT

Within 30 days after the end of each month, the Manager shall submit to the Owner for payment an invoice for reimbursement of all costs and expenses incurred by the Manager (the "Costs and Expenses") 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.

The Owner 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 the Manager.

ADDENDUM NO. 3

THIS AGREEMENT is made this 2nd day of April 2022 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 day of 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 2022 and the parties 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 2022 to 2nd April 2027.
2. Words defined in the IT Agreement shall have the same meaning when used in this addendum unless the context requires otherwise;
3. 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 of Capital GP L.L.C.

CAPITAL SHIP MANAGEMENT CORP.,

By: /s/ Sarantos Petropouleas

Name: Sarantos Petropouleas

Title: Director/President

AMENDED AND RESTATED JANUARY 24th, 2022

**AMENDED AND RESTATED CAPITAL PRODUCT PARTNERS L.P.
OMNIBUS INCENTIVE COMPENSATION PLAN**

SECTION 1. Purpose. The purpose of this Capital Product Partners L.P. Omnibus Incentive Compensation Plan is to promote the interests of Capital Product Partners L.P., a Marshall Islands limited partnership (the "Partnership"), and its unitholders by providing incentive compensation as a way to (a) attract and retain exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants), whether a natural Person (as defined below) or entity, to the Partnership, the General Partner (as defined below) and their Affiliates (as defined below), Capital Maritime & Trading Corp. (the "Organizational Limited Partner") and the General Partner, and (b) enable such Persons to participate in the long-term growth and financial success of the Partnership.

SECTION 2. Definitions. As used herein, the following terms shall have the meanings set forth below:

"Affiliate" means (a) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management Corp. ("Capital Ship Management"), Capital-Executive Ship Management Corp. ("C-Executive") and Capital Gas Ship Management Corp. ("Capital Gas") and (b) any entity in which the Partnership or the General Partner has a significant equity interest, in either case as determined by the Board or the General Partner.

"Award" means any award that is permitted under Section 6 and granted under the Plan.

"Award Agreement" means any written agreement, contract or other instrument or document evidencing any Award, which may, but need not, require execution or acknowledgment by a Participant.

"Award Determinations" means all necessary and appropriate determinations with respect to any Award including: (i) determination of the terms and conditions of any Awards, (ii) determination of the vesting schedules of Awards and, if certain performance conditions must be attained in order for an Award to vest or be settled or paid, establishment of such performance conditions and certification of whether, and to what extent, such performance conditions have been attained, (iii) determination of whether, to what extent and under what circumstances Awards may be settled or exercised in cash, Units, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended, (iv) determination of whether, to what extent and under what circumstances cash, Units, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Determining Party, (v) acceleration of the vesting or exercisability of, payment for or lapse of restrictions on, Awards and (vi) amendment of an outstanding Award or grant of a replacement Award for an Award previously granted under the Plan if, in its sole discretion, the Determining Party determines that (x) the tax consequences of such Award to the Partnership or the Participant differ from those consequences that were expected to occur on the date the Award was granted or (y) clarifications or interpretations of, or changes to, tax law or regulations permit Awards to be granted that have more favorable tax consequences than initially anticipated.

“Board” means the Board of Directors of the Partnership.

“Cash Incentive Award” shall have the meaning specified in Section 6(f).

“Change of Control” shall (a) have the meaning set forth in an Award Agreement or (b) if there is no definition set forth in an Award Agreement, mean, with respect to the Partnership or the General Partner (the “Applicable Person”), any of the following events: (a) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the Applicable Person’s assets to any other Person, unless immediately following such sale, lease, exchange or other transfer such assets are owned, directly or indirectly, by the Applicable Person; (b) the consolidation or merger of the Applicable Person with or into another Person pursuant to a transaction in which the outstanding Voting Securities of the Applicable Person are changed into or exchanged for cash, securities or other property, other than any such transaction where (i) the outstanding Voting Securities of the Applicable Person are changed into or exchanged for Voting Securities of the surviving Person or its parent and (ii) the holders of the Voting Securities of the Applicable Person immediately prior to such transaction own, directly or indirectly, not less than a majority of the outstanding Voting Securities of the surviving Person or its parent immediately after such transaction; and (c) a “person” or “group” (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act), other than the Organizational Limited Partner or its Affiliates (including the current owner of the General Partner and members of his family) with respect to the General Partner, being or becoming the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of more than 50% of all of the then outstanding Voting Securities of the Applicable Person, except in a merger or consolidation which would not constitute a Change of Control under clause (b) above.

“Code” means the United States Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and the regulations promulgated thereunder.

“Common Units” means “Common Units”, as defined in the Partnership Agreement.

“Conflicts Committee” means the conflicts committee of the Board.

“Determining Party” means, with respect to Awards granted to Participants other than Outside Director Participants, the General Partner, and, with respect to Awards granted to Outside Director Participants, the Board.

“Employee Participants” means all Participants other than Outside Directors.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto, and the regulations promulgated thereunder.

“Exercise Price” means (a) in the case of Options, the price specified in the applicable Award Agreement as the price-per-Unit at which Units may be purchased pursuant to such Option or (b) in the case of UARs, the price specified in the applicable Award Agreement as the reference price-per-Unit used to calculate the amount payable to the Participant.

“Fair Market Value” means (a) with respect to any property other than Units, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the General Partner and (b) with respect to the Units, as of any date, (i) the closing price of Units (A) as reported by the NASDAQ for such date or (B) if the Units are listed on any other national stock exchange, as reported on the stock exchange composite tape for securities traded on such stock exchange for such date or, with respect to each of clauses (A) and (B), if there were no sales on such date, on the closest preceding date on which there were sales of Units or (ii) in the event there shall be no public market for the Units on such date, the fair market value of the Units as determined in good faith by the General Partner.

“General Partner” means Capital GP L.L.C.

“IRS” means the United States Internal Revenue Service or any successor thereto and includes the staff thereof.

“NASDAQ” means the National Association of Securities Dealers Automated Quotations or any successor thereto.

“Option” means an option to purchase Units from the Partnership that is granted under Section 6.

“Outside Director” means any member of the Board who is not an employee of the Partnership, the General Partner or its Affiliates.

“Participant” means any director, officer, employee or consultant (including any prospective director, officer, employee or consultant), whether a natural Person or entity, of the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management, C-Executive, Capital Gas or their Affiliates who is eligible for an Award under Section 5 and who is selected by the Board or the General Partner to receive an Award under the Plan or who receives a Substitute Award pursuant to Section 4(e).

“Partnership Agreement” means the Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P., as amended from time to time.

“Performance Unit” means an Award under Section 6(e) that has a value set by the Determining Party (or that is determined by reference to a valuation formula specified by the Determining Party or to the Fair Market Value of Units), which value may be paid to the Participant by delivery of such property as the Determining Party shall determine, including without limitation, Units, cash, other securities, other Awards or other property, or any combination thereof, upon achievement of such performance goals during the relevant performance period as the Determining Party shall establish at the time of such Award or thereafter.

“Person” means any natural person, corporation, limited partnership, limited liability company, unlimited liability company, partnership, joint venture, trust, business association, governmental entity or other entity.

“Plan” means this Capital Product Partners L.P. Omnibus Incentive Compensation Plan, as in effect from time to time.

“Restricted Unit” means a Unit delivered under the Plan that is subject to certain transfer restrictions, forfeiture provisions and/or other terms and conditions specified herein and in the applicable Award Agreement.

“Retirement” means termination of employment after attainment of age 65.

“RUA” means a restricted unit Award that is designated as such in the applicable Award Agreement and that represents an unfunded and unsecured promise to deliver Units, cash, other securities, other Awards or other property in accordance with the terms of the applicable Award Agreement.

“SEC” means the United States Securities and Exchange Commission or any successor thereto and shall include the staff thereof.

“Subsidiary” means any entity in which the Partnership, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

“Substitute Awards” shall have the meaning specified in Section 4(e).

“UAR” means a unit appreciation right Award that represents an unfunded and unsecured promise to deliver Units, cash, other securities, other Awards or other property equal in value to the excess, if any, of the Fair Market Value per Unit over the Exercise Price per Unit of the UAR, subject to the terms of the applicable Award Agreement.

“Units” means the Common Units of the Partnership or such other securities of the Partnership (a) into which such units shall be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of units or other similar transaction or (b) as may be determined by the General Partner pursuant to Section 4(d).

“Voting Securities” means securities of any class of any Person entitling the holders thereof to vote in the election of members of the board of directors or other similar governing body of the Person.

SECTION 3. Administration.

(a) Authority of Board and the General Partner. The Plan shall be administered by the Board (or such committee of the Board as may be designated by the Board from time to time) and by the General Partner, including all necessary and appropriate decisions and determinations with respect thereto, in accordance with its terms. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Board and the General Partner by the Plan:

(i) the General Partner shall have sole and plenary authority to administer the Plan except to the extent such authority is expressly granted to the Board under clause (ii) below, including the authority to (A) propose the aggregate number and type of Awards which will be available from time to time for grants to Participants, (B) designate Employee Participants, (C) determine the number and type or types of Board Approved Awards (as defined below) to be granted to such Employee Participants and make all other Award Determinations with respect to Employee Participants, (D) interpret, administer, reconcile any inconsistency in, correct any default in and supply of any omission in, the Plan and any instrument or agreement relating to, or Award made under, the Plan, (E) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan and (F) make any other determination and take any other action that it deems necessary or desirable for the administration of the Plan.

(ii) the Board shall have sole and plenary authority to (A) approve the aggregate number and type of Awards which will be available from time to time for grants to Participants (the "Board Approved Awards"), (B) designate Outside Director Participants and (C) determine the number and type or types of Awards to be granted to Outside Director Participants and make all other Award Determinations with respect to Outside Director Participants.

(iii) the Conflicts Committee shall have authority to approve any matters relating to Employee Participant Awards that the General Partner, in its sole discretion, may refer to the Conflicts Committee in accordance with Section 7.16(a) of the Partnership Agreement.

(b) Decisions. Unless otherwise expressly provided in the Plan, and notwithstanding any delegation of its powers, authority or function under the Plan to a duly designated committee of the Board, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole and plenary discretion of the General Partner as set forth in the Plan, may be made at any time and shall be final, conclusive and binding upon all Persons, including the Partnership, any Affiliate, any Participant, any holder or beneficiary of any Award and any unitholder.

(c) Indemnification. No member of the Board or partner of the General Partner or employee of the Partnership, the General Partner or any of their Affiliates (each such Person, a "Covered Person") shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Covered Person shall be indemnified and held harmless by the Partnership against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Partnership's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; provided that the Partnership shall have the right, at its own expense, to assume and defend any such action, suit or proceeding, and, once the Partnership gives notice of its intent to assume the defense, the Partnership shall have sole control over such defense with counsel of the Partnership's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Partnership Agreement. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Partnership Agreement, as a matter of law, or otherwise, or any other power that the Partnership may have to indemnify such Persons or hold them harmless.

SECTION 4. Units Available for Awards; Other Limits.

(a) Units Available. Subject to adjustment as provided in Section 4(d), the aggregate number of Units that may be delivered pursuant to Awards granted under the Plan shall be 750,000 restricted units. If, after the effective date of the Plan, any Award granted under the Plan is forfeited, or otherwise expires, terminates or is canceled without the delivery of Units, then the Units covered by such forfeited, expired, terminated or canceled Award shall

again become available to be delivered pursuant to Awards under the Plan. If Units issued upon exercise, vesting or settlement of an Award, or Units owned by a Participant (which are not subject to any pledge or other security interest), are surrendered or tendered to the Partnership in payment of the Exercise Price of an Award or any taxes required to be withheld in respect of an Award, in each case, in accordance with the terms and conditions of the Plan and any applicable Award Agreement, such surrendered or tendered Units shall again become available to be delivered pursuant to Awards under the Plan.

(b) Vesting of Awards. Each Award shall be vested at such times, in such manner and subject to such terms and conditions as the Determining Party may, in its sole and plenary discretion, specify in the applicable Award Agreement or thereafter. Except as otherwise specified by the Determining Party in the Award Agreement, Awards shall become vested on the third anniversary of the date of the grant.

(c) Expiration of Awards. Except as otherwise set forth in the applicable Award Agreement and subject to Section 6(b) (v), each Award shall expire immediately, without any payment or vesting, upon either (i) the date the Participant who is holding the Award ceases to be an officer, employee or consultant of the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management, C-Executive, Capital Gas or one of their respective Affiliates for any reason other than the Participant's Retirement or death, (ii) one year after the date a Director Participant who is holding the Award ceases to be a Director by reason of such Director Participant's resignation or removal (except for cause) or non re-election as a Director (except for cause), (iii) six months after the date the Participant who is holding the Award ceases to be an officer, employee or consultant of the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management, C-Executive, Capital Gas or one of their respective Affiliates by reason of the Participant's Retirement or (iv) six months after the date the Participant who is holding the Award ceases to be an officer, employee or consultant of the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management, C-Executive, Capital Gas or one of their respective Affiliates by reason of the Participant's death.

(d) Adjustments for Changes in Capitalization and Similar Events. In the event that the General Partner determines that any dividend or other distribution (whether in the form of cash, Units, other securities or other property), recapitalization, unit split, reverse unit split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Units or other securities of the Partnership, issuance of warrants or other rights to purchase Units or other securities of the Partnership, or other similar corporate transaction or event that affects the value of the Units, then the General Partner shall (i) in such manner as it may determine equitable or desirable, adjust (A) the number of Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted, including (1) the aggregate number of Units that may be delivered pursuant to Awards granted under the Plan and (2) the maximum number of Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted to any Participant in any fiscal year of the Partnership, and (B) the terms of any outstanding Award, including (1) the number of Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (2) the Exercise Price with respect to any Award, (ii) if deemed appropriate or desirable by the General Partner, make provision for a payment (in cash, Units or other property) to the holder of an outstanding Award in consideration for the cancelation of such Award, including, in the case of an outstanding Option or UAR, a payment (in cash,

Units or other property) to the holder of such Option or UAR in consideration for the cancelation of such Option or UAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the General Partner) of the Units subject to such Option or UAR over the aggregate Exercise Price of such Option or UAR and (iii) if deemed appropriate or desirable by the General Partner, cancel and terminate any Option or UAR having a per Unit Exercise Price equal to, or in excess of, the Fair Market Value of a Unit subject to such Option or UAR without any payment or consideration therefor.

(e) Substitute Awards. Awards may, in the discretion of the General Partner, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Partnership or any of its Affiliates or a company acquired by the Partnership or any of its Affiliates or with which the Partnership or any of its Affiliates combines (“Substitute Awards”). The number of Units underlying any Substitute Awards shall not be counted against the aggregate number of Units available for Awards under the Plan.

(f) Sources of Units Deliverable Under Awards. Any Units delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Units or of treasury Units.

SECTION 5. Eligibility. Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant), whether a natural Person or entity, of the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management, C-Executive, Capital Gas or any of their Affiliates shall be eligible to be designated a Participant in respect of services performed, directly or indirectly, for the benefit of the Partnership and its Subsidiaries.

SECTION 6. Awards.

(a) Types of Awards. Awards may be made under the Plan in the form of (i) Options, (ii) UARs, (iii) Restricted Units, (iv) RUAs, (v) Performance Units, (vi) Cash Incentive Awards and (vii) other equity-based or equity-related Awards that the Determining Party determines are consistent with the purpose of the Plan and the interests of the Partnership. Awards may be granted in tandem with other Awards.

(b) Options.

(i) Grant. Subject to the provisions of the Plan, the Determining Party shall have sole and plenary authority to determine the Participants to whom Options shall be granted, the number of Units to be covered by each Option and the conditions and limitations applicable to the vesting and exercise of the Option.

(ii) Exercise Price. Except as otherwise established by the Determining Party at the time an Option is granted and set forth in the applicable Award Agreement, the Exercise Price of each Unit covered by an Option shall be not less than 100% of the Fair Market Value of such Unit (determined as of the date the Option is granted).

(iii) Vesting and Exercise. Each Option shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Determining Party may, in its sole and plenary discretion, specify in the applicable Award Agreement or thereafter. Except as otherwise specified by the Determining Party in the applicable Award Agreement, an Option may only be exercised to the extent that it has already vested pursuant

to Section 4(b) at the time of exercise. An Option shall be deemed to be exercised when written or electronic notice of such exercise has been given to the Partnership in accordance with the terms of the Award by the Person entitled to exercise the Award and full payment pursuant to Section 6(b)(iv) for the Units with respect to which the Award is exercised has been received by the Partnership. Exercise of a vested Option may be for some or all of the portion of the Option that is then exercisable and any such partial exercise shall decrease the number of Units that thereafter may be available for sale under the Option. The Determining Party may impose such conditions with respect to the exercise of Options, including, without limitation, any relating to the application of Federal or state securities laws, as it may deem necessary or advisable.

(iv) Payment. (A) No Units shall be delivered pursuant to any exercise of an Option until payment in full of the aggregate Exercise Price therefor is received by the Partnership, and the Participant has paid to the Partnership an amount equal to any income and employment taxes required to be withheld. Such payments may be made in cash (or its equivalent) or, in the Determining Party's sole and plenary discretion, (1) by exchanging Units owned by the Participant (which are not the subject of any pledge or other security interest) or (2) if there shall be a public market for the Units at such time, subject to such rules as may be established by the General Partner, through delivery of irrevocable instructions to a broker to sell the Units otherwise deliverable upon the exercise of the Option and to deliver promptly to the Partnership an amount equal to the aggregate Exercise Price, or by a combination of the foregoing; provided that the combined value of all cash and cash equivalents and the Fair Market Value of any such Units so tendered to the Partnership as of the date of such tender is at least equal to such aggregate Exercise Price and the amount of any income, employment or other taxes required to be withheld.

(B) Wherever in the Plan or any Award Agreement a Participant is permitted to pay the Exercise Price of an Option or taxes relating to the exercise of an Option by delivering Units, the Participant may, if permitted by the Determining Party, and subject to procedures satisfactory to it, in its discretion, satisfy such delivery requirement by presenting proof of beneficial ownership of such Units, in which case the Partnership shall treat the Option as exercised without further payment and shall withhold such number of Units from the Units acquired by the exercise of the Option.

(v) Expiration. Except as otherwise set forth in the applicable Award Agreement, each Option shall expire immediately, without any payment, upon the earlier of (A) the tenth anniversary of the date the Option is granted and (B) either (i) the date the Participant who is holding the Option ceases to be an officer, employee or consultant of the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management, C-Executive, Capital Gas or one of their respective Affiliates for any reason other than the Participant's retirement or death, (ii) one year after the date a Director Participant who is holding the Option ceases to be a Director by reason of such Director Participant's resignation or removal (except for cause) or non re-election as a Director (except for cause), (iii) six months after the date the Participant who is holding the Option ceases to be an officer, employee or consultant of the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management, C-Executive, Capital Gas or one of their respective Affiliates by reason of the Participant's Retirement or (iv) six months after the date the Participant who is holding the Option ceases to be an officer, employee or consultant of the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management, C-Executive, Capital Gas or one of their respective Affiliates by reason of the Participant's death. In no event may an Option be exercisable after the tenth anniversary of the date the Option is granted.

(c) UARs.

(i) Grant. Subject to the provisions of the Plan, the Determining Party shall have sole and plenary authority to determine the Participants to whom UARs shall be granted, the number of Units to be covered by each UAR, the Exercise Price thereof and the conditions and limitations applicable to the exercise thereof.

(ii) Exercise Price. Except as otherwise established by the Determining Party at the time a UAR is granted and set forth in the applicable Award Agreement, the Exercise Price of each Unit covered by a UAR shall be not less than 100% of the Fair Market Value of such Unit (determined as of the date the UAR is granted).

(iii) Exercise. A UAR shall entitle the Participant to receive an amount equal to the excess, if any, of the Fair Market Value of a Unit on the date of exercise of the UAR over the Exercise Price thereof. The Determining Party shall determine, in its sole and plenary discretion, whether a UAR shall be settled in cash, Units, other securities, other Awards, other property or a combination of any of the foregoing.

(iv) Other Terms and Conditions. Subject to the terms of the Plan and any applicable Award Agreement, the Determining Party shall determine, at or after the grant of a UAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any UAR. The Determining Party may impose such conditions or restrictions on the exercise of any UAR as it shall deem appropriate or desirable.

(d) Restricted Units and RUAs.

(i) Grant. Subject to the provisions of the Plan, the Determining Party shall have sole and plenary authority to determine the Participants to whom Restricted Units and RUAs shall be granted, the number of Restricted Units and RUAs to be granted to each Participant, the duration of the period during which, and the conditions, if any, under which, the Restricted Units and RUAs may vest or may be forfeited to the Partnership and the other terms and conditions of such Awards.

(ii) Transfer Restrictions. Restricted Units and RUAs may not be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the Plan or as may be provided in the applicable Award Agreement; provided, however, that the Determining Party may in its discretion determine that Restricted Units and RUAs may be transferred by the Participant. Certificates issued in respect of Restricted Units shall be registered in the name of the Participant and deposited by such Participant, together with a unit power endorsed in blank, with the Partnership or such other custodian as may be designated by the General Partner or the Partnership, and shall be held by the Partnership or other custodian, as applicable, until such time as the restrictions applicable to such Restricted Units lapse. Upon the lapse of the restrictions applicable to such Restricted Units, the Partnership or other custodian, as applicable, shall deliver such certificates to the Participant or the Participant's legal representative.

(iii) Payment/Lapse of Restrictions. Each RUA shall be granted with respect to one Unit or shall have a value equal to the Fair Market Value of one Unit. RUAs shall be paid in cash, Units, other securities, other Awards or other property, as determined in the sole and plenary discretion of the Determining Party, upon the lapse of restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement.

(e) Performance Units.

(i) Grant. Subject to the provisions of the Plan, the Determining Party shall have sole and plenary authority to determine the Participants to whom Performance Units shall be granted and the terms and conditions thereof.

(ii) Value of Performance Units. Each Performance Unit shall have an initial value that is established by the Determining Party at the time of grant. The Determining Party shall set, in its sole and plenary discretion, performance periods, payment formulas and performance goals (or any other terms) which, depending on the extent to which they are met, will determine the number and value of Performance Units that will be paid out to the Participant.

(iii) Earning of Performance Units. Subject to the provisions of the Plan, after the applicable performance period has ended, the holder of Performance Units shall be entitled to receive a payout of the number and value of Performance Units earned by the Participant over the performance period, to be determined by the Determining Party, in its sole and plenary discretion, as a function of the extent to which the corresponding performance goals have been achieved and the applicable payment formulas (or any other terms).

(iv) Form and Timing of Payment of Performance Units. Subject to the provisions of the Plan, the Determining Party, in its sole and plenary discretion, may pay earned Performance Units in the form of cash, Units, other securities, other Awards or other property (or in any combination thereof) that has an aggregate Fair Market Value equal to the value of the earned Performance Units at the close of the applicable performance period. Such Units may be granted subject to any restrictions in the applicable Award Agreement deemed appropriate by the Determining Party. The determination of the Determining Party with respect to the form and timing of payout of such Awards shall be set forth in the applicable Award Agreement.

(f) Cash Incentive Awards. Subject to the provisions of the Plan, the Determining Party, in its sole and plenary discretion, shall have the authority to grant Cash Incentive Awards. The Determining Party shall establish Cash Incentive Award levels to determine the amount of a Cash Incentive Award payable upon the attainment of performance goals (or any other terms) specified by the Determining Party.

(g) Other Unit-Based Awards. Subject to the provisions of the Plan, the Determining Party shall have the sole and plenary authority to grant to Participants other equity-based or equity-related Awards (including, but not limited to, fully-vested Units) in such amounts and subject to such terms and conditions as the Determining Party shall determine.

(h) Distribution Equivalents. In the sole and plenary discretion of the Determining Party, an Award, other than an Option, UAR or Cash Incentive Award, may provide the Participant with distributions or distribution equivalents, payable in cash, Units, other securities, other Awards or other property, on a current or deferred basis, on such terms and conditions as may be determined by the Determining Party in its sole and plenary discretion, including, without limitation, payment directly to the Participant, withholding of such amounts by the Partnership subject to vesting of the Award or reinvestment in additional Units, Restricted Units or other Awards.

SECTION 7. Amendment and Termination.

(a) Amendments to the Plan. Subject to any applicable law or government regulation and to the rules of the NASDAQ or any successor exchange or quotation system on which the Units may be listed or quoted, the Plan may be amended, modified or terminated by the Board and the General Partner at any time and in any manner without the approval of the unitholders of the Partnership. No modification, amendment or termination of the Plan may, without the consent of any Participant to whom any Award shall previously have been granted, materially and adversely affect the rights of such Participant (or his or her transferee) under such Award, unless otherwise provided by the Determining Party in the applicable Award Agreement.

(b) Amendments to Awards. The Determining Party may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any Award theretofor granted, prospectively or retroactively; provided, however, that, except as set forth in the Plan, unless otherwise provided by the Determining Party in the applicable Award Agreement, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the rights of any Participant or any holder or beneficiary of any Award theretofor granted shall not to that extent be effective without the consent of the impaired Participant, holder or beneficiary.

(c) Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The General Partner is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(d) or the occurrence of a Change of Control) affecting the Partnership, any Affiliate, or the financial statements of the Partnership or any Affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law (i) whenever the General Partner, in its sole and plenary discretion, determines that such adjustments are appropriate or desirable, including, without limitation, providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event, (ii) if deemed appropriate or desirable by the General Partner, in its sole and plenary discretion, by providing for a payment (in cash, Units or other property) to the holder of an Award in consideration for the cancelation of such Award, including, in the case of an outstanding Option or UAR, a payment (in cash, Units or other property) to the holder of such Option or UAR in consideration for the cancelation of such Option or UAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the General Partner) of the Units subject to such Option or UAR over the aggregate Exercise Price of such Option or UAR and (iii) if deemed appropriate or desirable by the General Partner, in its sole and plenary discretion, by canceling and terminating any Option or UAR having a per Unit Exercise Price equal to, or in excess of, the Fair Market Value of a Unit subject to such Option or UAR without any payment or consideration therefor.

SECTION 8. Change of Control. Unless otherwise provided in the applicable Award Agreement, in the event of a Change of Control after the date of the adoption of the Plan, unless provision is made in connection with the Change of Control for (a) assumption of Awards previously granted or (b) substitution for such Awards of new awards or similar entitlements covering equity interests in the successor corporation or other entity in the Change of Control with appropriate adjustments as to the number and kinds of equity interests, performance goals and the Exercise Prices, as applicable, (i) any outstanding Options or UARs then held by Participants that are unexercisable or otherwise unvested shall automatically be deemed exercisable or otherwise vested, as the case may be, as of immediately prior to such Change of Control, (ii) all Performance Units and Cash Incentive Awards shall be paid out as if the date of the Change of Control were the last day of the applicable performance period and “target” performance levels had been attained and (iii) all other outstanding Awards (i.e., other than Options, UARs, Performance Units and Cash Incentive Awards) then held by Participants that are unexercisable, unvested or still subject to restrictions or forfeiture, shall automatically be deemed exercisable and vested and all restrictions and forfeiture provisions related thereto shall lapse as of immediately prior to such Change of Control.

SECTION 9. General Provisions.

(a) Non transferability. Except as otherwise specified in the applicable Award Agreement, during the Participant’s lifetime each Award (and any rights and obligations thereunder) shall be exercisable only by the Participant, or, if permissible under applicable law, by the Participant’s legal guardian or representative, and no Award (or any rights and obligations thereunder) may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Partnership or any Affiliate; provided that (i) the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance and (ii) the Determining Party may permit further transferability, on a general or specific basis, and may impose conditions and limitations on any permitted transferability. All terms and conditions of the Plan and all Award Agreements shall be binding upon any permitted successors and assigns.

(b) No Rights to Awards. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Determining Party’s determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

(c) Unit Certificates. All certificates for Units or other securities of the Partnership or any Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Determining Party may deem advisable under the Plan, the applicable Award Agreement or the rules, regulations and other requirements of the SEC, the NASDAQ or any other stock exchange or quotation system upon which such Units or other securities are then listed or reported and any applicable laws, and the Determining Party may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(d) Withholding. A Participant may be required to pay to the Partnership or any Affiliate, and the Partnership or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant, the amount (in cash, Units, other securities, other Awards or other property) of any applicable withholding taxes in respect of an Award, its exercise or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the General Partner to satisfy all obligations for the payment of such taxes.

(e) Award Agreements. Each Award hereunder shall be evidenced by an Award Agreement, which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto, including, but not limited to, the effect on such Award of the death, disability or termination of employment or service of a Participant and the effect, if any, of such other events as may be determined by the Determining Party.

(f) No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Partnership or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted units, units and other types of equity-based awards, and such arrangements may be either generally applicable or applicable only in specific cases.

(g) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained as a director, officer, employee, service provider or consultant of or to the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management or one of their respective Affiliates, nor shall it be construed as giving a Participant any rights to continued service on the Board. Further, the Partnership, the General Partner, the Organizational Limited Partner, Capital Ship Management, C-Executive, Capital Gas or one of their respective Affiliates may at any time dismiss a Participant from employment or discontinue any consulting relationship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(h) No Rights as Unitholder. No Participant or holder or beneficiary of any Award shall have any rights as a unitholder with respect to any Units to be distributed under the Plan until he or she has become the holder of such Units. In connection with each grant of Restricted Units, except as provided in the applicable Award Agreement, the Participant shall not be entitled to the rights of a unitholder in respect of such Restricted Units. Except as otherwise provided in Section 4(d), Section 7(c) or the applicable Award Agreement, no adjustments shall be made for dividends or distributions on (whether ordinary or extraordinary, and whether in cash, Units, other securities or other property), or other events relating to, Units subject to an Award for which the record date is prior to the date such Units are delivered.

(i) Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of New York, without giving effect to the conflict of laws provisions thereof.

(j) Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the General Partner, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the General Partner, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(k) Other Laws. The General Partner may refuse to issue or transfer any Units or other consideration under an Award if, acting in its sole and plenary discretion, it determines that the issuance or transfer of such Units or such other consideration might violate any applicable law or regulation, and any payment tendered to the Partnership by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Partnership, and no such offer shall be outstanding, unless and until the General Partner in its sole and plenary discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of any applicable securities laws.

(l) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Partnership or any Affiliate, on one hand, and a Participant or any other Person, on the other hand. To the extent that any Person acquires a right to receive payments from the Partnership or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Partnership or such Affiliate.

(m) No Fractional Units. No fractional Units shall be issued or delivered pursuant to the Plan or any Award, and the General Partner shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Units or whether such fractional Units or any rights thereto shall be canceled, terminated or otherwise eliminated.

(n) Requirement of Consent and Notification of Election Under Section 83(b) of the Code or Similar Provision. No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code) or under a similar provision of law may be made unless expressly permitted by the terms of the applicable Award Agreement or by action of the Determining Party in writing prior to the making of such election. If an Award recipient, in connection with the acquisition of Units under the Plan or otherwise, is expressly permitted under the terms of the applicable Award Agreement or by such Determining Party action to make such an election and the Participant makes the election, the Participant shall notify the Partnership of such election within ten days of filing notice of the election with the IRS or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code or other applicable provision.

(o) Interpretation.

(i) Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

(ii) The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

SECTION 10. Term of the Plan.

(a) Effective Date. The Plan shall be effective as of the date of its adoption by the General Partner, with the approval of the Board.

(b) Expiration Date. No Award shall be granted under the Plan after the tenth anniversary of the date the Plan is approved under Section 10(a). Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Determining Party to amend, alter, adjust, suspend, discontinue or terminate any such Award or to waive any conditions or rights under any such Award shall, nevertheless continue thereafter.

SELLER'S CREDIT AGREEMENT

CGC OPERATING CORP.
as Seller

Capital Product Partners L.P.
as Buyer

US\$ 5,000,000.00 (United States Dollars Five Million)

This Seller's Credit Agreement (this "**Agreement**") is dated 31 August 2021 and made between

- (1) **CGC OPERATING CORP.**, a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands (the "**Seller**"); and
- (2) **Capital Product Partners L.P.**, a limited partnership incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, (the "**Buyer**").

WHEREAS

- (A) The Seller owns One Hundred (100) issued and outstanding registered shares, without par value (the "**Shares**"), of ASSOS GAS CARRIERS CORP., a Marshall Islands corporation (the "**Subsidiary**"), representing all of the issued and outstanding shares of capital stock of the Subsidiary and the Subsidiary is [the bareboat charterer] of the Maltese flagged LNG Carrier "ARISTOS I" IMO No. 9862891 (the "**Vessel**");
- (B) The Buyer has agreed to purchase 100% of the Shares of the Subsidiary and therefore the Vessel under a Share Purchase Agreement entered or to be entered between the Seller and the Buyer ("**SPA**");
- (C) The Seller and the Buyer hereby agree that the payment of an amount of **US\$ 5,000,000.00 (United States Dollars Five Million)** of the total purchase price for all Shares under the SPA shall be deferred, by way of a credit granted by the Seller to the Buyer (the "**Seller's Credit**"), with such deferred amounts to be repaid in accordance with the terms of this Agreement.

1 Purpose

This Agreement sets out the terms and conditions upon which the Seller will grant the Buyer credit in an amount equal to the Seller's Credit in connection with the purchase by the Buyer of the Vessel from the Seller.

2 Interpretation

In this Agreement, the following words and expressions shall have the meaning set opposite them below, and words importing the singular shall (unless the contrary intention appears) include the plural and vice versa:

"Seller's Credit"	an amount of US\$ 5,000,000.00 (United States Dollars Five Million) of the purchase price payable under the SPA representing a credit granted by the Seller to the Buyer, the payment of which shall be deferred in accordance with the terms of this Agreement.
"Banking Day"	a day on which banks are open for the transaction of business in the country of the currency stipulated and of the nature required by this Agreement in Greece, Germany and New York.

“Delivery Date”	the date on which the Shares are actually transferred by the Seller to the Buyer pursuant to the SPA as may be supplemented or amended from time to time.
“Event of Default”	any of the events or circumstances described in Clause 6.1.
“Security”	a mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security.

3 Drawdown and Adjustments

The Seller’s Credit shall be deemed to have been drawn by the Buyer on the Delivery Date by virtue of the commercial invoice signed between the Seller and Buyer.

4 Payment and Prepayment

- 4.1 The Buyer shall be entitled to prepay the Seller’s Credit in whole or in part at any time without penalty, by giving the Seller not less than 3 Banking Days’ irrevocable notice.
- 4.2 The Buyer shall repay the Seller’s Credit (net of any fees, taxes and charges) latest 12 months after the Delivery Date.

5 Interest

- 5.1 The Seller’s Credit amount outstanding shall bear no interest.

6 EVENTS OF DEFAULT

- 6.1 There shall be an Event of Default if
 - (a) the Buyer fails to pay any amount when due hereunder;
 - (b) the Buyer:
 - (i) is unable or admits inability to pay its debts as they fall due; or
 - (ii) is deemed to, or is declared to, be unable to pay its debts under applicable law;
 - (c) any indebtedness of the Buyer in an amount in excess of **US\$ 10,000,000 (United States Dollars Ten Million)** is not paid when due or becomes due and payable prior to the date when it would otherwise have become due or any creditor becomes entitled to declare any such indebtedness due and payable;
 - (d) The value of the assets of the Buyer is less than its liabilities (taking into account contingent, prospective or threatened claims and liabilities); or
 - (e) A moratorium is declared in respect of any indebtedness of the Buyer in excess of **US\$ 10,000,000 (United States Dollars Ten Million)**. If a moratorium occurs, the ending of the moratorium will not remedy any event of default caused by that moratorium under this Agreement.

6.2 Upon any occurrence of an Event of Default the Seller shall be entitled to declare by written notice to the Buyer that unless the Event of Default is remedied within three (3) Banking Days the Seller's Credit has become due and payable whereupon the same shall immediately or in accordance with such notice become due.

6.3 On and at any time after the occurrence of an Event of Default the Seller may take any action which, as a result of the Event of Default, the Seller is entitled to take under this Agreement, or any applicable law or regulation.

7 Miscellaneous

7.1 If at any time any provisions of this Agreement are or become illegal, invalid or unenforceable in any respect, under the law of any jurisdiction, neither the legality, validity nor enforceability of the remaining provisions (as amended or supplemented) shall in any way be affected or impaired thereby.

7.2 No delay or failure by either party in exercising any right or remedy shall be construed or take effect as a waiver or release of that right or remedy, and either party shall always be entitled to exercise all its remedies unless it shall have expressly waived them in writing.

8 Assignments

None of the parties may assign any of their rights or obligations under this Agreement without the prior written consent of the other party.

9 Notices

Except as otherwise provided for in this Agreement, all notices or other communications under or in respect of this Agreement to any party hereto shall be in writing and shall be made or given to such party at the address or e-mail address appearing below, or at such other place as such party may hereafter specify for such purpose;

(i) in the case of the Buyer:

Capital Product Partners L.P.
3 Iasonos Street
185 37 Piraeus
Greece
Facsimile: +30 210 428 4285
Att: Gerasimos Kalogiratos
Chief Executive Officer
E-mail: j.kalogiratos@capitalmaritime.com

(ii) in the case of the Seller:

CGC OPERATING CORP.
c/o Capital Gas Ship Management Corp.
3 Iasonos Street
185 37 Piraeus
Greece
Facsimile: +30 210 428 4286
Att: Spyridon Leoussis
Email: s.leoussis@capitalmaritime.com

A notice or other communication received on a non-working day or after business hours in the place of receipt shall be deemed to be served on the next following working day in such place. Subject always to the foregoing sentence, any communication by personal delivery or letter shall be deemed to be received on delivery.

All communications and documents delivered pursuant to or otherwise relating to this Agreement shall be either in English or accompanied by a certified translation into English.

10 Counterparts

This Agreement may be executed in counterparts and all such counterparts taken together shall be deemed to constitute one and the same document.

11 Third Party Rights

Unless the right of enforcement is expressly granted, 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 terms of this Agreement.

The parties may rescind or vary this Agreement without the consent of a third party to whom an express right to enforce any of its terms has been provided.

12 Law and jurisdiction

- 12.1 This Agreement and any non-contractual obligations arising out of or in connection with it 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 for the time being in force. The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms then in force. 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 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 day specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 days specified the party referring a 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 binding on both parties as if he had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of **US\$100,000 (United States Dollars One Hundred Thousand)** the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

The arbitration proceedings and awards shall be kept confidential.

IN WITNESS HEREOF the parties have duly signed and executed this Agreement on the day and year first above written.

SELLER

for and on behalf of **CGC OPERATING CORP.**

/s/ Spyridon Leoussis

Name: Spyridon Leoussis

Title: Sole Director

BUYER

for and on behalf of **Capital Product Partners L.P.**

by Capital GP L.L.C., its general partner

/s/ Gerassimos Kalogiratos

Name: Gerassimos Kalogiratos

Title: Chief Executive Officer

SELLER'S CREDIT AGREEMENT

CGC OPERATING CORP.
as Seller

Capital Product Partners L.P.
as Buyer

US\$ 5,000,000.00 (United States Dollars Five Million)

This Seller's Credit Agreement (this "**Agreement**") is dated 31 August 2021 and made between

- (1) **CGC OPERATING CORP.**, a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands (the "**Seller**"); and
- (2) **Capital Product Partners L.P.**, a limited partnership incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, (the "**Buyer**").

WHEREAS

- (A) The Seller owns One Hundred (100) issued and outstanding registered shares, without par value (the "**Shares**"), of DIAS GAS CARRIERS CORP., a Marshall Islands corporation (the "**Subsidiary**"), representing all of the issued and outstanding shares of capital stock of the Subsidiary and the Subsidiary is the bareboat charterer of the Maltese flagged LNG Carrier "ARISTARCHOS" with IMO No. 9862918 (the "**Vessel**");
- (B) The Buyer has agreed to purchase 100% of the Shares of the Subsidiary and therefore the Vessel under a Share Purchase Agreement entered or to be entered between the Seller and the Buyer ("**SPA**");
- (C) The Seller and the Buyer hereby agree that the payment of an amount of **US\$ 5,000,000.00 (United States Dollars Five Million)** of the total purchase price for all Shares under the SPA shall be deferred, by way of a credit granted by the Seller to the Buyer (the "**Seller's Credit**"), with such deferred amounts to be repaid in accordance with the terms of this Agreement.

1 Purpose

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2 Interpretation

In this Agreement, the following words and expressions shall have the meaning set opposite them below, and words importing the singular shall (unless the contrary intention appears) include the plural and vice versa:

- | | |
|-------------------|---|
| "Seller's Credit" | an amount of US\$ 5,000,000.00 (United States Dollars Five Million) of the purchase price payable under the SPA representing a credit granted by the Seller to the Buyer, the payment of which shall be deferred in accordance with the terms of this Agreement. |
| "Banking Day" | a day on which banks are open for the transaction of business in the country of the currency stipulated and of the nature required by this Agreement in Greece, Germany and New York. |

“Delivery Date”	the date on which the Shares are actually transferred by the Seller to the Buyer pursuant to the SPA as may be supplemented or amended from time to time.
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- 4.2 The Buyer shall repay the Seller’s Credit (net of any fees, taxes and charges) latest 12 months after the Delivery Date.

5 **Interest**

- 5.1 The Seller’s Credit amount outstanding shall bear no interest.

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6.1 There shall be an Event of Default if

- (a) the Buyer fails to pay any amount when due hereunder;
 - (b) the Buyer:
 - (i) is unable or admits inability to pay its debts as they fall due; or
 - (ii) is deemed to, or is declared to, be unable to pay its debts under applicable law;
 - (c) any indebtedness of the Buyer in an amount in excess of **US\$ 10,000,000 (United States Dollars Ten Million)** is not paid when due or becomes due and payable prior to the date when it would otherwise have become due or any creditor becomes entitled to declare any such indebtedness due and payable;
 - (d) The value of the assets of the Buyer is less than its liabilities (taking into account contingent, prospective or threatened claims and liabilities); or
 - (e) A moratorium is declared in respect of any indebtedness of the Buyer in excess of **US\$ 10,000,000 (United States Dollars Ten Million)**. If a moratorium occurs, the ending of the moratorium will not remedy any event of default caused by that moratorium under this Agreement.
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(i) in the case of the Buyer:

Capital Product Partners L.P.
3 Iasonos Street
185 37 Piraeus
Greece
Facsimile: +30 210 428 4285
Att: Gerasimos Kalogiratos
Chief Executive Officer
E-mail: j.kalogiratos@capitalmaritime.com

(ii) in the case of the Seller:

CGC OPERATING CORP.
c/o Capital Gas Ship Management Corp.
3 Iasonos Street
185 37 Piraeus
Greece
Facsimile: +30 210 428 4286
Att: Spyridon Leoussis
Email: s.leoussis@capitalmaritime.com

A notice or other communication received on a non-working day or after business hours in the place of receipt shall be deemed to be served on the next following working day in such place. Subject always to the foregoing sentence, any communication by personal delivery or letter shall be deemed to be received on delivery.

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In cases where neither the claim nor any counterclaim exceeds the sum of **US\$100,000 (United States Dollars One Hundred Thousand)** the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

The arbitration proceedings and awards shall be kept confidential.

IN WITNESS HEREOF the parties have duly signed and executed this Agreement on the day and year first above written.

SELLER

for and on behalf of **CGC OPERATING CORP.**

/s/ Spyridon Leoussis

Name: Spyridon Leoussis

Title: Sole Director

BUYER

for and on behalf of **Capital Product Partners L.P.**

by Capital GP L.L.C., its general partner

/s/ Gerassimos Kalogiratos

Name: Gerassimos Kalogiratos

Title: Chief Executive Officer

SUBSIDIARIES OF CAPITAL PRODUCT PARTNERS L.P.

The following companies are subsidiaries of Capital Product Partners L.P.:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Proportion of Ownership Interest</u>
Capital Product Operating L.L.C.	Marshall Islands	100%
CPLP Shipping Holdings PLC	Cyprus	100%
CPLP Gas Operating Corp.	Marshall Islands	100%
Patroklos Marine Corp.	Marshall Islands	100%
Archimidis Container Carrier Corp.	Liberia	100%
Agamemnon Container Carrier Corp.	Liberia	100%
Anax Container Carrier S.A.	Liberia	100%
Hercules Container Carrier S.A.	Liberia	100%
Iason Container Carrier S.A.	Liberia	100%
Theseas Container Carrier S.A.	Liberia	100%
Cronus Container Carrier S.A.	Liberia	100%
Dias Container Carrier S.A.	Marshall Islands	100%
Poseidon Container Carrier S.A.	Marshall Islands	100%
Atrotos Container Carrier S.A.	Liberia	100%

Deka Container Carrier S.A.	Liberia	100%
Jupiter Container Carrier S.A.	Liberia	100%
Nikitis Container Carrier S.A.	Liberia	100%
Neos Container Carriers Corp.	Marshall Islands	100%
Maistros Container Carriers Corp.	Marshall Islands	100%
Filos Container Carriers Corp.	Marshall Islands	100%
Assos Gas Carrier Corp.	Marshall Islands	100%
Dias Gas Carrier Corp.	Marshall Islands	100%
Atrotos Gas Carrier Corp.	Marshall Islands	100%
Poseidon Gas Carrier Corp.	Marshall Islands	100%
Maximus Gas Carrier Corp.	Marshall Islands	100%
Kronos Gas Carrier Corp.	Marshall Islands	100%

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gerasimos (Jerry) Kalogiratos, certify that:

1. I have reviewed this annual report on Form 20-F of Capital Product Partners L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

-
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: April 27, 2022

By: /s/ Gerasimos (Jerry) Kalogiratos

Name: Gerasimos (Jerry) Kalogiratos

Title: Chief Executive Officer

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: April 27, 2022

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, 2021 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, to his knowledge:

- (a) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 27, 2022

By: /s/ Gerasimos (Jerry) Kalogiratos
Name: Gerasimos (Jerry) Kalogiratos
Title: Chief Executive Officer

**Certification Pursuant to
18 U.S.C. Section 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 20-F of Capital Product Partners L.P., a master limited partnership organized under the laws of the Republic of the Marshall Islands (the "Company"), for the period ending December 31, 2021 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, to his knowledge:

- (a) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 27, 2022

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. 333-234318 on Form F-3 of our reports dated April 27, 2022, 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 for the year ended December 31, 2021.

/s/ Deloitte Certified Public Accountants S.A.
Athens, Greece
April 27, 2022